

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020



**Warsaw, August 2020**

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# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## 1. Highlights of Bank Pekao S.A. Group

	1 HALF 2020	1 HALF 2019	2019	2018
<b>INCOME STATEMENT – SELECTED ITEMS</b> <span style="float: right;"><i>(in PLN million)</i></span>				
Operating income <sup>(*)</sup>	4,097.8	4,020.3	8,281.7	7,830.2
Operating costs	(1,831.3)	(1,809.6)	(3,537.1)	(3,444.4)
Gross operating profit <sup>(*)</sup>	2,266.4	2,210.7	4,744.7	4,385.8
Profit before income tax	841.4	1,212.9	3,002.5	3,047.3
Net profit for the period attributable to equity holders of the Bank	546.0	824.4	2,165.0	2,287.2
<b>PROFITABILITY RATIOS</b>				
Return on average equity (ROE) - nominally	4.6%	7.2%	9.5%	10.2%
Return on average equity (ROE) - linearly adjusted for BGF charges	5.4%	8.8%	9.5%	10.2%
Return on assets (ROA)	0.5%	0.8%	1.1%	1.3%
Net interest margin	2.7%	2.9%	2.9%	2.8%
Cost / income <sup>(*)</sup>	44.7%	45.0%	42.7%	44.0%
Cost / income excluding restructuring costs <sup>(*)</sup>	41.3%	42.9%	41.7%	43.3%
Costs of risk	1.01%	0.38%	0.46%	0.36%
<b>STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS</b> <span style="float: right;"><i>(in PLN million)</i></span>				
Total assets	235,303.7	196,910.9	203,322.9	191,089.8
Customers' financing <sup>(**)</sup>	152,441.1	146,538.5	151,383.8	140,032.3
Amounts due to customers <sup>(***)</sup>	184,098.5	149,814.8	157,203.4	149,143.4
Debt securities issued and subordinated liabilities	7,797.9	8,315.5	9,072.3	7,243.3
Equity	24,678.9	22,080.9	23,398.0	22,808.2
<b>STATEMENT OF FINANCIAL POSITION STRUCTURE RATIOS</b>				
Customers' financing <sup>(**)</sup> / total assets	64.8%	74.4%	74.5%	73.3%
Securities / total assets	23.0%	17.9%	17.8%	15.0%
Deposits <sup>(****)</sup> / total assets	81.6%	80.3%	81.8%	81.8%
Customers' financing <sup>(*)</sup> / deposits <sup>(****)</sup>	79.4%	92.7%	91.0%	89.5%
Equity / total assets	10.5%	11.2%	11.5%	11.9%
Total capital ratio	18.0%	17.3%	17.1%	17.4%
<b>EMPLOYEES AND NETWORK</b>				
Total number of employees	15,730	16,613	15,678	16,714
Number of outlets	785	812	805	818
Number of ATMs	1,644	1,674	1,648	1,708

(\*) Starting from the first quarter of 2020 the Group made changes in the presentation of selected items of the income statement. The items: 'Net result on other provisions, and 'Gains (losses) on disposal of property, plant and equipment and intangible assets, are presented in the line 'Net other operating income and expenses' (and thus in operating income gross operating profit and relevant indicators). The above-mentioned changes resulted in restatement of comparable data, but without impact on the net profit for the period. In order to ensure comparability, data for the first half of 2019 and for the years 2018-2019 have been restated in comparison to those previously published.

(\*\*\*) Including net investments in financial leases to customers, non-treasury debt securities and excluding reverse repo transactions.

(\*\*\*\*) Excluding repo transactions and lease liabilities.

(\*\*\*\*) Deposits include amounts due to customers, debt securities issued and subordinated liabilities.

Note: Income statement data included in the table above and other notes to the Report on activities were presented according to income statement in a presentation form, which differs from the long form of the income statement presented in the Financial statements of the Group. Reconciliation of income statement in the presentation form and the long form is in the point 8.8 of the Report on activities.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## 2. Highlights of Bank Pekao S.A.

	1 HALF 2020	1 HALF 2019	2019	2018
<b>INCOME STATEMENT – SELECTED ITEMS</b> <span style="float: right;"><i>(in PLN million)</i></span>				
Operating income (*)	3,973.6	3,880.5	7,887.0	7,467.3
Operating costs	(1,690.6)	(1,635.1)	(3,203.6)	(3,119.0)
Gross operating profit (*)	2,283.0	2,245.4	4,683.4	4,348.4
Profit before income tax	876.8	1,273.9	3,015.8	3,020.8
Net profit	605.7	916.3	2,247.5	2,310.6
<b>PROFITABILITY RATIOS</b>				
Return on average equity (ROE) - nominally	5.3%	8.4%	10.2%	10.7%
Return on average equity (ROE) - linearly adjusted for BGF charges	6.1%	10.0%	10.2%	10.7%
Return on assets (ROA)	0.6%	1.0%	1.1%	1.3%
Net interest margin	2.8%	2.9%	2.9%	2.8%
Cost / income (*)	42.5%	42.1%	40.6%	41.7%
Cost / income excluding restructuring costs (*)	39.1%	39.9%	39.5%	41.1%
Costs of risk	1.05%	0.37%	0.43%	0.36%
<b>STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS</b> <span style="float: right;"><i>(in PLN million)</i></span>				
Total assets	227,290.7	189,574.3	194,650.0	184,347.2
Customers' financing (**)	143,612.1	138,340.1	142,146.0	133,085.1
Amounts due to customers (***)	184,905.9	150,296.6	157,750.4	149,784.4
Debt securities issued and subordinated liabilities	4,159.2	4,276.9	4,368.8	3,745.1
Equity	23,858.2	21,186.5	22,526.7	21,821.9
<b>STATEMENT OF FINANCIAL POSITION STRUCTURE RATIOS</b>				
Customers' financing (**) / total assets	63.2%	73.0%	73.0%	72.2%
Securities / total assets	23.9%	18.8%	18.6%	15.5%
Deposits (****) / total assets	83.2%	81.5%	83.3%	83.3%
Customers' financing (*) / deposits (****)	76.0%	89.5%	87.7%	86.7%
Equity / total assets	10.5%	11.2%	11.6%	11.8%
Total capital ratio	19.9%	18.8%	18.7%	18.7%
<b>EMPLOYEES AND NETWORK</b>				
Total number of employees	13,630	14,436	13,779	14,569
Total number of outlets	785	812	805	818
Number of ATMs	1,644	1,674	1,648	1,708

(\*) Starting from the first quarter of 2020 the Group made changes in the presentation of selected items of the income statement. The items: 'Net result on other provisions, and 'Gains (losses) on disposal of property, plant and equipment and intangible assets, are presented in the line 'Net other operating income and expenses' (and thus in operating income gross operating profit and relevant indicators). The above-mentioned changes resulted in restatement of comparable data, but without impact on the net profit for the period. In order to ensure comparability, data for the first half of 2019 and for the years 2018-2019 have been restated in comparison to those previously published.

(\*\*) Including debt securities eligible for rediscounting at Central Bank, non-treasury debt securities and excluding reverse repo transactions.

(\*\*\*) Excluding repo transactions and lease liabilities.

(\*\*\*\*) Deposits include amounts due to customers, debt securities issued and subordinated liabilities.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## 3. Summary of Performance

Net profit of the Bank Pekao S.A. Group attributable to the Bank's holders for the first half of 2020 amounted to PLN 546.0 million and was lower by PLN 278.4 million i.e. 33.8% y/y, mainly due to higher write-offs for impairment of financial assets, related to the COVID-19 coronavirus pandemic (about PLN 441 million impact on net profit).

Despite the COVID-19 coronavirus pandemic, the Group increased the size of its commercial activities, actively supported clients' financial liquidity and focused on further improving cost-effectiveness and protecting the portfolio:

- The Group recorded a significant increase in commercial activities, which translated into an increase in total assets by 19.5% y/y to the level of PLN 235 billion, thanks to an increase in amounts due to customers by 22.9% y/y and key credit products, including mortgage loans by 8.1% y/y and loans in the medium-sized enterprises segment by 7.4% y/y.
- The Group supported clients by making funds from government assistance programs available under the so-called "anti-crisis shield" using the instruments of the Polish Development Fund (applications for the amount of almost PLN 7 billion were approved), government guarantee programs (BGK de minimis and the Liquidity Guarantee Fund) and European guarantee programs for SMEs and micro-enterprises. Customers could suspend their repayment of loan installments for the duration of temporary liquidity problems during the pandemic. New tools and processes facilitating remote operations were implemented, and seven golden rules of safe banking were promoted.
- The Group focused on improving cost-effectiveness, security and quality of the loan portfolio. Operating costs, including the contribution and payments to the Bank Guarantee Fund (BFG), were lower by 4.4% y/y. Portfolio guarantees were actively used under the Liquidity Guarantee Fund prepared by Bank Gospodarstwa Krajowego, the risk appetite was adjusted, especially in relation to the most risky assets, while at the same time applying a very conservative approach to recognizing impairment losses on financial assets.

The Group maintained the solid capital base (TCR amounted to 18.0% as at the end of June 2020) and the safe liquidity profile reflected by net loans to deposits ratio at 79.4%. This, together with high level of capital, enables for further solid and stable development of the Group's activities.

### Main P&L items

In the first half of 2020, the Group's operating income amounted to PLN 4,097.8 million and was higher by 1.9% in comparison with the first half of 2019, mainly thanks to higher volumes, despite the negative impact of interest rate cuts.

- Net interest income in the first half of 2020, amounted to PLN 2,793.8 million and was higher by PLN 135.9 million, i.e. 5.1% compared to the first half of 2019, mainly driven by higher volumes of loans and deposits.
- The Group's net fee and commission income in the first half of 2020, amounted to PLN 1,182.2 million and was lower by PLN 54.1 million, i.e. 4.4% compared to the first half of 2019, mainly due to lower customer activity due to the pandemic, which translated into lower commissions on card operations, investment funds and loans.

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In the first half of 2020 operating costs including contributions and payments to the Bank Guarantee Fund, amounted to PLN 2,125.1 million and were lower by PLN 98.1 million, i.e. 4.4% than in the first half of 2019.

- The operating costs excluding restructuring provision amounted to PLN 1,696.6 million and were lower by 1.6% y/y, below inflation and despite the costs of investments in operational transformation and digitization and additional costs associated with the coronavirus pandemic. Nominal costs were higher by PLN 21.7 million, i.e. 1.2% compared to the costs achieved in the first half of 2019, mainly due to the cost of FTEs restructuring provision and network restructuring provision in the amount of PLN 134.7 million.
- Bank Guarantee Fund fee in the first half of 2020 amounted to PLN 293.8 million, and were lower of PLN 119.8 million as compared the first half of 2019.

The Group's net impairment losses on financial assets and off-balance sheet commitments amounted to PLN 804.9 million in the first half of 2020, and was three times higher as compared the first half of 2019, due to the creation of impairment related to the COVID-19 virus pandemic in accordance with IFRS 9.

Impairment losses for financial assets related to the COVID-19 coronavirus pandemic were created based on the forecasted deterioration of the risk parameters of the loan portfolio in the amount of ca. PLN 544 million and estimated based on macroeconomic scenarios assuming an economic recession in Poland in 2020.

Tax on certain financial institutions in the first half of 2020 amounted to PLN 326.3 million and was higher by PLN 29.0 million, i.e. 9.8% as compared the first half of 2019, due to an increase in Group's total assets by 19.5%.

## Volumes

As at the end of June 2020, loans and advances at nominal value amounted to PLN 158,304.8 million, an increase of PLN 6,744.0 million, i.e. 4.4% in comparison to the end of June 2019. The volume of retail loans grew by 5.8% y/y thanks to dynamic growth of PLN mortgage loans by 8.1% y/y. The volume of corporate loans including non-treasury debt securities grew by 3.2% y/y thanks to strong dynamics in the medium-sized enterprise segment (7,4% y/y) and significant increasing leasing receivables.

As at the end of June 2020, amounts due to the Group's customers and debt securities issued amounted to PLN 191,896.4 million, an increase of PLN 33,766.1 million, i.e. 21.4% in comparison to the end of June 2019, with volume of corporate growing by 37.5% and retail deposits growing by 13.1% y/y, systematically increasing share in the financing structure.

The value of net assets of investment funds managed by Pekao TFI S.A. amounted to PLN 17,389.2 million as at the end of June 2020, an decrease of PLN 3,013.9 million, i.e. 14.8% in comparison to the end of June 2019. The decrease occurred mainly in March and was related by a pandemic situation in the country and abroad. Most of the funds from redemptions of funds were placed in bank deposits.

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## Impact of the COVID-19 pandemic on the functioning of the Group

In March 2020, as a consequence of the World Health Organization announcement of the COVID-19 coronavirus pandemic, the state of epidemic threat was introduced in Poland, followed by the state of epidemics, which resulted in the freezing of economy in Poland and in the world. The government reacted quickly to the threat and introduced changes in the law that limited the spread of the virus as well as assistance packages for banks, enterprises and individual clients. The Monetary Policy Council (MPC) has reduced interest rates as well as the mandatory reserve requirement and capital requirements for banks.

Despite the COVID-19 pandemic, the Group actively supported clients in maintaining financial liquidity, focused on further improving cost efficiency and protecting the portfolio, as well as ensuring the operational continuity of the Bank's operations.

The Group supported clients by making funds available from government aid programs under the so-called "anti-crisis shield" using the instruments of the Polish Development Fund (acceptance of applications for the amount of over PLN 7 billion), the government guarantee program (Bank Gospodarstwa Krajowego de minimis and the Liquidity Guarantee Fund) and European guarantee programs for SMEs and micro-companies. Customers were given the opportunity to suspend loan installments during the period of temporary liquidity problems during the pandemic. New tools and processes were implemented to facilitate remote operations and the seven golden rules of safe banking were promoted. In April 2020, the Bank was the first in Poland to enable entities from the SME and corporate segment to establish relationships and open a company account completely remotely, without the need to visit an advisor.

The Bank undertook initiatives aimed at ensuring the continuity of the Bank's operations, including the possibility of remote work for employees at the headquarter and has maintained the full functionality of most branches and outlets, ensuring security for both employees and customers. Digitization of processes was accelerated and customers were encouraged to use remote communication channels. The liquidity ratios remained at a safe level with a high level of capital, which proves the Bank's preparations for crisis situations, both in operational and financial aspects.

The Bank's activities were not only focused on business activities. The Bank, as a socially responsible institution, supported hospitals in fight against epidemic-with a donation of PLN 5 million. The Bank Foundation donated 23 thousand sanitary masks for doctors, firemen and seniors. Bank employees as volunteers supported the information campaign and participated in a specially launched 24-hour helpline of the National Health Fund in the scope of providing information on the COVID-19 epidemic. Employees of the Bank and other PZU group companies organized a fundraiser for the purchase of barrier tents for hospitals, which protect both medical staff and patients against coronavirus infection. The collected funds were doubled by the Bank and transferred to selected hospitals.

The decline in economic activity in Poland translated was into a worsening of macroeconomic forecasts, a deterioration in the quality of the loan portfolio, a decline in the sale of credit products and the redemption of investment fund participation units due to the difficult situation on the financial markets. The impact of the COVID-19 pandemic on the results of the Bank and the Group will be weakened with the defrosting of the economy that began in May.

Despite the COVID-19 coronavirus pandemic, the Group increased its commercial activities, played an active role in supporting clients' financial liquidity and continued to work on its cost-effectiveness and portfolio protection.

## Strategy execution key financial ratios

Due to the impact of the COVID-19 epidemic and consequently, reduction of economic activity, which will result in an increase in cost of risk, lower demand for banking products in Poland and a decrease in interest rates - in 2020 the Bank is not able to achieve key financial indicators at the levels fixed in the Strategy. The Bank plans to review its strategic goals within the process of new strategy preparation. Despite the pandemic, the Bank continues to implement adopted strategic directions, in particular in the areas of digital transformation and digitization as well as operational efficiency and quality.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## 4. External Activity Conditions

### Epidemiological issues

The spread of SARS-CoV-2 virus which causes COVID-19 disease forced authorities to introduce a wide array of containment measures that have had serious impact on economic environment and functioning of enterprises, households and the financial sector. To limit the spread of the new coronavirus and mitigate pressure on healthcare system, schools and kindergartens were closed on 13, March 2020. In mid-March cross-border passenger travel was banned and shopping centers closed. Free movement of people and gatherings were restricted. Substantial part of services sector was virtually frozen. Additional restrictions on retail trade were introduced at the beginning of April.

The government deployed several programs aimed at limiting the negative economic impact of containment measures. The government were focused on protecting employees and consumers (state paying part of wages, additional social transfers, exemptions from social security contributions), aiding particularly impacted sectors (tourism, transport, trade) and supporting enterprises (using subsidies and credit guarantees). The so-called "financial shield" is to provide PLN 100 billion (4.5% of GDP) to enterprises and up to PLN 60 billion could be non-refundable.

Support for the real economy was accompanied by monetary and regulatory actions targeted at aiding financial sector. The most important ones include:

- National Bank of Poland (NBP) operations aimed at improving the liquidity of the sector (REPO transactions, bond purchases and others),
- reduction of the systemic risk capital buffer from 3% to 0% (aimed at freeing up capital and thus providing credit support to the economy during the crisis),
- reduction of the mandatory reserve requirement ratio from 3.5% to 0.5%,
- recommendations to retain all profits from previous years instead of paying out dividends,
- milder requirements for the credit assessment of banks required by the Financial Supervision Authority (KNF) (which is intended to provide more support for companies in financial difficulties),
- looser requirements in terms of IFRS9 (reducing the translation of a crisis situation into risk costs),
- deferred MREL requirements.

Moreover, both banks and supervisory institutions have proposed so-called "credit holidays" to help the most vulnerable borrowers by temporarily deferring instalments' payments.

On the basis of published results and current reports, we expect that the performance of banks in the first half of 2020, as well as in the whole year, will be significantly lower compared to the previous year. This will be mainly due to additional write-downs resulting from the deterioration of the macroeconomic environment and its impact on the financial situation of households and companies, as well as a drop in interest rates in Poland.

The impact of the COVID-19 pandemic on the results of the Bank and the Group will be weakened with the defrosting of the economy that began in May.

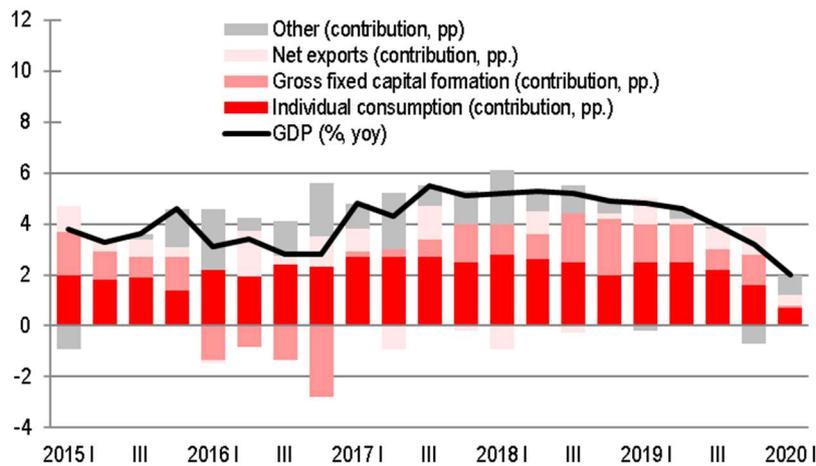
In May the authorities started gradually lifting containment measures of key importance for economic activity, while maintaining sanitary regime. Since May 4 shopping centers and hotels have been re-opened and permissions have been granted to allow access to nursery and kindergarten care. In the next stage (since May 18) sit-in restaurant services and personal care services were allowed to operate. Indoor sport activities were also permitted. The final stage (May 30 / June 6) lifted limits on the number of persons in shops and restaurants. Gyms, fitness clubs, swimming pools, theaters and cinemas were also opened. Still citizens are recommended to keep social distance and cover mouth and nose in indoor public places.

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## Economic growth

In the first quarter of 2020 economic growth moderated to 2.0% year on year as compared with 3.2% year on year increase in the fourth quarter, recording the slowest annual growth since the third quarter of 2013. Seasonally adjusted data point to GDP decline by 0.4% qoq after an increase of 0.2% qoq posted in the previous quarter. Domestic demand advanced by 1.7% year on year vs. 1.3% year on year growth in the previous quarter, while positive contribution of foreign trade to GDP amounted to 0.4 p.p. Household's consumption growth slowed to 1.8% year over year as COVID-19 epidemics containment measures started being introduced in March. Investment went up by merely 0.9% yoy amid rising uncertainty about the impact of the pandemic on domestic and global economic growth prospects.

In 2020 Poland is expected to experience the first recession since 1991 as a result of containment measures triggered by COVID-19 epidemic. Many service businesses suffered sharp deterioration in economic activity and the rebound (annual GDP growth) will only be visible at the beginning of 2021. Most likely the trough of the current business cycle took place in the second quarter of this year. The pace of recovery in the coming quarters will be dependent on how the epidemic situation develops.

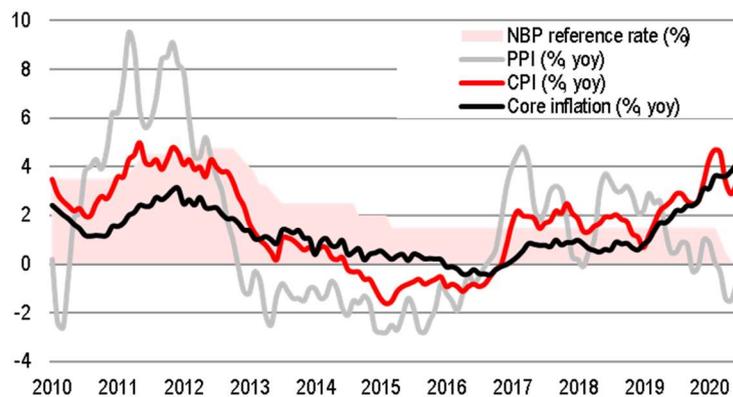


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## Inflation and monetary policy

In June 2020 CPI inflation increased to 3.3% year on year from 2.9% year on year in May, mainly on the back of higher core inflation (4.1% year on year). Pent-up demand was strong enough to allow businesses to pass costs of sanitary regime onto customers. Inflation is within the range of permissible deviations from the NBP target (2.5%, +/- 1 p.p.). In June annual price growth was mainly driven by higher prices of food and non-alcoholic beverages (5.7% year on year) and costs of house maintenance (7.5% year on year) that contributed 1.44 p.p. and 1.38 p.p. respectively to CPI growth. In the second quarter of 2020 consumer prices went up by 3.2% year on year after increasing by 4.5% year on year in the first quarter of the year.

In response to deteriorating economic outlook and the risk of recession linked to COVID-19 epidemic at the meeting on May 28 the Monetary Policy Council cut the reference rate by 0.40 b.p. to 0.10%. The central bank informed it will continue to purchase government securities and government-guaranteed debt securities on the secondary market as part of the structural operations. At the end of June 2020 the NBP reference rate stood at 0.10%, the deposit rate at 0.00% and the lombard rate at 0.50%.



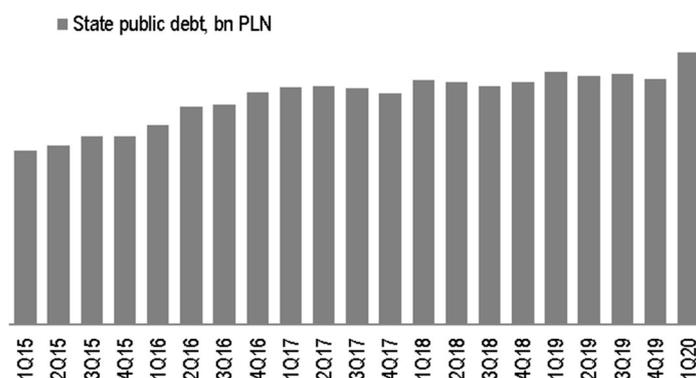
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## Fiscal policy

According to the preliminary data from the Ministry of Finance after June the state budget (cash basis) posted a PLN 17.2 billion deficit, while the budget act assumes revenues and expenditures to be balanced in 2020. Budget revenues amounted to PLN 197.4 billion and were PLN 5.2 billion higher than in the corresponding period of 2019, whereas budget expenditures totaled PLN 214.5 billion and were PLN 17.3 billion higher than in the first six months of 2019. Tax revenues fell by about PLN 14.2 billion VAT tax collections were 9.4% lower than in the first six months of 2019 and proceeds from excise duty went down by 3.4% year on year. Revenues from direct taxes also declined – corporate income tax (CIT) receipts fell by 7.4% year on year; revenues from personal income tax (PIT) were essentially unchanged year on year. Substantial increase in budget spending was to a large extent a consequence of higher subsidies to local governments, among others due to the expansion of Family 500+ child benefits scheme from July 2019. Due to budget revenue deterioration amid recession and high cost of COVID-19 pandemics combating the 2020 budget act is expected to be amended.

At the end of the first quarter of 2020 the state public debt reached PLN 1 045.5 billion and was PLN 54.5 billion higher than at the end of 2019. Domestic debt rose by PLN 28.4 billion during the quarter, while foreign debt increased by PLN 26.1 billion. In relation to GDP the state public debt went up to 45.4% from 43.6% at the end of in 2019. The general government debt reached PLN 1 103.0 billion i.e. 47.9% of GDP at the end of the first quarter of 2020.

Some expenditures linked to taming consequences of COVID19 pandemics are financed by the issuance of Bank Gospodarstwa Krajowego bonds (COVID-19 combating fund) and Polish Development Fund (financial shield for enterprises). So far the BGK and the PDF issued state-guaranteed bonds worth PLN 123 billion.

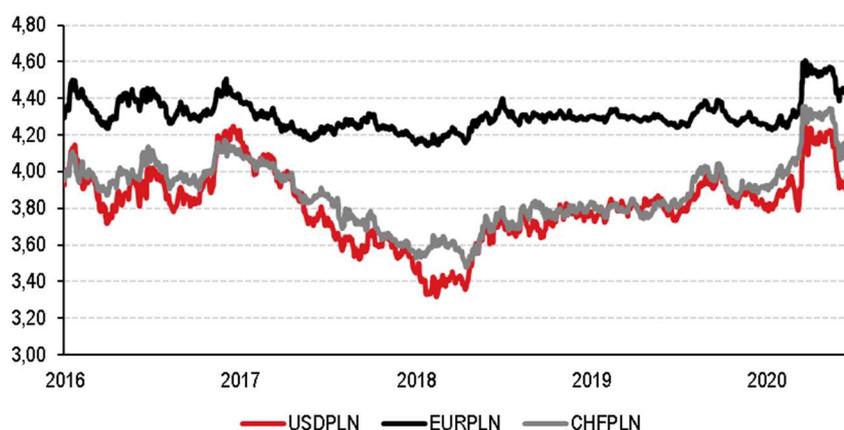


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## The exchange rate

Second quarter of 2020 brought relief to markets as well and then, a large dose of optimism. Following the large, coordinated intervention by central banks and governments in March 2020, market focus has shifted towards monitoring the economic effects of the lockdown and then towards the incipient economic recovery which started in mid-April in all major developed economies. Better economic growth prospects amid ultra-low interest rates, stripped the US dollar of its crisis-related advantages vis-à-vis other major currencies. Its role of a safe have is no longer needed and, in addition, has become a carry trade funding currency. In addition, several news items have been positive for the euro, with the new budgetary proposals (large-scale expansion of EU budget financed by common bond issuance) being the most important one. All this contributed to strengthening of the euro against the US dollar, from 1.08 in early April until 1.12-1.14 in June. Against other G7 currency the dollar has weakened in similar scale. In the coming months higher EUR/USD readings will be facilitated by positive information from the European economies, where the epidemic is (especially compared to the US) in retreat and resumption of economic activity is proceeding smoothly.

The increase in optimism on global markets influenced the PLN. In April and in the first half of May EUR/PLN remained confined in a tight range (4.50-4.58). In the second half of May further improvement in global growth prospects was accompanied by higher optimism towards the Polish economy, and PLN assets began to be preferred among the broad EM asset class. This led to strong PLN appreciation, which was halted only by fears of NBP intervention (which would aim to reduce volatility and prevent further appreciation). Eventually, EUR/PLN settled in the 4.40-4.48 range and there was no directional move in June at all. In the short term the PLN remained susceptible to changes in sentiment on global markets. Other PLN currency pairs behaved like crosses and were fully determined by events on EUR/PLN and euro appreciation. As a result, CHF/PLN fell from 4.30-4.35 in April to 4.08 in late May and rose to 4.20 at the end of June. Against the US dollar, the PLN strengthened at first (from 4.15-4.20 in April to 3.90-92 at the turn of May and June) and then depreciated a bit to 3.95-3.98.



# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## Banking sector

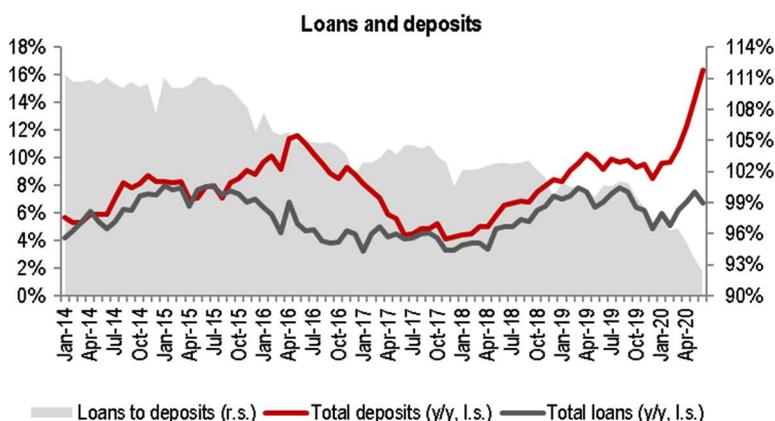
According to the KNF data, in the period of January-May 2020 net profit of the banking sector amounted to PLN 3.4 billion and fell by 42% in comparison to the corresponding period of 2019. This significant drop was mainly due to unfavorable macroeconomic environment caused by COVID-19 pandemic and particularly its impact on risk costs of the sector.

Total net operating income of banks in the period described above decreased by 2.7% year on year. Although two key components – net interest income and net fees and commission income – continued to grow (by 3.4% y/y and 7.7% y/y, respectively), other income lines were almost halved (especially dividends). Operating costs (together with depreciation and amortization) remained relatively stable (-0.2% y/y). However, the costs of risk increased by as much as 49% year on year.

At the end of May 2020 total assets of the banking sector amounted to PLN 2,254 billion and increased by 15.2% year on year compared to the end of May 2019. Total receivables from the non-financial sector increased by 3.5% year on year and total deposits from this sector increased by 14.9% year on year.

According to the NBP, at the end of June 2020 the nominal volume of loans to households increased by 4.4% year on year compared to the year before. The pace was slightly weaker vs. end of 2019 (6.0% y/y). In terms of enterprises the growth had slowed down considerably over the past year and after June amounted to -0.6% y/y (below at the end of 2019).

The growth rate of deposits has further accelerated from already high levels. Such a situation was mainly influenced by the inflow of funds paid out to companies under the so-called anti-crisis shield, and additionally by the effect of savings' accumulation in anticipation of worsening environment. After June 2020 the pace reached 12.1% y/y in case of households (9.5% y/y at the end of 2019), while in case of enterprises +30.1% y/y (vs. +10.0% y/y at the end of 2019).



# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## 5. Internal Factors

### 5.1 Description of the Group

The composition of Bank Pekao S.A. Group is presented in the Notes to the Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the first half of 2020.

### 5.2 Changes in the Group's structure

#### **Change of the name of the Bank's subsidiary**

On the 17th of January 2020 the Registry Court entered into the Register of Entrepreneurs of the National Court Register the change to the founding act of Centrum Bankowości Bezpośredniej Sp. z o.o., resulting from the resolution of the Extraordinary General Meeting of Shareholders adopted on the 19th of December 2019, concerning the change of the company's name, which currently is Pekao Direct Sp. z o.o.

#### **Acquisition of the organised part of the enterprise of the Pekao Investment Banking S.A.**

On the 1st of June 2020, the last stage of the process was completed, which was aimed at integration of the brokerage activities within the Bank Pekao S.A. Group. As a result, the Bank Pekao S.A. acquired the organized part of the enterprise of the Pekao Investment Banking S.A. related to the provision of certain brokerage services. During the process, part of the team of the Pekao Investment Banking S.A. joined the structures of the Bank's organizational unit - Biuro Maklerskie Pekao (Pekao Brokerage House). The remaining activity related to offering investment banking services remains with the Company.

### 5.3 Changes in the Statutory Bodies of the Bank

#### **Changes in the Supervisory Board**

On 15 April 2020 Mr. Paweł Surówka resigned from the position of the Chairman of the Supervisory Board of the Bank and from the composition of the Supervisory Board of the Bank, with the effect from 20 April 2020. As the reason for the resignation, Mr. Paweł Surówka indicated his earlier resignation from the position of the President of the Management Board of Powszechny Zakład Ubezpieczeń S.A., the strategic shareholder of the Bank.

On 21 April 2020 the Supervisory Board of the Bank appointed, effective as of the date of adoption of a resolution, Mr. Grzegorz Janas, member of the Supervisory Board of the Bank, to the function of the Chairman of the Supervisory Board of the Bank during the current joint term of office.

On 19 May 2020 all members of the Supervisory Board of the Bank of the joint term of office ending in 2020, i.e. Chairman of the Supervisory Board Mr. Grzegorz Janas, Vice-Chairmen of the Supervisory Board Mrs. Joanna Dynysiuk and Mr. Stanisław Ryszard Kaczoruk, Secretary of the Supervisory Board Mr. Paweł Stopczyński, as well as members of the Supervisory Board Mrs. Sabina Bigos-Jaworowska, Mrs. Justyna Głębiowska-Michalak, Mr. Michał Kaszyński and Mr. Marian Majcher, resigned from their positions in the Supervisory Board of the Bank and from the mandates in the Supervisory Board of the Bank of the joint term of office ending in 2020, with the effect from the day of the Ordinary General Meeting of the Bank for the financial year 2019. The resignations were submitted for prudential reasons, i.e. due to doubts expressed in jurisprudence and court rulings regarding the counting of the mandate and term of office of a member of the supervisory board, in particular the understanding of "last full year of service".

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

The Ordinary General Meeting of the Bank on 22 May 2020, taking into account the assessment of compliance with suitability requirements, appointed the members of the Supervisory Board of the Bank for a new joint term of three years, beginning on 23 May 2020. The following persons were appointed to the Supervisory Board of the Bank:

- Mrs. Beata Kozłowska-Chyła – member of the Supervisory Board,
- Mrs. Małgorzata Sadurska – member of the Supervisory Board,
- Mr. Marcin Eckert – member of the Supervisory Board,
- Mrs. Sabina Bigos-Jaworowska – member of the Supervisory Board,
- Mr. Michał Kaszyński – member of the Supervisory Board,
- Mrs. Joanna Dynysiuk – member of the Supervisory Board,
- Mr. Marian Majcher – member of the Supervisory Board,
- Mr. Stanisław Ryszard Kaczoruk – member of the Supervisory Board,
- Mrs. Justyna Głębiowska-Michalak – member of the Supervisory Board.

According to the submitted statements none of the members of the Supervisory Board of the Bank conduct any business competitive to that of the Bank and none of the members is involved in a competitive business as a shareholder or partner in a civil law company, a partnership or a corporation or a member of a corporate body of a legal person. According to the submitted statements none of the members of the Supervisory Board of the Bank is registered in the Register of Insolvent Debtors kept pursuant to the provisions of the KRS (National Court Register) Act of 20 August 1997.

On the meeting held on 29 May 2020, the Supervisory Board of the Bank appointed:

- Mrs. Beata Kozłowska-Chyła as the Chairwoman of the Supervisory Board of the Bank,
- Mrs. Joanna Dynysiuk as the Deputy Chairwoman of the Supervisory Board of the Bank,
- Mr. Marcin Eckert as the Deputy Chairman of the Supervisory Board of the Bank,
- Mr. Stanisław Ryszard Kaczoruk as the Secretary of the Supervisory Board of the Bank.

The abovementioned appointments are effective on 29 May 2020 and took place for the period of the current joint three-year term of office of the Supervisory Board of the Bank, commenced on 23 May 2020.

## Supervisory Board

The composition of the Supervisory Board of Bank Pekao S.A. has as follows:

AS AT THE DATE OF SUBMITTING THE REPORT FOR THE FIRST HALF OF 2020	30 JUNE 2020	AS AT THE DATE OF SUBMITTING THE REPORT FOR THE FIRST QUARTER OF 2020
Beata Kozłowska-Chyła Chairman of the Supervisory Board	Beata Kozłowska- Chyła Chairman of the Supervisory Board	Grzegorz Janas Chairman of the Supervisory Board
Joanna Dynysiuk Deputy Chairman of the Supervisory Board	Joanna Dynysiuk Deputy Chairman of the Supervisory Board	Joanna Dynysiuk Deputy Chairman of the Supervisory Board
Marcin Eckert Deputy Chairman of the Supervisory Board	Marcin Eckert Deputy Chairman of the Supervisory Board	Stanisław Ryszard Kaczoruk Deputy Chairman of the Supervisory Board
Stanisław Ryszard Kaczoruk Secretary of the Supervisory Board	Stanisław Ryszard Kaczoruk Secretary of the Supervisory Board	Paweł Stopczyński Secretary of the Supervisory Board
Sabina Bigos-Jaworowska Member of the Supervisory Board	Sabina Bigos-Jaworowska Member of the Supervisory Board	Sabina Bigos-Jaworowska Member of the Supervisory Board
Justyna Głębiowska-Michalak Member of the Supervisory Board	Justyna Głębiowska-Michalak Member of the Supervisory Board	Justyna Głębiowska-Michalak Member of the Supervisory Board
Michał Kaszyński Member of the Supervisory Board	Michał Kaszyński Member of the Supervisory Board	Michał Kaszyński Member of the Supervisory Board
Marian Majcher Member of the Supervisory Board	Marian Majcher Member of the Supervisory Board	Marian Majcher Member of the Supervisory Board
Małgorzata Sadurska Member of the Supervisory Board	Małgorzata Sadurska Member of the Supervisory Board	

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## **Changes in the Bank's Management Board**

On 4 February 2020, the Supervisory Board of the Bank, after assessing suitability, appointed Mr. Jarosław Fuchs to the Management Board of the Bank for the current joint term of office as the Vice President of the Management Board of the Bank, with the effect from 15 February 2020.

On 14 April 2020, the Supervisory Board of the Bank, after assessing suitability, appointed Mr. Leszek Skiba to the Management Board of the Bank for the current joint term of office as the Vice President of the Management Board of the Bank, with the effect from 20 April 2020 and appointed Mr. Grzegorz Olszewski, who currently holds the position of the Member of the Management Board of the Bank, for the position of the Vice President of the Management Board of the Bank, effective from 15 April 2020.

In addition, on 21 April 2020, Mr. Marcin Gadomski resigned from the function of the Vice President of the Management Board of the Bank and from the composition of the Management Board of the Bank.

On 21 April 2020 Mr. Marek Lusztyń resigned, in an agreement with the Supervisory Board of the Bank, from the position of the President of the Management Board of the Bank, without resigning from the composition of the Management Board of the Bank. In the resignation there were no reasons for its submission. Simultaneously, the Supervisory Board of the Bank, after assessing suitability, entrusted Mr. Marek Lusztyń with the function of the Vice President of the Management Board of the Bank and, subject to obtaining the consent of the Polish Financial Supervision Authority and upon obtaining such consent, entrusted Mr. Marek Lusztyń with the function of the Vice President of the Management Board of the Bank supervising the management of material risk in the Bank's operations.

On 21 April 2020, the Supervisory Board of the Bank, after assessing suitability, appointed, effectively from 22 April 2020, Mr. Leszek Skiba, the current Vice President of the Management Board of the Bank, as the President of the Management Board of the Bank for the current joint term of office, subject to obtaining the consent of the Polish Financial Supervision Authority and upon obtaining such consent. Until the above condition is met, on which the appointment of Mr. Leszek Skiba as the President of the Management Board of the Bank depends, the Supervisory Board of the Bank entrusted him with managing the work of the Management Board of the Bank.

On 21 April 2020, the Supervisory Board of the Bank, after assessing suitability, appointed Mr. Krzysztof Kozłowski to the Management Board of the Bank for the current joint term of office as the Vice President of the Management Board of the Bank, effectively from 22 April 2020.

According to the submitted statement Mr. Jarosław Fuchs did not conduct any business competitive to that of the Bank and he was not involved in a competitive of a legal person. Mr. Jarosław Fuchs was not registered in the Register of Insolvent Debtors kept pursuant to the provisions of the KRS Act of 20 August 1997

According to the submitted statement Mr. Leszek Skiba did not conduct any business competitive to that of the Bank and he was not involved in a competitive business as a shareholder or partner in a civil law company, a partnership or a corporation or a member of a corporate body of a legal person. Mr. Leszek Skiba was not registered in the Register of Insolvent Debtors kept pursuant to the provisions of the KRS Act of 20 August 1997.

According to the submitted statement Mr. Grzegorz Olszewski did not conduct any business competitive to that of the Bank and he was not involved in a competitive business as a shareholder or partner in a civil law company, a partnership or a corporation or a member of a corporate body of a legal person. According to the submitted statement Mr. Grzegorz Olszewski was not registered in the Register of Insolvent Debtors kept pursuant to the provisions of the KRS Act of 20 August 1997.

According to the submitted statement Mr. Marek Lusztyń did not conduct any business competitive to that of the Bank and he was not involved in a competitive business as a shareholder or partner in a civil law company, a partnership or a corporation or a member of a corporate body of a legal person. Mr. Marek Lusztyń was not registered in the Register of Insolvent Debtors kept pursuant to the provisions of the KRS Act of 20 August 1997.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

According to the submitted statement Mr. Krzysztof Kozłowski does not conduct any business competitive to that of the Bank and he is not involved in a competitive of a legal person. Mr. Krzysztof Kozłowski was not registered in the Register of Insolvent Debtors kept pursuant to the provisions of the KRS Act of 20 August 1997.

On 1 June 2020 Mr. Marek Lusztyn resigned with the effect at a future date, i.e. on 30 June 2020 from the position of the Vice-President of the Management Board of the Bank supervising the activities of the Risks Management Division as well as from the composition of the Management Board of the Bank.

Taking into consideration continuity of decision making, and in line with good practices, Mr. Marek Lusztyn resigned with the effect at a future date, i.e. on 30 June 2020, in order to enable the Supervisory Board of the Bank to make a selection for the abovementioned position. The resignation did not contain the reasons for its submission.

On 16 June 2020 the Supervisory Board of the Bank, after assessing suitability, appointed Mr. Marcin Gadomski to the Management Board of the Bank for the current joint term of office as the Vice President of the Management Board of the Bank with the effect from 1 July 2020. Additionally the Supervisory Board of the Bank, subject to obtaining the consent of the Polish Financial Supervision Authority and upon obtaining such consent, entrusted Mr. Marcin Gadomski with the function of the Vice President of the Management Board of the Bank supervising the management of material risk in the Bank's operations.

According to the submitted statement Mr. Marcin Gadomski does not conduct any business competitive to that of the Bank and he is not involved in a competitive business as a shareholder or partner in a civil law company or partnership or a member of a corporate body of a competitive corporation or legal person. Mr. Marcin Gadomski is not registered in the Register of Insolvent Debtors kept pursuant to the provisions of the KRS Act of 20 August 1997.

## Management Board of the Bank

The composition of the Management Board of Bank Pekao S.A. has as follows:

AS AT THE DATE OF SUBMITTING THE REPORT FOR THE FIRST HALF OF 2020	30 JUNE 2020	AS AT THE DATE OF SUBMITTING THE REPORT FOR THE FIRST QUARTER OF 2020
Leszek Skiba Vice President of the Management Board managing the work of the Bank's Management Board	Leszek Skiba Vice President of the Management Board managing the work of the Bank's Management Board	Leszek Skiba Vice President of the Management Board managing the work of the Bank's Management Board
Jarosław Fuchs Vice President of the Management Board	Jarosław Fuchs Vice President of the Management Board	Jarosław Fuchs Vice President of the Management Board
Marcin Gadomski Vice President of the Management Board	Krzysztof Kozłowski Vice President of the Management Board	Krzysztof Kozłowski Vice President of the Management Board
Krzysztof Kozłowski Vice President of the Management Board	Tomasz Kubiak Vice President of the Management Board	Tomasz Kubiak Vice President of the Management Board
Tomasz Kubiak Vice President of the Management Board	Marek Lusztyn Vice President of the Management Board	Marek Lusztyn Vice President of the Management Board
Grzegorz Olszewski Vice President of the Management Board	Grzegorz Olszewski Vice President of the Management Board	Grzegorz Olszewski Vice President of the Management Board
Tomasz Styczyński Vice President of the Management Board	Tomasz Styczyński Vice President of the Management Board	Tomasz Styczyński Vice President of the Management Board
Marek Tomczuk Vice President of the Management Board	Marek Tomczuk Vice President of the Management Board	Marek Tomczuk Vice President of the Management Board
Magdalena Zmitrowicz Vice President of the Management Board	Magdalena Zmitrowicz Vice President of the Management Board	Magdalena Zmitrowicz Vice President of the Management Board

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

The Management Board of Bank Pekao S.A. is composed of nine members. Members of the Management Board are appointed by the Supervisory Board for a joint three-year term of office. The Management Board ensures that the management system at the Bank is transparent and effective and runs the Bank's affairs in compliance with applicable laws and Best Practices. The core values underlying the management of the Bank are professionalism, reliability and confidentiality.



**LESZEK SKIBA**  
Vice President of the Management Board managing work of the Management Board

From April 2020, Leszek Skiba is Vice President of the Management Board managing work of the Management Board.

In 2015, he was appointed Undersecretary of State in the Ministry of Finance, where he was responsible for the supervision over macroeconomic policy and tax legislation. He was also supporting legislative works connected with financial and capital markets, and prepared general outline of the budget system reform. Between March 2019 and April 2020 he served as the President of the Council of the Bank Guarantee Fund.

Between 2009 and 2015 Leszek Skiba worked at the National Bank of Poland, at the Economic Institute, where he worked on NBP's report devoted to the consequences of Poland's membership of the euro area and prepared analyses of the euro area economy. Since 2009, Leszek Skiba has been running public non-profit activities as the President of the Council and expert of the Sobieski Institute.

Leszek Skiba is a graduate of master's degree studies at the Warsaw School of Economics, in the faculty of International Economic and Political Relations. He's the author of numerous publications in the field of his professional work and public activities.

Leszek Skiba fulfills suitability requirements determined in art. 22aa of Banking Law Act.



**JAROSŁAW FUCHS**  
Vice President of the Management Board supervising the Private Banking and Investment Products Division

Jarosław Fuchs received his Master degree with honors in Marketing and Management, in the Faculty of Management of AGH University of Science and Technology in Cracow, as well as he graduated from Banking and Finance studies in Cracow University of Economics.

He started his career in 1994, initially in Big Bank S.A. and AGH University of Science and Technology in Cracow, where he acted as a teaching assistant in Management Faculty. From 1996 to 1997, he worked for Raiffeisen Centrobank S.A. Branch in Cracow, where he was responsible for building relationships with corporate customers. From September 1997, Jarosław Fuchs worked for Societe Generale Warsaw Branch as a Senior Marketing Specialist in the Trade Office in Cracow. In October 2000, he moved to Fortis Bank Polska S.A., as a Senior Customer Advisor in Medium and Large Enterprises Center.

From March 2003, Jarosław Fuchs worked for Bank Millennium S.A. in the position of the Senior Expert and, subsequently – Director of Małopolskie Customer Cooperation Center (Medium and Large Enterprises). From August 2004, he was associated with Bank BPH S.A. in Cracow and next, from December 2007 with Bank Pekao S.A. in managerial positions responsible for corporate customer relations. From March 2011, Jarosław Fuchs was responsible for management of Private Banking Relationship Managers Team as a Regional Sales Office Director in Cracow. At the same time, from 2013, Jarosław Fuchs was working for Pekao Central Brokerage House as a Director in the Region in Strategic Customers Office, where he was responsible for investment product distribution for strategic customers.

Jarosław Fuchs fulfills suitability requirements determined in art. 22aa of Banking Law Act.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020



**MARCIN GADOMSKI**  
Vice President of the Management Board supervising the Risk Management Division

Marcin Gadomski graduated from the Warsaw School of Economics, majoring in Finance and Banking. He was also a scholarship holder studying at the University of Kiel (Germany) and completed doctoral studies at the Warsaw School of Economics. He passed a number of professional certification exams, including: Financial Risk Manager (FRM), Association of Chartered Certified Accountants (ACCA), Project Management Professional (PMP). He participated in the Leadership Development Program run by The John Maxwell Team as well as the Deloitte Leadership Program.

Marcin Gadomski began his professional career at the consulting company Ernst & Young (now EY) in 2002, where he conducted projects in the area of risk, finance and internal audit in financial institutions and non-financial enterprises. During this period, for several years he supported the Pekao Group in implementing among others requirements of IAS 39, Basel II and solutions regarding capital management as well as assets and liabilities management. Then he continued his career with Deloitte Advisory, first in 2008-2012 as a Senior Manager, and, after a break, in 2016-2018 as a Director. As part of Deloitte Advisory, Marcin Gadomski provided solutions for the largest financial institutions in Poland and abroad (banks, insurers, leasing companies, brokerage houses), among others in the field of credit policy, risk models, improving the credit process for retail and corporate clients, market and liquidity risk management, regulatory requirements (e.g. IFRS 9, the PFSA recommendations, regulations regarding capital requirements, liquidity, information or reporting obligations), due diligences for takeover purposes.

In the years 2012 - 2016 Marcin Gadomski was the Director of Retail Credit Risk Unit at Bank Millennium. He was responsible for credit risk strategy, risk appetite, credit policy, credit assessment models, credit decision engines, risk reporting, credit product profitability assessment and credit process support for such business lines as unsecured consumer loans, mortgage loans and small business.

From August 2018 to November 2019 Marcin Gadomski was a Member of the Management Board of Pekao Bank Hipoteczny S.A., where on 20 November 2018 he obtained the consent of the Polish Financial Supervision Authority to entrust him the function of the Member of the Management Board supervising the management of material risks in the bank's operations. Between 29 November 2019 and 21 April 2020 Marcin Gadomski held position of the Vice President of the Management Board of Bank Pekao S.A. responsible for Risks Management Division. Later he was Credit Risk Director there.

Marcin Gadomski meets suitability requirements determined in art. 22aa of the Banking Law Act.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020



**Krzysztof Kozłowski**  
Vice President of the  
Management Board

Krzysztof Kozłowski has a Ph.D. degree awarded in 2010 at the Faculty of Law and Administration of the Jagiellonian University. Since 2011, an associate professor at the Department of Constitutional Law at the Faculty of Law and Administration of the Jagiellonian University. Author of several of scientific publications, as well as a participant of foreign stays, internships and scientific programs. In 2013, entered on the list of advocates (as a non-practicing advocate). He also passed the judge exam.

In the years 2013–2015 an assistant to a justice of the Constitutional Tribunal. In the years 2013–2015, he was a representative–substitute in the Group of Independent Experts of the European Local Government Charter of the Council of Europe in Strasbourg.

From April 2015 to December 2015 he was a member of the Supervisory Board of Tomaszowski Towarzystwo Budownictwa Społecznego sp.z o.o. From December 2015 to September 2016, Undersecretary of State in the Ministry of Maritime Economy and Inland Navigation. From September 2016 to January 2018 he was the West Pomeranian Voivode. In the period from January 2018 to April 2020, he was the Secretary of State in the Ministry of the Interior and Administration.

Krzysztof Kozłowski fulfills suitability requirements determined in art. 22aa of Banking Law Act.



**TOMASZ KUBIAK**  
Vice President of the  
Management Board  
supervising the  
Financial Division

Tomasz Kubiak, since 2001 has been professionally associated with Bank Pekao S.A. In addition, since 2018 he has been the Chairman of the Supervisory Board of Pekao Bank Hipoteczny S.A., where in 2011 - 2015 he was a Member of the Supervisory Board, whereas from 2017 he has been a Member of the Supervisory Board of Pekao Investment Banking and the Supervisory Board of Pekao Investment Management.

He started his career in Finance Division in controlling area. In last years, he held the position of Managing Director of the Department of Capital Allocation and Asset and Liability Management, responsible for managing the balance sheet, liquidity and capital of the Bank.

He graduated of the Warsaw University of Technology, Faculty of Technical Physics and Applied Mathematics. He holds CFA and PRM (Professional Risk Manager) certificates, he was honored by Award of Merit by the international PRMIA organization, associating risk managers.

Tomasz Kubiak meets suitability requirements determined in art. 22aa of the Banking Law Act.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020



**GRZEGORZ  
OLSZEWSKI**

Vice President of the Management Board, supervising the Technology and Operations Division

Grzegorz Olszewski was appointed a Member of the Management Board in April 2019. As the Member of the Management Board, he was initially responsible for managing investment and insurance products. He is currently serving as Vice President of the Management Board supervising the Technology and Operations Division, and being responsible for robotization and automation of banking operations. He's also the Chairman of the Supervisory Board of Pekao Financial Services and Pekao Investment Management.

He joined Bank Pekao from the PZU Group, where from October 2017 he was the director of Investment Products Sales Office and where he supervised the process of launching the first sales platform for passive investment funds in Poland. From April 2019, he supervised Investment and Insurance Products Management Division.

He started his career in the financial sector in 2008 at Bank Millennium. From 2010, he worked in sales, and after that supported the implementation of new solutions in the area of investment funds, treasury products and the Forex market in Alior Bank. In Alior Brokerage House he acted as the director of Sales of Investment Products. From there, he moved to AgioFunds TFI SA, where he took the position of Director of Sales and Marketing Department.

Grzegorz Olszewski is a graduate of High School of Management (currently the Vistula Academy of Finance and Business in Warsaw) in the Faculty of Finance Management and holds Bachelor of Arts (B.A.) degree in Finance at the Oxford Brookes University.

Grzegorz Olszewski fulfills suitability requirements determined in art. 22aa of Banking Law Act.



**TOMASZ  
STYCZYŃSKI**

Vice President of the Management Board supervising the Corporate Banking Division

Tomasz Styczyński, Vice President of the Management Board of Bank Pekao SA, since December 2018 supervising the Corporate Banking and MIB Division. From July 2017 to December 2018, he managed SME Banking Division at Bank Pekao S.A.

He started his professional career in 2001 in Bank Handlowy w Warszawie S.A. in Corporate Banking Division. He was the Director of Corporate Banking responsible for managing the sales structures. He was also the Director of Relations with Customers in Large Corporate Department and Director of Corporate Banking Development and Acquisition Department. He also worked in the European structures of the Citigroup Bank as a Director in the Management Development Program for CEEMEA. He is the Chairman of the Supervisory Board of Pekao Leasing, the Supervisory Board of Pekao Faktoring and the Supervisory Board of Pekao Investment Banking. In 2016-2017, he was a member of the Supervisory Board of Globe Trade Center.

He graduated from the Faculty of Finance and Banking and the Faculty of Management and Marketing of the Cracow University of Economics. He participated in a number of domestic and foreign trainings in management, banking and finance.

Tomasz Styczyński meets suitability requirements determined in art. 22aa of the Banking Law Act.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020



**MAREK TOMCZUK**  
Vice President of  
Management Board  
supervising the Retail  
Banking Division

Marek Tomczuk started his 20-year career in the banking sector at Bank Handlowy w Warszawie S.A. (Citigroup). Currently, as the Vice President of the Management Board of Bank Pekao S.A. oversees the Retail Banking Division. During several years he was holding managerial positions at Kredyt Bank S.A. (KBC Group), Bank Zachodni WBK S.A. (Santander Group) and Raiffeisen Bank Polska S.A. (Raiffeisen Bank International AG Group).

He is a Chairman of the Supervisory Board of Biuro Informacji Kredytowej S.A. and a member of the Supervisory Board of Pekao Bank Hipoteczny S.A.

Marek Tomczuk graduated from the Department of Economics and International Relations of Cracow University of Economics.

Marek Tomczuk fulfills suitability requirements determined in art. 22aa of Banking Law Act.



**MAGDALENA  
ZMITROWICZ**  
Vice President of the  
Management Board  
supervising the SME  
Banking Division

Magdalena Zmitrowicz, Vice President of the Management Board supervising the SME Banking Division. In 2018 she started working in Bank Pekao S.A. as Managing Director in Corporate Banking Department and from December 1st, 2018 she was appointed as the Vice President of the Management Board of the Bank.

She started her professional career in 1999 in Bank Handlowy w Warszawie S.A. in Retail Banking Sector. She pursued her career in Corporate Banking Division, holding various leadership roles in regional structures of the Bank, including a position of Head of Sales for Northern Region and Head of Public Sector for Regions in the Public Sector Department. Having worked for almost twenty years in the banking industry, she has gained extensive experience both in general banking operations, including in particular the areas of sales, risk, operations and foreign-currency market, as well as in various customers segments, such as retail clients, small, medium and large companies, institutional clients, public sector and international corporations.

In 2016-2017, she managed the Corporate Banking Department in the structures of the CEEMEA Commercial Banking Group - Citigroup. She managed the activities of the Strategy Champions Group at Bank Handlowy w Warszawie S.A.

She is a member of the Supervisory Boards of Pekao Leasing and Pekao Faktoring.

She graduated from the Faculty of Social Sciences at the University of Gdańsk and post-graduate studies at the Faculty of Management at the University of Gdańsk. She completed many local and foreign trainings, including those in credit risk management, financial analysis and sales. In 2013, she graduated from Commercial Credit College in the USA New York as part of Citigroup.

Magdalena Zmitrowicz meets suitability requirements determined in art. 22aa of the Banking Law Act.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## 5.4 The Bank's share capital and share ownership structure

As at 30 June, 2020, the share capital of Bank Pekao S.A. amounted to PLN 262,470,034 and remained unchanged until the date of submitting the report. The Bank's share capital was divided into 262,470,034 shares in the following series:

- 137,650,000 Series A bearer shares with a par value of PLN 1.00 per share,
- 7,690,000 Series B bearer shares with a par value of PLN 1.00 per share,
- 10,630,632 Series C bearer shares with a par value of PLN 1.00 per share,
- 9,777,571 Series D bearer shares with a par value of PLN 1.00 per share,
- 373,644 Series E bearer shares with a par value of PLN 1.00 per share,
- 621,411 Series F bearer shares with a par value of PLN 1.00 per share,
- 603,377 Series G bearer shares with a par value of PLN 1.00 per share,
- 359,840 Series H bearer shares with a par value of PLN 1.00 per share,
- 94,763,559 Series I bearer shares with a par value of PLN 1.00 per share.

All the existing shares are ordinary bearer shares. There are no special preferences or limitations connected with the shares, or differences in the rights attached to them. The rights and obligations related to the shares are defined by the provisions of the Polish Commercial Companies Code and other applicable law.

Shareholders of Bank Pekao S.A., holding directly or indirectly, through subsidiaries, at least 5% of the total number of votes at the General Meeting of the Bank, are as follows:

SHAREHOLDER'S NAME	NUMBER OF SHARES AND VOTES AT THE GENERAL MEETING	SHARE IN SHARE CAPITAL AND TOTAL NUMBER OF VOTES AT THE GENERAL MEETING	NUMBER OF SHARES AND VOTES AT THE GENERAL MEETING	SHARE IN SHARE CAPITAL AND TOTAL NUMBER OF VOTES AT THE GENERAL MEETING
	AS AT THE DATE OF SUBMITTING THE REPORT FOR THE FIRST HALF OF 2020		AS AT THE DATE OF SUBMITTING THE REPORT FOR THE FIRST QUARTER OF 2020	
Powszechny Zakład Ubezpieczeń S.A.	52,494,007	20.00%	52,494,007	20.00%
Polski Fundusz Rozwoju S.A.	33,596,166	12.80%	33,596,166	12.80%
Aviva Powszechne Towarzystwo Emerytalne Aviva Santander S.A.	13,281,544	5.06%	13,281,544	5.06%
Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A.	13,201,655	5.03%	13,201,655	5.03%
Other shareholders (below 5%)	149,896,662	57.11%	149,896,662	57.11%
<b>Total</b>	<b>262,470,034</b>	<b>100.00%</b>	<b>262,470,034</b>	<b>100.00%</b>

On 24 January, 2020, in the current Report No. 1/2020, Bank Pekao S.A. informed that on 23 January, 2020, it received a notification from BlackRock, Inc. on increasing its stake above 5% of the total number of votes at the General Meeting of the Bank, taking into account also securities lending and contracts for difference (CFD). The total sum of the number of votes was 13,129,549 votes from shares, representing 5.00% of the Bank's share capital and the total number of votes in the Bank.

On 29 January, 2020, in the current Report No. 2/2020, Bank Pekao S.A. informed that on 29 January, 2020, it received a notification from Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A. (NN PTE) regarding the change in the total number of votes at the General Meeting of the Bank. According to the notification after the settlement of the transaction regarding acquisition of shares on 24 January 2020:

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

- OFE held 13,170,209 shares of the Bank, which constituted 5.02% of the Bank's share capital. These shares entitle to 13,170,209 votes at the General Meeting of the Bank, which constituted 5.02% of the total number of votes at the General Meeting of the Bank,
- OFE, DFE, FZD 2025, FZD 2030, FZD 2035, FZD 2040, FZD 2045, FZD 2050, FZD 2055, FZD 2060 held together 13,201,655 shares of the Bank, which constituted 5.03% of the Bank's share capital. These shares entitle to 13,201,655 votes at the General Meeting of the Bank, which constituted 5.03% of the total number of votes at the General Meeting of the Bank.

On 6 March, 2020, in the current Report No. 7/2020, Bank Pekao S.A. informed that on 6 March, 2020, it received a notification from BlackRock, Inc. on reducing the voting share below the threshold of 5% of the total number of votes in the Bank, taking into account also securities lending and contracts for difference (CFD).

On 27 March, 2020, in the current Report No. 11/2020, Bank Pekao S.A. informed that on 27 March, 2020, it received a notification from Aviva Powszechne Towarzystwo Emerytalne Aviva Santander S.A. (Aviva PTE) regarding the change in the ownership of Aviva Otwarty Fundusz Emerytalny Aviva Santander (Aviva OFE) in the total number of votes in the Bank. According to the information provided in the notification, after the settlement of the transaction regarding acquisition of Bank's shares, on March 23, 2020 Aviva OFE held 13,281,544 shares of the Bank, which constituted 5.06% of the Bank's share capital, and entitles Aviva OFE to 13,281,544 votes in the Bank, which constituted 5.06% of the total number of votes in the Bank.

Until the date of submitting the report the Bank has not received any other notifications regarding changes in the ownership structure in accordance with par. 69 of the Act of July 29, 2005 on Public Offerings and Conditions Governing the Introduction of Financial Instruments to an Organized System of Trading, and on Public Companies.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## 5.5 Financial credibility ratings

### 5.5.1 Bank Pekao S.A. financial credibility ratings

Bank Pekao S.A. co-operates with three leading credit rating agencies: Fitch Ratings ( the Fitch), S&P Global Ratings (S&P), and Moody's Investors Service. In the case of the first two agencies, the ratings are provided on a solicited basis under relevant agreements and with respect to Moody's Investors Service the ratings are unsolicited and they are based on publicly available information and review meetings.

As of 30 June, 2020, Bank Pekao S.A. had assigned following financial credibility ratings:

FITCH RATINGS	BANK PEKAO S.A.	POLAND
Long-term rating (IDR)	BBB+	A-
Short-term rating	F2	F2
Viability rating	bbb+	-
Support rating	5	-
Support rating factor	No floor	-
Outlook	Negative	Stable
National Long-Term Rating	AA(pol) (negative outlook)	-
National Short-Term Rating	F1+(pol)	-
S&P GLOBAL RATINGS	BANK PEKAO S.A.	POLAND
Long-term rating in foreign currencies	BBB+	A-
Long-term rating in domestic currency	BBB+	A
Short-term rating in foreign currencies	A-2	A-2
Short-term rating in domestic currency	A-2	A-1
Stand-alone credit profile	bbb+	-
Outlook	Stable	Stable
S&P GLOBAL RATINGS (RESOLUTION COUNTERPARTY RATING)	BANK PEKAO S.A.	POLAND
Long - term RCR in foreign currencies	A-	-
Short - term RCR in foreign currencies	A-2	-
Long - term RCR in domestic currency	A-	-
Short - term RCR in domestic currency	A-2	-
MOODY'S INVESTORS SERVICE (UNSOLICITED RATING)	BANK PEKAO S.A.	POLAND
Long-term foreign-currency deposit rating	A2	A2
Short-term deposit rating	Prime-1	Prime-1
Baseline Credit Assessment	baa1	-
Long-term counterparty risk assessment	A1(cr)	-
Short-term counterparty risk assessment	Prime-1(cr)	-
Outlook	Stable	Stable
Long-term Counterparty Risk Rating (CRR)	A1	-
Short-term Counterparty Risk Rating (CRR)	Prime-1	-

On 8 April, 2020 rating agency S&P informed the Bank that it has revised the outlook for the Bank from "Positive" to "Stable" and has affirmed the long-term and short-term ratings of the Bank at the current level.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

According to the rationale provided by S&P, the decision to change rating outlook for the Bank is a reflection of lowering of rating outlook for PZU S.A., the Bank's main shareholder. The change in rating outlook results from deterioration of financial and business conditions in Poland due to the outbreak of the COVID-19 pandemic. In the opinion of rating agency, this may pressure financial results of the Bank, however at the same time the Bank should maintain both profitability and capital position at a comfortable level and demonstrate general resilience in the face of more difficult financial and business conditions in Poland.

S&P highlights that strong deposit-focused funding profile and historically comfortable liquidity position are a source of stable position of the Bank amid turbulent market conditions. Additionally, the above position will be supported by sound franchise, well-balanced business profile and proximity to customers.

On 14 April, 2020 the Fitch agency informed the Bank, in the light of the outbreak of COVID-19 pandemic, that it has revised the outlook for the Bank's Long-term IDR and National Long-Term Rating from "Stable" to "Negative" and has affirmed the ratings of the Bank.

According to the rationale provided by the Fitch, in the light of the outbreak of COVID-19 pandemic, financial and business conditions in Poland have worsened. On March 30, 2020, as a result of revision of the outlook of the operating environment for Polish banks from "Stable" to "Negative", the Fitch revised the sector outlook for Polish banks from "Stable" to "Negative", affirming sector rating at "bbb+".

The Fitch highlights that Pekao enters the economic downturn from a position of relative strength, given its strong domestic retail and corporate franchise, well diversified credit exposures, solid capitalization and strong deposit-driven funding and liquidity. Sizeable CET1 capital buffers above revised regulatory minimums provide sizeable loss absorption capacity of around 7% of total gross loans compared with an average cost of risk of around 40 b.p. over the last 5 years. The bank's loan book is well diversified and exposure to more vulnerable products/customer segments is low.

## **5.5.2 Pekao Bank Hipoteczny S.A. financial credibility ratings**

As at the end of June 2020, mortgage bonds issued by Pekao Bank Hipoteczny S.A., a 100% subsidiary of Bank Pekao S.A., had an "A-" rating by the Fitch. A high rating of letters means that Pekao Bank Hipoteczny S.A. has the ability to issue securities with a very high level of security and obtain long-term funds for lending.

On April 14, 2020, the Fitch announced that the long-term rating for Pekao Bank Hipoteczny S.A. was maintained at BBB + and at the same time changed the perspective from 'Stable' to 'Negative'.

On April 20, 2020, the Fitch announced a change from 'Stable' to 'Negative' rating outlook issued by Pekao Bank Hipoteczny S.A. mortgage covered bonds, while maintaining their rating at "A-".

The Fitch informs that the change in rating outlook issued by Pekao Bank Hipoteczny S.A. mortgage covered bonds is a consequence of the change in rating outlook resulting from the impact of the COVID-19 pandemic on current financial and business conditions in Poland.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## 6. Activity of Bank Pekao S.A. Group

### 6.1 Achievements of Bank and Bank Pekao S.A. Group

Bank Pekao S.A. is a universal commercial bank offering all financial services available in Poland for individual and institutional clients. A wide range of products, innovative solutions and individual approach ensure comprehensive financial support for clients and an integrated customer service model is a guarantee of the highest quality of services and optimal adjustment to changing customer needs. Since 2017, Bank Pekao S.A. is part of the PZU S.A. capital group, the largest financial institution in Central and Eastern Europe.

A wide product offer, innovative solutions and individual approach provide comprehensive financial service to clients and the integrated customer service model provides the highest quality of services and their optimal adaptation to changing needs. The Bank has measurable advantages that allow it to compete effectively on the market and strengthen its market position in the strategic areas of the Bank's operations. The Bank offers competitive products and services on the Polish market, and high level of customer service and a well-developed distribution network.

#### Distribution channels

The Bank offers to its clients a broad distribution network with ATMs and outlets conveniently located throughout Poland as well as a professional call center and a competitive online and mobile banking platform for individual, corporate and micro companies.

	30.06.2020	30.06.2019
Total number of outlets	785	812
own outlets	721	736
partner branches	64	76
Total number of own ATMs	1,644	1,674

#### The number of accounts

As at the end of June 2020, the Bank maintained 6,369.6 thousand PLN-denominated current accounts, 398.6 thousand mortgage loan accounts and 702.1 thousand "Pożyczka Ekspresowa" (Express Loan) loan accounts.

(in thousand)

	30.06.2020	30.06.2019
Total number of PLN current accounts (*)	6,369.6	6,073.9
of which packages	4,590.4	4,435.1
Number of mortgage loans accounts (**)	398.6	387.2
of which PLN mortgage loans accounts	367.7	355.4
Number of Pożyczka Ekspresowa loan accounts (***)	702.1	700.7

(\*) Number of accounts including accounts of prepaid cards.

(\*\*) Retail customers accounts.

(\*\*\*) Pożyczka Ekspresowa, Pożyczka Ekspresowa Biznes.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## **Business model**

The Bank's business model is based on customer segmentation with the following groups of customers:

- **Retail Banking and Private Banking** – serving individual clients, including affluent private banking clients and micro enterprises. Private banking clients are offered investment advisory through private banking centers and remote channels, while all individual clients and micro-enterprises are served through a wide network of branches and partner outlets supported by market-leading remote service channels, including digital channels,
- **Small and Medium Enterprises (SME)** – providing financial services to clients from the SME sector who are served by relationship managers with the support of product specialists. The service is carried out in specialized Business Customer Centers and universal retail branches. Customers are offered products and services tailored to their individual needs based on solutions proven in corporate banking and adapted to the needs of the SME segment,
- **Corporate Banking** – providing financial services to medium and large enterprises (segmentation by revenues of companies), public sector entities, financial institutions and entities from the commercial real estate financing sector. Corporate and investment banking clients are served by relationship managers with the support of product specialists.

## **Strong response to challenges during the COVID-19 pandemic**

At the end of the first quarter of 2020, as a result of the COVID-19 pandemic, the Bank Pekao S.A. undertook activities supporting employees, clients and partners, adapting its activities to the new situation and challenges. The implemented solutions were aimed at maintaining business continuity and reducing epidemic risk towards employees, as well as ensuring safe use of banking services for customers using the branch network.

The Bank has prepared and promoted among its clients the principle of "7 golden rules of secure banking" encouraging clients to use Pekao24 electronic banking and the PeoPay mobile application or to choose remote contact via chat, video or telephone and limit visits to bank branches, as well as safety rules during a visit to the branch. The Bank promoted contactless payments by card or phone. With concern for the safety of its customers, the Bank was one of the first to increase the limit for contactless transactions from PLN 50 to PLN 100, without the need for authorization. The increased transaction amount limit was automatically granted to all customers of the Bank using credit and payment cards.

The Bank organized environment for remote work for 6 thousand employees whose work did not require direct contact with the client or this contact could be maintained through the use of remote or ICT channels. Due to technological possibilities and digitization of processes, a significant part of tasks is performed by employees remotely or in dispersed locations. At the same time, 3.6 thousand employees were involved in training related to COVID-19.

Bank Pekao S.A. supported financial liquidity of clients. Retail banking customers were given the option of suspending the payment of consumer and mortgage instalments due to problems related to managing the home budget during a pandemic. (6% of the retail loan portfolio and 4% of the loan portfolio of micro-enterprises and SMEs were covered by credit holidays). The application process can be carried out in a remote process at Pekao24. Solutions in the form of so-called "credit holidays" are also available to corporate clients - micro enterprises, SME clients and corporate clients.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

Moreover, in connection with limiting the negative effects of the COVID-19 pandemic for enterprises, the Bank signed a portfolio agreement with Bank Gospodarstwa Krajowego (BGK) regarding the *de minimis* guarantee line, which allows introducing the possibility of securing loans for companies from the SME sector with a guarantee on special conditions: increased guarantee value to 80%, extending the warranty period from 27 months to 39 months, 0% commission fee until 31 December 2020. The Bank also signed a portfolio guarantee agreement with BGK as part of Fundusz Gwarancji Płynnościowych, under which the Bank may grant liquidity loans to medium and large companies up to the limit of PLN 15 billion. The Bank also introduces agreements with the Europejski Fundusz Inwestycyjny regarding free of charges guarantees for loans for micro-enterprises in the EaSI program and loans for micro, small and medium-sized enterprises in the COSME program.

Customers of Bank Pekao S.A. they can also apply for a subsidy under the government program of the "financial shield" of the Polish Development Foundation for micro, small and medium-sized enterprises. Customers can submit applications via internet banking, as well as use the information contained on the website or the free hotline dedicated to the "PFR Financial Shield". At the end of July 2020, nearly 31.6 thousand customers benefited from the subsidy for a total amount of PLN 7.4 billion - the Bank's market share (both in the segment of micro, small and medium-sized enterprises) was 13%.

The Bank is monitoring the economic situation in the country and in the world on a current basis. Various scenarios of epidemic development and its impact on the economy are analyzed, as well as the most beneficial solutions that could be implemented by the Bank.

#### **Bank Pekao is one of the best in customer service during the COVID-19 pandemic**

On the basis of the analysis carried out by the Moje Bankowanie portal, the Bank became one of the highest rated banks in terms of the preparation of branches to service customers during the pandemic. The study took into account both the Bank's activities in the field of customer safety and customer expectations.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## 6.1.1 Retail Banking and Private Banking

The bank focused on commercial activities, supporting clients in their needs, cost-effectiveness and prudence in building the loan portfolio. In response to the demanding conditions of the economic environment, the Bank was adapting to the changing needs and expectations of customers, increasing the pace of digitization, strengthening customer relations and increasing sales in remote channels.

Internal surveys conducted by the Bank regarding customer satisfaction conducted among 15 thousand customers showed that customers rated very highly the quality and satisfaction of service by an employee in the branch in the following categories:

- opening an individual and business account,
- purchase of a cash loan and credit card,
- service visit of an individual and business client.

### Strong customer acquisition

In the first half of 2020, the Bank continued the program of recommendations "Polecam Przekorzystne", which supported the acquisition of new accounts. The Bank's customers could receive up to PLN 1.5 thousand for successfully recommendation of a bank account to 15 people. Dynamic acquisition of personal accounts contributed to an increase of 207 thousand accounts, with a large increase in monthly sales from the level of 20 thousand accounts in April 2020 to nearly 34 thousand accounts in June 2020, which was influenced by the attractive offer for new Bank customers, thanks to which they received a bonus of PLN 200 for opening an online Konto Przekorzystne and high interest rates on savings account - 3% per annum for four months.

The Bank process of remote opening of a selfie account, was very popular among customers, in the first half of 2020 every fourth account was established in this way.

The Bank enabled customers to join the loyalty program Bezcenne Chwile organized by MasterCard, as part of which they gain access to the Premium zone with a rich catalog of rewards.

In the first half of 2020, the Bank implemented a Smart City solution in Białystok Public Transport. It is a modern technology for accepting payment cards, which enables cashless purchase of tickets, and the card itself entitles you to travel by city bus.

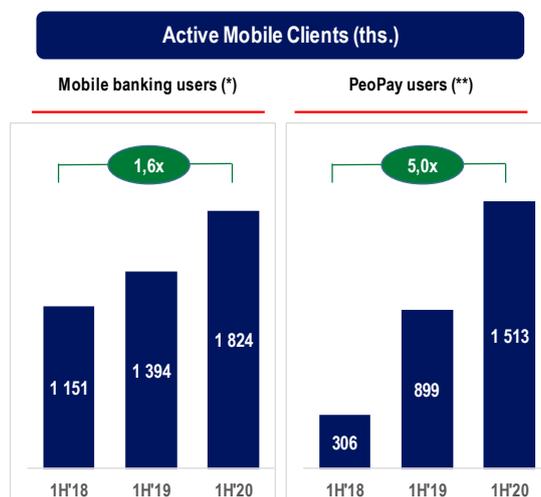
In the first half of 2020, Pekao Direct serving customers via remote communication channels (telephone, e-mail, SMS, chat, video) made nearly 6.6 million telephone connections and over 140 thousand chat and video connections as part of conversational banking – almost 5 times more than in the same quarter of the previous year. Pekao Direct supported clients in opening Konto Przekorzystne in a unique selfie process, in the sale of cash loans and mortgages. From 2020, helpline employees also offer leasing services.

### Rapid increase in the number of active mobile banking and PeoPay customers

An important goal of the Bank's strategy is to increase the number of customers actively using mobile banking and the PeoPay application. In the first half of 2020, the number of active mobile banking customers increased by 146 thousand and was higher by +430 thousand i.e. 31% in compare to the first half of 2019 and was 1.6 times higher than two years ago. The number of active mobile clients using PeoPay is growing even faster, which in the first half of 2020 increased by another 142 thousand customers and was 5 times higher than 2 years ago.

It also brings effects visible in the sales of bank products in electronic channels. In the first half of the year 26% of new accounts are set up using remote channels, and 55% of cash loans are sold online or through the PeoPay mobile app. (in the second quarter, the share of loans in electronic channels increased to 68%).

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020



(\*) Unique user actively using electronic banking is a user who logged in to the system and the mobile service m.pekao24.pl, at least once during the last quarter. (in case of using different mobile channels, the client is counted only once).

(\*\*) Unique user using mobile banking application (PeoPay application), who logged in to the system PeoPay at least once during the last quarter.

## New PeoPay mobile banking application

In the second quarter of 2020 the Bank launched a new PeoPay mobile banking application. Modern graphic design ensures even better navigation and ease of use. In the new PeoPay, users will check the account balance before logging in, and after entering the application, they will gain access to all their products and other services offered by the Bank. The new version of PeoPay mobile banking is also an intuitive view of the history of operations along with financial analysis, which will help customers control expenses. Users can also easily contact an advisor from the home page, and access to the BLIK code is even easier than before.

The PeoPay application also allows you to set up account by selfie, for both individual and corporate customers, and moreover, customers can switch between accounts and manage them from one PeoPay application. Thanks to the application, customers can easily and conveniently order a transfer to any account, make all the necessary payments, top up the phone, and pay by contactless phone and open a deposit.

The Bank consistently developed the modern PeoPay mobile application. The application offers a number of innovative solutions, including:

- receiving a loan as part of the "click" process, without leaving your home - within 30 seconds of accepting the contract,
- finger or face biometric approval of transfers and payments,
- executing transactions both in PLN and selected foreign currencies without currency conversion, due to the link to the relevant currency accounts,
- the ability to manage cards - from the application level the client can activate or block the card, as well as change card withdrawal and payment limits,
- possibility of contacting a consultant via text messages (chat). The service is available to logged in users and allows the customer to obtain full information about their products and order instructions,
- wide selection of payment methods: Apple Pay, BLIK, PeoPay payments, Garmin Pay, Fitbit Pay.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## **New Pekao24 – Electronic banking**

From April 2020, the Bank's customers can use the new Pekao24 service. It includes a modern graphical interface and presentation method, as well as optimized and simplified processes that meet the needs of our users, in particular, allow you to manage your finances without leaving home.

The most important novelties include:

- the ability to remotely recover the password to log in to Pekao24 and the ability to remotely unlock the Pekao24 service from a new login page,
- Kantor Pekao24 (formerly Currency Exchange Service)
- the ability to connect with a consultant via chat or video
- remote application for "credit holidays"
- Remote renewal form to the credit insurance policy
- e-Documents - "Add document" option to thread, new section "Forwarded documents" transfer to the Tax Office to the Individual Tax Account
- adding suspension / activation of standing orders / recurring top-ups from the context menu directly from the list
- adding an investment context for the investment widget - displaying the user's investment assets in the form of convenient tables and charts
- remote application for government programs of the "anti-crisis shield" for micro companies using Pekao24,

The new electronic banking service - Pekao24 provides comfortable access and use of online and mobile banking to customers with special needs (people with disabilities, seniors) - based on the international accessibility standard WCAG 2.1 and the Act of on April 4, 2019 on the digital availability of websites and mobile applications of public entities.

In the first half of the year, the Bank introduced to electronic banking: internet and mobile free access to the Qlips service, which allows for very quick and convenient payment of invoices and home bills from the Pekao24 internet banking level and the PeoPay mobile application.

## **PeoPay KIDS**

In June 2020, the Bank launched the PeoPay KIDS application dedicated to children aged 6-13. Thanks to the application, children can learn to manage their own funds and save in an easy way. The child can also receive their own PeoPay KIDS payment card, thanks to which they will be able to pay in shops and withdraw cash - the limit of card transactions is set by the parent. In the application, it is also possible to order simple operations, such as a transfer from Konto Przekorzystne or top up a pre-paid phone. The bank does not charge fees for issuing and servicing the card. PeoPay KIDS is related to the parent's panel in the PeoPay application and Pekao24 online banking and all transactions require authorization from the parent.

## **Key Retail Loans: PEX Cash Loans and Mortgage Loan**

Despite the unfavorable market situation caused by the pandemic, at the end of the first half of 2020, the sale of loans in electronic channels was systematically growing. In June the sales of "Klik Gotówka" amounted to PLN 112 million and it was the highest monthly sale of loans in electronic processes per click in history. The share of sales of "Klik Gotówka" in the total loan sales volume was nearly 50% in Q2 2020, and in the number of items it reached 68%.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

In May 2020, the Bank introduced new remote options for receiving an individually tailored cash loan "Klik Gotówka", both in the new Pekao24 online service, PeoPay mobile, and during a telephone conversation with an advisor - without the need to visit the Bank.

The increase in sales in electronic and mobile channels was possible thanks to modern and simple processes that the Bank made available to customers and numerous marketing campaigns in remote channels, including sending voice mailing messages, SMS messages and e-mails to customers. The bank launched new omni-channel processes called "Klik Gotówka" with CPI PZU and increased the maximum available amount of "Klik Gotówka". In the second quarter the "Klik Gotówka" loan offer was already available to 1.5 million customers.

The Bank is one of the leaders in the sale of mortgage loans in the first half of 2020, sales of housing loans amounted to PLN 4.2 billion.

The Bank introduced a PLN mortgage housing loan for individuals with a fixed interest rate. Moreover, the Bank extended the method of sending notifications to customers about the amount of the loan installment and information about the change in interest rates. In addition to the current traditional mail form, the customer may choose the option of notification via e-mail, text message or via the Pekao24 service.

In the Pekao24 website, the possibility of sending documents regarding insurance and life policies without the need to visit a branch of the Bank has been added, and users have been able to conclude a contract for the transfer of rights from a property insurance contract (assignment).

## **Growth in the area of deposits and development of the offer of investment products**

The bank maintained high dynamics of growth in the volume of retail deposits at the level of + 13% y/y compared to June 2019 - an increase by PLN +11.5 billion to over PLN 101.3 billion.

In connection with three decisions of the Monetary Policy Council (on March 18, April 9 and May 29, 2020), as a result of which the reference interest rate was reduced to a historically low level of 0.10% and the March reduction of interest rates by the Fed and the Bank of England, Bank Pekao adjusted the interest rate on savings products, in particular on savings accounts, taking into account the regulatory requirements for informing customers in accordance with the PSD requirements (up to 0.1% on Konto Oszczędnościowe and 0.2% on the Konto Oszczędnościowe Premium - the changes will come into force from September 18, 2020) and on term deposits.

For new customers, the Bank has prepared attractive promotional offers for selected savings products, including savings accounts and Premium savings accounts. Customers of newly opened savings accounts Moje Skarb in the PeoPay Kids application could receive interest from 2% to 3,000. PLN for a period of 4 months, while holders of a mobile PeoPay deposit 3% up to 10,000 for 3 months. New clients who opened their first account at Bank Pekao S.A. thanks to the selfie, they could get up to PLN 250.

The offer of structured products was expanded by 5 new issues: Akumulator USD/PLN, Akumulator EUR/PLN 10, Akumulator EUR/PLN 11, Mocny Złoty EUR/PLN 4, Mocny Złoty EUR/PLN 5 based on USD/PLN, EUR/PLN exchange rates and the product of the new issuer UniCredit Bank AG: Structured Certificate Onemarkets Toward Europe (HVB PLN Certificate).

The offer of the IKE and IKZE Pekao Programs was extended by a new fund Pekao Kompas and a new fund called Pekao Obligacji Samorządowych. There were 4 subscriptions of Investment Certificates of PZU FIZ Akord for the AG, AH, AI and AL series.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## **Development in the area of insurance products**

In the first half of 2020, the Bank developed and adapted its insurance product offer to the needs of customers and the market environment. Activities were focused on streamlining and digitizing sales and service processes.

The bank continued to increase the level of insurance associated with credit products. In the first half of 2020, the share of PEX cash loans sold with the CPI reached 33% and was 3 p.p. higher than in the same period of the previous year. In the case of mortgage loans, the share of loans sold with the CPI amounted to 83% and was 10 p.p. higher than in the same period of the previous year.

In the first half of 2020, the Bank continued its cooperation with the PZU Group. As part of assurbanking activities, implemented among others in PZU branches, Bank acquired by 48% more customers comparing to the same period of 2019.

## **Private Banking**

In the first half of 2020, activities in the area of Private Banking focused on optimizing the organizational structure, effective network management and introducing new solutions for clients.

161 new clients were acquired for servicing, the value of investment products purchased amounted to PLN 658 million, while the assets covered by the Investment Consulting service reached PLN 3.1 billion.

A telephone service for concluding foreign exchange transactions was introduced, enabling customers to directly negotiate rates with dealers for transactions above the equivalent of PLN 100 thousand. An improved offer of safe boxes has been introduced. The service is available only in two banks on the Polish market.

Private Banking customers using the MasterCard have been allowed to join the MasterCard loyalty program Bezcenne Chwile, in which the customers gain access to the Premium zone with an extensive catalog of rewards.

As part of the investment offer, the Bank introduced new autocall certificates of external issuers with conditional capital protection based on the company's Anheuser-Busch InBev N.V., Swatch Group S.A., Porsche Automobil Holding SE, MasterCard Inc., Microsoft Corp.).

The offer was extended with a structured product with a capital guarantee based on the STOXX Global ESG Leaders Diversification Select 50 (Price) Index (EUR) (denominated in PLN, issued by SG Issuer and guaranteed by Societe Generale), as well as a new debt fund - Pekao Obligacji local government.

## **Brokerage activity**

In the first half of 2020, work continued on the consolidation of brokerage activities in the Bank Pekao S.A. Capital Group. The implemented integration project aims to strengthen the Group's market position by building a strong, integrated center of investment competences and strengthening the quality and comprehensiveness of services. The availability of brokerage and banking services in one place will allow clients to use the full range of investment products and service at the highest level, as well as provide access to modern technological solutions introduced by the Bank.

In the first half of 2020, Pekao Brokerage House took over a part of the enterprise covering the brokerage activities of Pekao Investment Banking S.A. As a result of the consolidation process, all Pekao IB brokerage clients automatically became clients of the Pekao Brokerage House.

At the end of June 2020, the Pekao Brokerage House operated a total of 258.7 thousand of investment accounts, servicing 168,5 thousand accounts with active access to services via remote channels. Direct service of clients was carried out as part of a nationwide network comprising a total of 378 outlets providing brokerage services.

The value of the assets of the Pekao Brokerage House and Xelion DI as at June 30, 2020 amounted to PLN 22.5 billion.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

In the first half of 2020, the Brokerage House served:

- Sales of 6 series of Structured Certificates of Deposit issued by Bank Pekao S.A., with a total amount of PLN 481.2 million,
- 8 public offers of structured certificates with a capital guarantee and without a capital guarantee issued by UniCredit Bank AG and one public offering of structured products with capital guarantee issued by Societe Generale Issuer,
- 4 public offers of Investment Certificates of Closed Investment Funds, in which subscriptions were accepted for a total amount of ca. PLN 97.1 million.

In addition, the Brokerage House performed the function of the Offeror for the issue of PZU FIZ Akord Investment Certificates for the AG, AH, AI and AL series and as part of cooperation with the intermediary entity Pekao Investment Banking S.A. accepted subscriptions in three calls for the sale of shares.

As part of development of the investment offer, the Pekao Brokerage House introduced new autocall certificates of external issuers with conditional capital protection based on the company's listing: Anheuser-Busch InBev N.V., Swatch Group S.A.), Porsche Automobil Holding SE, MasterCard Inc. Microsoft Corp. The offer was extended with a structured product with a capital guarantee based on the STOXX Global ESG Leaders Diversification Select 50 (Price) Index (EUR) (denominated in PLN, issued by SG Issuer and guaranteed by Societe Generale), as well as in cooperation with Pekao TFI a new debt fund - Pekao Obligacji local government.

The Brokerage House, as the Bank's brokerage entity, remains active in the field of initiatives aimed at developing and optimizing the Polish capital market. In March 2020, he was the strategic partner of the Conference of the Chamber of Brokerage Houses, held under the slogan: "Development needs capital - Capital market for infrastructure and innovation". The meeting with representatives of the Warsaw Stock Exchange, the National Depository for Securities, the Polish Financial

Supervision Authority and the government as well as brokerage entities, were aimed at summary discussion of the government's Capital Market Development Strategy approved last year. The purpose of the was to develop proposals for solutions beneficial for the development of the Polish economy and capital market, whose future depends on the involvement and cooperation of all participants.

## **Business clients (micro-entrepreneurs)**

Since the beginning of 2020, almost every fourth micro-company has become a client of the Bank via remote channels. This is largely due to digital processes enabling remote account opening and new functionalities of internet and mobile banking systems. Micro-entrepreneurs can use the new version of the PeoPay application and the Pekao24 electronic banking service. Moreover, as part of the Bank's promotion "PLN 1,000 premii dla firm", the client may receive a bonus of PLN 300 for remote opening a company account and active use.

For clients of the micro-enterprise sector, the Bank introduced the following options:

- remote application for subsidies under the PFR Financial Shield for Companies and Employees - a government program aimed at supporting micro-companies that have suffered from the coronavirus pandemic,
- financing under the European Union Program for Employment and Social Innovation ("EaSI") regardless of the duration of their business, thanks to which they can apply for a working capital loan or a loan of up to PLN 105 thousand with a guarantee of 80% of the principal and loan interest.

The Bank signed a portfolio agreement with Bank Gospodarstwa Krajowego regarding the de minimis guarantee line, which offers the possibility of securing loans for micro, small and medium-sized companies with a guarantee on special terms: increased value of the guarantee to 80%, extension of the warranty period to 39 months, the rate of 0% of the commission fee until December 31, 2020.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

In the first half of 2020, took place an increase in terminal sales by 23% compared to the corresponding period of the previous year and a 22% increase in the turnover of payment cards in terminals.

Business clients were offered additional services in the field of professional IT assistance, such as support of an experienced IT specialist in the daily use of the equipment as well as assistance in the installation and selection of computer software.

At the end of the first quarter of 2020, the Bank implemented a special SOS assistance package for borrowers injured in a pandemic. Clients who are at risk of losing financial liquidity, have the option of suspending repayment of principal installments and interest loans and investment loans for 3 months, and shifting the repayment date of the overdraft or credit card limit to 3 or 6 months, without changing the other terms of the contract.

### ***Pekao24 for businesses***

As part of Pekao24 electronic banking for companies, business clients have access to modern PeoPay mobile banking, whose scope of functionality and available services is as wide as for an individual customer. The PeoPay application offers innovative solutions on the market such as:

- approving finger and face biometrics for transfers and payments,
- paying for internet shopping on your phone without logging in to online banking,
- BLIK and Apple Pay payments,
- scanning invoice numbers from invoices without having to rewrite invoice numbers to the application,
- the possibility of paying by phone abroad (or in a foreign online store) directly from the currency account without any additional fees and commissions for currency conversion.

At the end of June 2020, 59.5 thousand clients actively used mobile banking. The number of users with access to electronic banking increased by 21 thousand compared to the end of June 2019 and 169 thousand actively used electronic banking customers.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## 6.1.2 Small and medium enterprises (SME)

In the first half of 2020, Bank achieved a growth rate of commercial revenues in the Banking of Small and Medium Enterprises (+ 7.4% y/y), which includes income from the Group's products offered in the Bank's network - supported by an increased customer acquisition by 22% y/y.

Small and Medium Enterprises Banking Division handles 43 thousand clients. The service is carried out in 57 dedicated Business Centers, in which customers receive the support of qualified Advisors and Product Specialists (in the field of FX, Leasing, Factoring, Cash Management, EU Funds, CRE). The product offer includes both transactional banking (bills, transfers, cash deposits and withdrawals), enterprise financing supported by EU programs, treasury activity products as well as factoring and leasing.

In the first half of 2020, the Bank focused on activities aimed at increasing customer satisfaction through further improvement and optimization of key processes, products and services, thanks to which the number of acquired customers increased significantly compared to the first half of 2019.

Pekao Connect has implemented a number of services that will allow for process improvements related to the integration of the client's financial and accounting system with banking systems, which will significantly optimize costs and shorten working time.

As part of the Cashless Poland Program, the Bank offers customers payment terminals (POS) on attractive terms. The number of POS terminals issued to SME customers in the first quarter of 2020 was higher by +60% y/y.

In terms of cash services, the facilities have been introduced allowing for faster availability of deposits in the closed form sent directly to the Cash Distribution Centers of companies cooperating with the Bank, thanks to which the money is collected by the Bank directly from the customer.

In the first half of 2020, as part of business development and increasing the efficiency of services provided, a self-service zone was created digitalizing the process of remote customer service and remote conclusion of agreements. As a result of the implemented transformation projects, the following services were introduced that allow, among others:

- signing agreements remotely for business clients (bank accounts, cards, loans, guarantees or letters of credit),
- signing documents with a trusted profile and e-ID, which increases the security and availability of banking services (the first such solution for corporate clients on the Polish market),
- executing ExpressElixir orders in the PekaoBiznes24 internet banking system (with a limit for a single transaction up to PLN 100 thousand).

Thanks to legal solutions and initiatives supporting remote cooperation processes, the sale of treasury products was also carried out by means of remote contracting. The volume of transactions of SME clients hedging foreign exchange risk increased by 58% y/y in the second quarter of 2020, and by 98% y/y in the first half of 2020. The volume of interest rate risk hedging transactions increased by 38% in the first half of 2020 compared to the first half of 2019. The volume of current currency exchange transactions was at a comparable level compared to the corresponding period of 2019.

The European Union Funds and Public Programs Office of the Bank, in cooperation with external advisory companies, also provides consulting and advisory services in financial matters. Customers receive comprehensive assistance in the preparation of application documents for EU subsidies.

In connection with limiting the negative effects of the COVID-19 pandemic for enterprises, the Bank signed a portfolio agreement with Bank Gospodarstwa Krajowego regarding the de minimis guarantee line, which allows introducing the possibility of securing loans for companies from the SME sector with a guarantee on special conditions: increased guarantee value to 80% extending the warranty period to 39 months.

The customers of Bank Pekao S.A. also have the opportunity to apply for a subsidy under the "PFR Financial Shield" for micro, small and medium enterprises. The customers entitled to receive a subsidy may submit applications via Internet banking, as well as use the information contained on the website or the free of charge hotline dedicated to the "PFR Financial Shield".

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## 6.1.3 Corporate customers

In the first six months of 2020, in the corporate segment, the Bank continued its increasing dynamics in revenues. Despite the extraordinary economic situation, in the first half of 2020, the commercial income of Corporate Banking increased by 7.5% as compared to the first half of 2019.

### Market position and main directions of activities in Corporate Banking

Bank Pekao S.A. consistently deepens customer relationships and provides customised solutions tailored to the business profile of its clients. It continuously strengthens its market position as the first choice bank for corporate clients providing both the comprehensive services of a universal bank and all the other financial services available on the Polish market (including leasing, factoring and investment advisory in, among others, M&A area, as well as highly advanced treasury and capital market products).

A wide range of products and services, innovative solutions, customised approach and comprehensive financial services rendered to enterprises, institutions and public sector units determine the strength of corporate banking of Bank Pekao S.A.

Bank Pekao S.A. is a leading financial partner for large and mid-sized enterprises as well as self-government units and financial institutions. The Bank's services are currently used by more than 13 thousand entities, including c.a. 3 thousand foreign clients and almost 3,5 thousand public sector clients.

The Bank is available to clients at every stage of their business activity. The Bank supports the financial management processes in production and sales, automation of service processes, finances development and current activity as well as provides advisory and funds for investments and international expansion. "Tailor-made" corporate banking solutions of Bank Pekao S.A. are recognized both in Poland and internationally. Specialized expertise and experience in the arrangement and financing of investments, trading in Treasury securities, custodian business and a depository bank, trade finance or real estate finance are the areas of corporate banking appreciated by clients and a group of independent, national and international experts.

The Credit Analysis Department was established within the Corporate Banking, Markets and Investment Banking Division to ensure the highest effectiveness of activities, optimum use of employees' experience and competences, and creating the sale of corporate banking products with priority being given to a prudent approach to risk management expressed by COR (cost of risk) level - in line with the strategy of the Bank.

The significant market position of Corporate Banking is also reflected in the recognition of national and international experts. The Global Finance magazine gave three prestigious awards to Bank Pekao: Best Investment Bank in Central and Eastern Europe for 2020, Best Sub-custodian Bank 2020 and Best Private Bank 2020.

In the first half of 2020, as part of business development and increasing the efficiency of services provided, a self-service zone was created digitalizing the process of remote customer service and remote conclusion of agreements. As a result of the implemented transformation projects, the following services were introduced that allow, among others:

- signing agreements remotely for business clients (bank accounts, cards, loans, guarantees or letters of credit),
- signing documents with a trusted profile and e-ID, which increases the security and availability of banking services (the first such solution for corporate clients on the Polish market),
- executing ExpressElixir orders in the PekaoBiznes24 internet banking system (with a limit for a single transaction up to PLN 100 thousand).

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

The Bank also focused on providing solutions aimed at helping clients, whose activities have been or will be affected by the effects of the pandemic, maintain and improve their financial liquidity, and thus the solutions will ensure the continuation of their operations in the current difficult conditions. A program was introduced allowing the use of special credit solutions in the field of financing, including:

- extending the repayment date of the working capital loan up to 6 months,
- suspending the repayment of loan installments up to 3 months,
- applying other solutions individually agreed on with the Bank.

The Bank introduced the Portfolio Guarantee Line from the Liquidity Guarantee Fund prepared by Bank Gospodarstwa Krajowego (BGK) to its offer, the purpose of which is to help medium and large-sized companies affected by the coronavirus epidemic in Poland. The amount of the limit granted to the Bank for guarantees for clients is PLN 15 billion.

## **Transactional banking**

The Bank is strengthening its leading market position in transactional banking. It offers corporate clients a wide range of products and financial services, including the modern PekaoBiznes24 Internet platform, which is the most commonly chosen electronic banking system for companies in Poland, and the Pekao Conect service – a high-tech and most modern solution allowing direct integration of financial-accounting system of the company with the Bank, which enables to automate the payment orders process and receive feedback information on transactions performed on bank accounts.

The key achievements in the area of the Bank's transactional banking in the first half of 2020 include:

- processing - within the framework of Pekao Collect service (identification of Clients' mass payments) - over 80 million transactions with the total volume of more than PLN 94 billion, i.e. an increase by + 4.7% compared to the first half of 2019 (in terms of the number of transactions),
- an increase in the number of Direct Debit Orders by 10,15% as compared to the first half of 2019,
- implementing changes in the method of executing transfers to Tax Offices in the Bank's Front & BackEnd systems,
- implementing instant incoming payments - Express Elixir.

New functionalities have been made available to clients as part of development of the PekaoBiznes24 internet banking system enabling an even wider range of self-service. In addition to the remote and fully automatic possibility of managing accesses and authorizations in PekaoBiznes24, clients have been given the opportunity to sign electronically and send a new agreement / annex to the already existing agreement and instructions related to the ongoing service at the Bank via the electronic banking system.

In April 2020, Bank Pekao S.A. was the first bank in Poland to enable entities from the SME and corporate segment to establish relationship and open a company account completely remotely, without the need to meet a relationship manager. The Bank confirms the data from the IDs of the company's representatives using video-verification, while the agreement is concluded in the PekaoBiznes24 internet banking system. The products available when the relationship is established remotely include current and auxiliary accounts and PekaoBiznes24 electronic banking. The company – to be able to use the service - must be an entity registered in Poland and its representatives must have Polish citizenship and the valid ID cards.

In terms of cash services, the facilities have been introduced allowing for faster availability of deposits in the closed form sent directly to the Cash Distribution Centers of companies cooperating with the Bank, thanks to which the money is collected by the Bank directly from the customer.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

In the second quarter, Bank Pekao S.A. - extending the possibilities of available solutions integrating clients' financial and accounting systems with the PekaoBiznes24 internet banking - acquired two new partners for cooperation. The solutions offered by the Bank's Partners enable direct online communication with the Bank, while maintaining the highest security standards for an even larger group of clients.

## **Trade Finance**

In the first half of 2020, the amount of newly granted guarantees and sureties increased by 12% as compared to the same period of 2019, whereas the Bank's exposure under issued guarantees rose by 22%. The Bank also recorded a double-digit growth dynamics in the area of documentary products. The amount of newly opened transactions increased by 46% as compared to the first half of 2019.

In the first half of 2020, under the Open Financing Platform (OPF), the Bank financed invoices worth PLN 120 million more than in the first half of 2019.

The bank supported enterprises in purchasing medical materials - securing transactions with import letters of credit - in order to reduce the effects of the COVID-19 pandemic.

Bearing in mind the expectations of clients, the Bank was developing its products towards automation and remote processes. Selected clients were offered a new invoice transmission channel in eFinancing programs (directly from the client's financial-accounting system - via SFTP - to the Bank's system) with the use of automatic data decryption and verification of electronic signatures.

Thanks to the cooperation with Bank Gospodarstwa Krajowego, trade finance products granted under a multi-purpose credit limit agreement were also added to the list of products that may be secured with guarantees provided by BGK (de minimis and FGP guarantees).

## **Cooperation with international clients**

The Bank supports the export plans of Polish companies present on foreign markets or planning international expansion. The Bank's clients can benefit from a package of the most advantageous financial solutions tailored to the business model. An attractive product offer for financing foreign contracts is a key element of support and at the same time a condition for strengthening the presence of domestic entities on foreign markets.

The Bank granted loans and prepared comprehensive offers for short and long-term financing of international transactions, supporting the expansion of Polish enterprises on both European markets and in developing countries. When carrying out transactions, the Bank cooperated, among others, with KUKE (Export Credit Insurance Corporation), taking advantage of the concluded framework agreement.

In the first half of 2020, the framework agreements were signed with the two largest banks in Belarus - Belagroprombank and Belarusbank - establishing a cooperation model and a template for credit documentation. Consequently, the time needed to prepare financing for Polish companies exporting services and products to the Belarusian market has been reduced, as a result of which the activity and position of Polish companies on that market will increase.

The Bank continued the cooperation with the UniCredit Group which provides for servicing UniCredit clients on the Polish market and Polish clients on foreign markets. The agreement allows to support Polish clients in conducting business in the countries where the UniCredit Group operates. The agreement also strengthens the role of the Bank as an expert in cross-border solutions for international clients and it positions Bank Pekao S.A. as a Polish European bank.

## **Investment banking, structured finance and commercial real estates**

The Bank supports the development of enterprises and infrastructure through long-term financing of investments in different segments of economy. It offers clients a wide range of services in the field of investment banking, structured financing and commercial real estate project financing, including financing of warehouses.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

The key projects financed by the Bank in the first half of 2020 include:

- organization of financing and a syndicated loan granted for an investment project implemented by a leading company from the chemical industry in Poland. Financing amount above PLN 5 billion,
- organization of a syndicated loan in the amount of PLN 3.1 billion for a leading enterprise in the energy sector,
- syndicated financing (loan refinancing) in the total amount of PLN 1.5 billion for a leading company from the telecommunications sector,
- syndicated financing and granting of a new loan in the amount of PLN 978 million for a leading internet portal on the Polish market,
- syndicated financing in the total amount of PLN 700 million for a leading developer on the Polish market – construction of an office building complex in Warsaw,

## **Issuance of debt securities**

Taking into account the outstanding debt as at 31 May April 2020, Bank Pekao S.A. was close 26% market share in the area of arrangement and management of non-treasury debt securities, including:

- 35% market share in arrangement of corporate bonds issues – 1<sup>st</sup> place,
- nearly 15% market share in the segment of bank debt securities (including pledge letters) – 3<sup>rd</sup> place,
- over 22% market share in arrangement of municipal bonds issues – 2<sup>nd</sup> place.

In the first half of 2020, the Bank participated in arranging the bond issues guaranteed by the State Treasury which were used to finance aid programs in connection with preventing the effects of the COVID-19 pandemic. The bonds were issued for the total amount of ca. PLN 105 billion and had maturities from 4 to 10 years.

In addition, the non-treasury debt securities were issued through Bank Pekao S.A. for the total amount of over PLN 5 billion, of which the following transactions deserve special attention:

- Joint Lead Manager (co-arranger) for the issue of bonds with maturities of 4 and 6 years for the total amount of PLN 1,5 billion for an international financial institution with the highest rating,
- issue of nine series of bonds for a company from the leasing sector with maturities up to 1,5 year for the total amount of PLN 1,59 billion,
- issue of eight series of bonds for a company from the factoring sector with maturity of up to 3 months for the total amount of PLN 1,26 billion,
- issue of 3-year mortgage bonds for a mortgage bank for the amount of PLN 100 million,
- issue of bonds for two companies from the developer sector, including 5-year bonds for the amount of EUR 30 million and 3,5-year bonds for the amount of PLN 30 million.

The new bond issue agreements signed by the Bank in the first half of 2020 include first of all the bond issue program agreement for the amount of up to PLN 3 billion for one of the largest cities in Poland (the Bank as the arranger) and the bond issue program agreement for the amount of up to PLN 100 billion for a company owned by the State Treasury which is the leading development institution in Poland (the Bank as the program dealer).

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## **Cooperation with international and domestic financial institutions**

As at 30 June 2020, the Bank maintained 75 nostro accounts with 47 banks in 26 countries; it ran 230 loro accounts for 206 foreign clients (banks and other financial institutions) from 48 countries and 51 current accounts for 44 foreign financial institutions.

The Bank intermediated in the execution of transactions for clients of other domestic banks, running 34 loro accounts for 14 Polish banks and maintaining 6 nostro accounts with 1 Polish bank.

The subsidiary company, Pekao Leasing Sp. z o.o., launched a long-term loan in the amount of EUR 100 million, granted by the European Investment Bank under the agreement signed in 2019. The agreement is a part of the long-term strategy of cooperation between the Pekao Group and small and medium-sized enterprises - the loan will be used to finance this sector of enterprises. Bank Pekao S.A. was both the transaction arranger and loan guarantor.

## **Comprehensive service of public sector finances**

The Bank consistently deepened its cooperation with clients operating in the public sector and expanded the scope of this cooperation through a wide and rich offer of products and services. The Bank still maintained its leading position in the area of structuring and financing municipal projects in Poland. These activities support the development of Polish infrastructure and contribute to improvement of life of local communities. The number of cities, districts and provinces acquired for current service is steadily increasing. In the first half of 2020, the Bank participated, among others, in financing the City of Cracow or the City of Chelm. The Bank also finalized the financing of the summer swimming pool complex in Legnica and the financing of the purchase of tram rolling stock in Wroclaw.

The Bank cooperates with the Foundation of the Polish Development Fund (PFR) on the PFR bond issue program which is a part of the "anti-crisis shield". The value of the bonds is PLN 100 billion. The Bank acts as the Program Dealer and actively participates in the market of bonds issued by PFR.

The Bank cooperates with 11 out of 12 Polish metropolises (92% market share) and provides ongoing budget support for every third metropolis (33%). The Bank cooperates with every fourth municipality in Poland (25% market share) and it also maintains business relations with 92% of cities with county rights, and it provides ongoing services for every fifth of them (21%). The Bank also cooperates with every third county (37%) and with almost all provinces (94%). Bank Pekao S.A. is specialised in financing infrastructure projects of the public sector using capital market instruments.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## 6.2 Achievements of subsidiaries

### ***Pekao Bank Hipoteczny S.A. – Pekao Bank Hipoteczny***

Pekao Bank Hipoteczny, as a specialized mortgage bank, continued activities on the market of commercial properties, local government units, as well as loans for purchase, construction, refurbishment or modernization of housing loans to individuals.

As at the end of June 2020, net value of loans portfolio of Pekao Bank Hipoteczny amounted to PLN 2,415.5 million, a increase by PLN 73.2 million, i.e. 3.1% in comparison to end June 2019. Loans granted to corporates and local governments represents 33.7% and 15.2% respectively and loans granted to individual clients represents 51.1% of loan portfolio. Loans granted in the first half of 2020 were dedicated to housing loans to individuals.

In the first half of 2020, Pekao Bank Hipoteczny completed one issue of covered bonds and one bond. The total value of the Company's liabilities under mortgage bonds as at June 30, 2020 amounted to PLN 1,576.7 million. The bonds were issued under the issuer's bond issue program up to the amount of PLN 1 billion.

The Pekao Bank Hipoteczny S.A. possess the Covered Bond Label quality certificate, which confirms the quality of mortgage bonds issued and the highest standards for investors.

### ***Pekao Investment Management S.A.– Pekao IM***

Pekao IM, in which Bank Pekao S.A. holds a 100% share, is an owner of Pekao Towarzystwo Funduszy Inwestycyjnych S.A.

Pekao TFI is the oldest investment fund in Poland providing customers with modern financial products and opportunity to invest on the Polish and the largest global capital markets. For many years, it creates savings programs, including programs offering additional savings for retirement under the third pillar, voluntary pension pillar. The Pekao TFI offer includes also a portfolio management service and Employee Capital Plans (PPK). The company has been entered into the PPK register, and its offer is available on the portal [mojeppk.pl](http://mojeppk.pl).

As of 30 June 2020, the net asset value of investment funds of Pekao TFI S.A. (including PPK) amounted to PLN 17.4 billion, an decrease of PLN 3.0 billion, i.e. 14.8% as compared to the end of June 2019. The decline in the value of assets was affected by the pandemic and the funds from redemptions of funds were largely deposited in bank accounts.

### ***Pekao Leasing Sp. z o.o. – Pekao Leasing***

Pekao Leasing provides financial services supporting purchases and sale of fixed assets, i.e. vehicles, plant and equipment, and office space, both in the form of operating and finance leases.

In the first half of 2020, the Company concluded 6.8 thousand new agreements. The value of leased assets decreased in comparison in the first half of 2019 by 8.9% and amounted to PLN 1.8 billion, of which 52.4% were vehicles, 37.1% - plant and equipment, 8.0% - real estates and 2.5% - others. The company cooperates with the Bank in the sale of leasing to clients who are also the Bank's clients.

### ***Pekao Faktoring Sp. z o.o. – Pekao Faktoring***

The Company, besides the full range of factoring services (recourse and non-recourse factoring), offers additional services, such as collecting information on debtors' standing, payments collection, debt recovery, settlements accounting and monitoring of payments on an ongoing basis. Additionally, the Company offers settlement of mass transactions, financial advisory and consulting services regarding selection of business financing methods, as well as extending factoring-related loans. The Company co-operates with Bank Pekao S.A. in developing new sales channels and enhancing sales through the existing ones.

The Company is ranked the 1<sup>st</sup> on the Polish factoring market, with 21% of market share.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## ***Pekao Investment Banking S.A. – Pekao IB***

Pekao IB focused on institutional and corporate clients service. The scope of services provided by Pekao IB include in particular receiving and transferring financial instruments to buy or sell orders, execution of these orders on the account of orders provider, offering financial instruments, advisory for corporates within capital structure, corporate strategy or other issues related to such structure or strategy as well as other services related to mergers, demergers and corporates acquisition.

Pekao IB provided services of offering shares related to increasing the capital of a company listed on the Warsaw Stock Exchange, and servicing bond issues of 7 entities. He acted as an intermediary in calls for the sale of two companies and in the purchase of treasury shares by a company listed on the WSE, as well as in a number of transactions on the capital market, advising clients in company acquisition processes.

In the first half of 2020, he also provided advisory services related to obtaining aid funds under the government program, the so-called "anti-crisis shield".

Pekao IB on May 29, 2020, as part of the process of consolidation and integration of brokerage activities in the Pekao Group, concluded with Bank Pekao S.A. an agreement for the sale of an organized part of the enterprise including brokerage activities.

## ***Pekao Direct Sp. z o.o. (previously Centrum Bankowości Bezpośredniej Sp. z o.o.) – Pekao Direct***

Pekao Direct offers services of a financial intermediary, as well as comprehensive services through alternative channels of communication for clients from non-banking sector.

Pekao Direct supports Bank as the main customer, in the field of internet banking, cards and call centre product. Pekao Direct serves clients through alternative channels communication, including telephone conversation, e-mail and chat.

The main channel of communication is phone calls - in first half of 2020 Pekao Direct handled 6.6 million calls. Pekao Direct participates in the innovative process of setting up selfie accounts, introduced by Bank Pekao S.A. in (in the first half of 2020, Pekao Direct verified 28.0 thousand accounts opened on selfie). In the first half of 2020, the Company recorded an over threefold increase in the chat service in the PeoPay application, which was related to the search by customers for alternative forms of communication in the light of the pandemic situation. The company runs with the Bank a number of projects aimed at developing communication with customers of Bank Pekao S.A. with usage mobile banking.

## ***Pekao Financial Services Sp. z o.o. – PFS***

PFS outsourcing services to financial institutions in the field of operational solutions and technology, use of fund participants, as well as independent distribution of the funds. Operational and technological solutions are focused on providing customers with services of the highest quality and safety. PFS specialises in registers of participants in mutual and pension funds and PPK.

Among the clients served by the PFS there are companies with established market position. The company was the only one entity that supports OFE funds using the services of an external transfer agent.

## ***Centrum Kart S.A. – CK S.A.***

The Company renders comprehensive services that include, among others, maintenance of payment card management systems, authorization of transactions and card personalization.

The main important projects implemented in the first half of 2020 include: implementation of the new version of PeoPay and PeoPay KIDS for the Bank's youngest customers and participation in the implementation of Smart City services in Białystok Public Transport.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## 6.3 Awards and distinctions

The activities of Bank Pekao S.A. gained wide recognition by clients, industry specialists, the market and the media, as evidenced by numerous awards and distinctions granted by Polish and foreign institutions. Measures aimed at providing customers with the highest quality products and services, innovation of the proposed solutions have been appreciated. Bank Pekao S.A. received a number of awards and distinctions in the first half of 2020. The most relevant honors are presented below.

### **Bank Pekao S.A. the best custodian bank in Poland**

For the eighth time Bank Pekao S.A. received the "Best Sub-custodian Bank in Poland in 2020" award by Global Finance magazine. The assessment took into account customer relations, service quality, competitive fees, trouble-free implementation of non-standard inquiries, IT systems, and operational activities in the field of settlement of transactions on securities.

### **Bank Pekao S.A. – the Best Investment Bank in Central and Eastern Europe**

Bank Pekao S.A. - for the first time in history - received the title of the "Best Investment Bank in Central & Eastern Europe 2020" from the Global Finance international magazine. The quality of services provided by the Bank, the ability to find market opportunities and the ability to adjust solutions to client needs were appreciated.

### **The Best Investment Bank in Poland according to Global Finance**

Bank Pekao S.A. was ranked the "The Best Investment Bank in Poland" for the third time in a row in the prestigious competition organised by the international Global Finance magazine.

The award was granted by a group of industry experts taking into account the reported deals completed in the past year. The opinion of financial circles, scope of provided advice and service and the institution's ability to structure transactions were also analysed in addition to the applications submitted for the competition. Other criteria included the Bank's market share, distribution network, pricing as well as the ability to respond to market needs, innovation and reputation.

Global Finance is one of the top international magazines with more than 30-year history. The awards were granted for the twentieth time this year. The readers of the magazine include CEOs, CFOs, analysts and managerial staff responsible for taking strategic investment decisions in 191 countries worldwide.

### **Private Banking of Bank Pekao S.A. ranked the best in Poland in the Private Bank Awards 2020**

Private Banking of Bank Pekao S.A. – already for the fifth time in a row - was recognized as the best in Poland, according to the Global Finance magazine. The Private Bank Awards 2020 of Global Finance is one of the most comprehensive rankings classifying bank offers for the sector of most affluent customers.

### **The highest rating for Private Banking services**

Private Banking has already received the highest score for the third time - the prestigious five stars in the rating of Private Banking services, prepared by the Polish edition of the Forbes monthly. The quality of private banking offers was assessed by a representative group using Private Banking services, with particular emphasis placed on solutions that match market trends.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## **Two golden statuettes in the prestigious "Złoty Bankier" ranking:**

Bank in a competition organized by the editors of Puls Biznesu and Bankier.pl in cooperation with content partners - Kantar TNS and Obserwatorium.biz. received two golden statuettes in the category:

### **The Best Banking Advertising Spot**

The spot from the Bank's campaign "Bierz życie za rogi" was selected as the best banking advertising spot in the prestigious Złoty Bankier. The competition was organized by the editors of Puls Biznesu and Bankier.pl. Both the Internet users and the competition jury decided about the victory, appreciating the atypical and difficult to implement production.

### **The Best Mortgage Offer**

The Bank's offer was appreciated for its very flexible mortgage loan offer, incl. by selecting the interest rate, types of installments, currency or loan objectives. The offer is tailored to the needs and expectations of customers.

Moreover, in the category of the best Personal Account, Konto Przekorzystne offered by the Bank, it came second, while in the category "Best bank in social media", the Bank came third. Internet users assessed the Bank's communication with customers via social media.

## **1st place in the Stability category in the ranking organized by Dziennik Gazeta Prawna and the PwC company**

In the sixth edition of the annual ranking of Dziennik Gazeta Prawna and PwC - "Banking Stars". The Bank took first place in the Stability category. The assessment takes into account the audited financial results for the previous year. The structure of the bank's balance sheet, unpaid receivables and capital ratios were analyzed. Bank Pekao S.A. it was distinguished by a strong balance sheet, the lowest cost of risk and the highest portfolio coverage ratio among key Polish banks, as well as a well-diversified loan portfolio.

## **Pekao Direct received three awards in the "Złota Słuchawka" competition**

The Golden Earphone Competition is the most important and most demanding competition in the contact center industry, which has been organized for years by the Direct Marketing Association. This year, Pekao Direct gained three titles:

- Best Employer,
- The best team of Contact Center consultants on the market,
- The Best Team supporting the Office of Modern Contact Channels,

The "Złota Słuchawka" competition was attended not only by other large banks, but also by the largest outsourcing companies providing contact center services on the Polish market.

## **"Best Bank" - Bank Pekao the winner of the Gazeta Bankowa competition**

Gazeta Bankowa awarded the title of the "Best Bank" in the category of large commercial banks. The bank also took second place in the "Leader 2019" competition in the banking category and received the award for the Selfie Account, which was the first on the market.

## **Distinction for Bank Pekao awarded by the Krajowy Depozyt Papierów Wartościowych (KDPW)**

Bank Pekao S.A. was among the institutions awarded by the National Depository for Securities for the achieved results and contributed to the development of the Polish capital market.

The justification appreciated the wide range of services offered under KDPW\_CCP, the leader position on the cash market, active participation in market consultations and commitment to testing new solutions.

## **Konto Przekorzystne Biznes recognized as the best business account in the Money.pl ranking**

The authors of the ranking appreciated, among others transparent conditions of account management, an attractive bonus of up to 1,000 PLN and the ability to open an account without leaving home.

## **PeoPay 3% deposit, the best quarterly deposit on the market in the bankier.pl ranking**

The promotional offer was valid until June 30, 2020 and it was possible to open it without visiting the branch.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## 6.4 Factors which will affect the results of the Group

The activity of Bank Pekao S.A. and the Group's companies is primarily conducted on the Polish territory, hence the Group's performance will be mainly affected by economic situation in the country and international events that have influence on the domestic economy.

After several years of solid growth, the economic environment will deteriorate sharply in 2020 as a consequence of the measures taken in the context of the global COVID-19 pandemic. Economic activity in many sectors of the economy will be significantly reduced and companies and households will experience a substantial deterioration of their financial situation. According to the forecasts by Bank in 2020 the Polish economy may contract by 4.4% y/y. The main remaining risks are the scale and duration of the epidemiological situation. Its effects will be – if only partially – mitigated by government actions (including the so-called "anti-crisis shield").

Monetary policy is an important factor influencing banks' performance. In the current economic situation, the MPC has decided to significantly reduce interest rates, including cutting the main interest rate from 1.50% to 0.10%. Very low interest rates have a strong, adverse impact on the financial results of the banking sector (through net interest income).

In addition to the economic situation and monetary policy, banks are also directly affected by the coronavirus epidemic, which results from actions taken by the regulator and the strategic role of the banking sector for the economy. Most important actions are described in the section about external conditions ("Epidemiological issues").

Independently from economic situation, tax and regulatory environment invariably plays major role for banks. In particular, this includes the tax on certain financial institutions, high capital requirements, growing contributions to Bank Guarantee Fund (BFG), costs of further adjustment to a number of regulatory solutions (MIFID II, RODO, PSD II, MREL, among others), as well as introduction of a cap on asset management fees in Poland. Strict tax and regulatory environment coupled with unprecedented economic situation may constrain banks' credit expansion and impact their financial results.

Currently, the issue of foreign currency mortgages is one of the most important factors in the institutional environment. Assuming no systemic solution, the banking system will be most affected by court decisions in individual cases. In this context, the ruling of the EU Court of Justice (CJEU) from 3 October 2019 is particularly important, as it leads to a higher number of borrowers seeking judicial resolution. This may have a strong negative impact on the performance of banks, especially those with a large portfolio of such loans. So far, the main channel of influence has been the reserves established by banks due the expected legal risk. According to most estimates, the total costs for the sector may reach several dozen billion zlotys, but they are difficult to estimate and will be spread over time. Much will depend on, among others, the actual number of lawsuits (how many borrowers will decide to take legal action), the interpretation of national courts in individual cases (in relation to the opinion of the CJEU), the reactions of national supervisory institutions or the actions of the banks themselves. Moreover, it cannot be ruled out that the issue of CHF loans will find a final solution by way of legislation. Bank Pekao S.A. will monitor the impact of the CJEU ruling on the direction of decisions made by Polish courts, as well as market practice and borrowers' behaviour, and will assess on an ongoing basis the probability of cash outflow with respect to the mortgage loans in question. However, the impact may be indirect in case of potential financial problems of some smaller institutions with a particularly large exposure to the discussed risk.

In the following months, growth of all credit items in the banking sector is expected to decrease significantly. Lower economic activity and deteriorating financial situation of many households and enterprises will result in a much lower demand for credit, in particular for consumer and investment loans. Postponing of dwelling purchases will also affect the growth rate of mortgage loans (with a further diminishing of the foreign currency loan portfolio). The aforementioned dynamics will also be determined by the banks' lending policies, which are likely to be markedly tightened in the current economic conditions. Weaker money creation and worse situation on the labour market (higher unemployment, slower growth of wages) also means a corresponding decrease in the rate of deposit growth, although here the saving/holding of funds – including those incoming from the so-called "anti-crisis shield" – will have a limited reverse impact.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## 6.5 Factors which will affect the results of the Group

### Economic factors

Bank Pekao S.A. and its subsidiaries operate mainly on the territory of Poland. Therefore, the Group's performance will be influenced by the economic events in Poland and international events that have an impact on Poland's economy.

### Risk management

Effective risk management is a prerequisite for maintaining a high level of security of the funds entrusted to the Group, and for achieving a sustainable and balanced profit growth within the Group's risk appetite.

The key risks material for the Group include credit risk, liquidity and market risks and operational risk. Moreover, the Group identifies the following risks as material in its business activity: business, macroeconomic, reputation, compliance, excessive leverage, bancassurance, real estate, financial investment, model risks.

The Group has adopted a comprehensive and consolidated approach to risk management. It extends to all units of the Bank and subsidiaries. Risks are monitored and managed taking into account business profitability and the capital required to cover the losses resulting from these risks.

The Management Board of the Bank is responsible for achieving the strategic risk management goals, while the Supervisory Board, supported by the Risk Committee, oversees whether the Group's policy of taking various risks is compliant with the overall strategy and financial plan. The Credit Committee plays an important role in the credit risk management, the Asset, Liability and Risk Committee and Liquidity and Market Risk Committee in market and liquidity risk management, the Operational Risk Committee in the management of the operational risk and the Model Risk Committee in model risk management.

The rules of managing each of the risks are defined by internal procedures and the guidelines set up by the credit risk policy, investment and market risk policy and the operational risk strategy and policy accepted annually by the Management Board and approved by the Supervisory Board.

Detailed reports on credit, liquidity, market, operational and model risks are presented to the Management Board and the Supervisory Board on a regular basis.

The rules and instruments of managing each of the risks and information on the risk exposure are included in Note 7 to the Condensed Consolidated Interim Financial Statements of Bank Pekao S.A. Group for the period from 1 January 2020 to 30 June 2020 and in the document "Information in respect to capital adequacy of Bank Pekao S.A Group as at 30 June 2020" published on the Bank's website.

### Risks related to the remaining months of 2020

In the second half of 2020, the Bank will continue its strategy focused on keeping credit risk at adequate and safe level through prudent policy of credit portfolio development. Prudent standards in credit risk management in Bank Pekao S.A. will be based on the new Credit Risk Policy focusing particular attention to potential threats coming from macroeconomic factors related to the COVID-19 pandemic and their impact on the credit portfolio. The same approach and focus are applied to the performance of the Bank's subsidiaries. Regardless of the measures taken, the credit risk of the entire sector will remain at an elevated level in the second half of the year and will result in higher write-offs compared to the previous year. These increases may be particularly important in the event of further deterioration of the economic situation, which, however, is not an expected scenario.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

In the case of liquidity and market risks, Bank Pekao S.A. identifies the risk of periodic increases in risk aversion as a result of uncertainty associated with the potential impact of the COVID-19 pandemic on the level of global economic activity. This uncertainty and potential decrease in financial markets liquidity may trigger rapid movements in prices of various asset classes in the second half of 2020. As regards liquidity risk, it should be underlined that the Bank is characterized by a well-diversified, stable deposits base with low concentration and manages a substantial liquidity buffer of eligible and marketable government securities. The cautious liquidity risk management policy enables to expect stable liquidity situation and high liquidity level in the second half of 2020.

As to market risk, the Bank is to keep the level of its exposure strictly under control. The Bank assesses the structural interest rate risk as significant mainly due to the limited ability of the Bank to adjust the interest rate of liabilities to reductions in market interest rates. Any further drops in interest rates may result in a significant deterioration of the Bank's net interest income. However, due to rate cuts observed in first half of 2020, the risk of materialization of such a scenario is assessed as moderate. A stabilization of interest rates is forecasted in the near term.

The Bank does not identify any new significant factors implying change of operational risk profile, which could occur in the second half of 2020.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## 7. Human Resources Management

### Human Capital as a key asset

The principles of the Bank's policy in the area of Human Resources (HR) development are set by its mission and values considered as the key for the Bank sustainable growth.

The Bank invests in training, professional development of employees (in line with their preferences and abilities), creation of a friendly work environment and it conducts questionnaire surveys on employees opinion and satisfaction. Significant area of the Bank's HR policy is outstanding talents spotting within the organization and investing in development of their skills.

### Training and professional development

The Bank creates learning opportunities and provides access to various forms of training for its employees. Educational activities focus on realization of in-class training programs, remote training, on-the-job learning, coaching and Virtual Class system allowing for distance learning in form of Webinars.

In the first half of 2020, the main training priorities of the Bank were as follow:

- providing support for Bank employees and managers in a situation related to Covid-19, as well as remote work implemented on a large scale ,
- training for middle and senior managerial staff,
- implementation of cybersecurity trainings,
- realization of mandatory training required under internal and external regulations.

In connection with COVID- 19, the Bank transformed all HR projects into a remote form.

One of the first interventions in scope of training was the implementation of open webinars containing detailed advice for employees and managers related to unusual remote work. Helpful guides have also been prepared. Supporting employees in changes, a new Newsletter was implemented that is available to everyone: *HR for a good week*, which includes detailed information on ongoing projects or current work-related regulations. Due to the fact that managerial tasks began to bring completely different challenges than ever before, a series of widely available webinars were carried out to support the managers. About 500 managers of the Bank used them. A help for the neediest parents working remotely was also implemented and activities involving children were conducted.

In order to efficiently implement remote training, the Bank also implemented two additional platforms enabling their effective conducting. With their use, a program dedicated to network managers was implemented. About 500 employees took part in multi-stage trainings. Additionally, over 4,000 employees participated in a remote project, the purpose of which was to familiarize them with the implemented changes in the sale of PEX loans without the need for the customer to visit the Branch.

In the first half of 2020, the Bank delivered in form of class room over 100 thousand of training hours (class room and virtual sessions), in which attended almost 8 thousand of employees confirming the Bank's determination in efficient implementation of required regulations and customer care.

E-learning courses have been delivered on the similar level of more than 90 thousand hours, including projects related to cybersecurity and newly implemented internal regulations among others: protection of electronic information, regulation on the protection of personal data or videos regarding online security.

In order to meet the difficulties during a pandemic situation related to the need to provide care for children staying at home, help was implemented for the most needy parents working remotely and online classes were conducted for children during the workday.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## Development programs and initiatives

In the first half of 2020, development programs and initiatives were provided for the Bank employees, aimed at providing support in the development of managerial and interpersonal skills.

The priority of development programs in the Bank is identification, review, verification and development of current and future leaders of the Bank.

The Bank performs the following processes related to this issue:

- Succession Plans, which have fundamental importance in ensuring continuous employment on strategic positions, continuity of long-term projects and minimizing operational risk,
- Annual Employee Appraisal System – process of evaluation of the Bank's employees which comprises appraisal of competencies, potential, personal development planning and business goals appraisal. In the first half of 2020, almost 8 thousand of employees took part in the process,
- Assessment Centre/Development Centre session – a diagnostic tool designed to identify employee's potential, used in recruitment, promotion and employee development processes. Bank implemented a permanent process of the Assessment Center for selected positions.

The management programs dedicated to key representatives of the management staff were continued. The main purpose of these programs was to provide knowledge, develop awareness and strengthen attitudes oriented to cooperation and team effectiveness. In the first half of the year, nearly 400 managers of the Bank participated in the program.

The Bank also offers the development initiatives focused on supporting the employees in their professional career development and improvement of their skills, knowledge, and competencies as well as a number of initiatives strengthening the employees' engagement.

## Apprenticeship programs

One of the annual objectives of the Bank is to obtain a certain number of students and graduates of the best universities in Poland and abroad, offering them career development within the organization:

In order to realize the above mentioned objective the apprenticeship programs were implemented. The apprenticeships last from 2 weeks to 3 months and give an opportunity to gain experience in different areas of banking, in all of the Bank's units.

## Compensation policy

Compensation Policy of the Bank (hereinafter referred to as "the Policy") reflects the mission and values of the Bank's approach to remuneration systems, and defines basics of remuneration, structure management, corporate and organizational processes, confirms compliance requirements of the adopted remuneration system with generally binding law and defines the rules for monitoring of market practices and the approach to remuneration systems, which ensure sustainability of the Bank.

The valid Policy was updated and approved on 16 June 2020, by the Supervisory Board of Bank Pekao S.A. as a result of yearly reviews of remuneration rules.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## **Incentive systems**

In the Bank, there are three main incentive systems: an Executive Variable Compensation System, a System based on Management by Objectives (MBO), and a System based on provisions of Corporate Collective Labour Agreement, which is based on quarterly bonuses and incentive reward.

Executive Variable Compensation System is dedicated to people holding managerial positions, who have significant influence on the risk profile of the Bank. The aim of the System is to support the execution of the Bank's operational strategy and to mitigate excessive risk conflicts of interest. Participant covered by the system may receive a variable compensation based on a bonus pool approach. The System provides a comprehensive performance measurement at individual level, level of his/her organizational unit and results of the entire Bank, as well as verification of the participant's compliant behaviour with respect to law provisions and standards adopted by the Bank.

MBO system covers employees employed under the management contract and refers in particular to the positions in the front-office sales and to the managerial positions, which play a significant role in achieving the Bank's commercial goals. The employees covered by the MBO system receive individual goals resulting from the strategy and activity directions of the Bank approved for a particular year, the annual bonus value is conditioned by completion level of those tasks. Starting from 2018, the possibility of settling bonuses on a quarterly basis and the advance payment of bonuses for the achievement of individual annual goals was introduced, which from the second quarter of 2020 was suspended due to the epidemic situation affecting the way of setting and accounting for individual goals.

According to the provisions of the Corporate Collective Labour Agreement the basis of the system is a quarterly bonus which is discretionary and depends on evaluation of employee's performance, the level of commitment and the results achieved by the Bank in a given year, as well as the incentive bonus, which is granted for outstanding work achievements. Sales function employees receive an individual settlement of the objectives, including monitoring of the compliance and the quality of sales activities undertaken.

## **Additional benefits for employees**

Within the scope of remuneration system, the Bank's employees are offered non-wage benefits allowing fair treatment and consistency of remuneration system.

The Bank provides its employees with additional medical care in domestic network of private medical clinics.

## **Suitability Assessment Policy**

The Bank adopted the Policy of the suitability assessment of the proposed and appointed Members of the Management and the Supervisory Board and Key Function Holders in Bank Pekao S.A. In the first half of 2020 the Supervisory Board of the Bank assessed the suitability of the candidates for function of Member of the Bank's Supervisory Board for the new term of office and candidates for Members of the Management Board including an individual assessment of their qualifications, reputation, and additional criteria for management according to the mentioned policy, as well as collective assessment.

## **Diversity policy**

On February 4, 2016, the Supervisory Board of Bank Pekao S.A. approved the resolution "Diversity policy in reference to Supervisory Board Members, Management Board Members and Key Function Holders in the Bank", which defines the strategy of the Bank in scope of diversity management, including diversity in reference to appointment, the Supervisory Board Members, the Management Board Members and the Key Function Holders in the Bank.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## **Corporate values**

The Bank's employees in their daily relations are guided by the corporate values. The Bank's values defined in the Integrity Charter are: respect, reciprocity, transparency, fairness, confidence, and freedom (to act). These values provide a reference system for routine work and for problem situations which are not always addressed by external and internal regulations. The foundation of this "System of Values" is the work of Integrity Charter Ombudsmen who are independent, experienced, retired managers to whom the employees may report behaviors which clash with the corporate values. The Ombudsmen use the available tools (meetings, notices) when they undertake measures to restore respect for the corporate values in relations among employees wherever they have been disrupted. Their work directly supports the Bank's internal communication and defines certain standards of conduct and communication patterns for all the employees to follow. In the first half of 2020, the Integrity Charter Ombudsmen continued meetings with individuals Bank's employees in order to apply the corporate values in the employee relations.

## **Relations with Trade Union Organizations**

The cooperation between the Bank and trade unions in the range of consultation, negotiations and other agreements were led pursuant to the rules defined in the labour law, with respect for both sides' interests and social dialog rules. In the first half of the year 2020, 6 stationary meetings took place and due to the COVID-19 pandemic - 18 "Teleconferences" with the social side. The meetings and arrangements concerned mainly the restructuring of employment at the Bank. As a result, the Bank concluded an agreement defining the principles of collective redundancies with 7 trade unions operating at the Bank. The parties to the agreement, among others selection criteria for employees whose employment contracts will be terminated and whose terms and conditions of employment will be amended as part of collective redundancies, severance pay conditions and additional compensation and the scope of the assistance program for dismissed employees. It was also agreed that collective redundancies will cover not more than 1,200 employees in case of termination of employment contracts and not more than 1,350 employees in case of amendment of terms and conditions of employment until 31 October 2020.

The Bank in the mutual relations with Trade Unions followed the principle of good will to work the best solutions in the range of collective labour law for both Employees and for the Bank.

## **Workforce in number**

As at the end of June 2020, the Group employed 15,730 employees (in the Bank and the companies consolidated under full consolidation method) as compared to 15,678 employees as at the end of 2019. As at the end of June 2020, the Bank employed 13,630 employees as compared to 13,779 employees as at the end of 2019. The average age of the employees was 46.5 years, 70.5% of the employees are university graduates, women represent 75.0% of the total workforce.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## 8. Statement of Financial Position and Financial Results

Consolidated income statement containing cumulated items for the period from 1 January to 30 June, 2020 and 2019 respectively is presented in the Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the first half of 2020.

The Report on activities of Bank Pekao S.A. Group for the first half of 2020 includes statement of financial position in a short form and income statement in a presentation form as well as the key, selected items from these statements are discussed.

### 8.1 The consolidated income statement – presentation form

#### The consolidated income statement – presentation form

Net profit of the Bank Pekao S.A. Group attributable to the Bank's holders for the first half of 2020 amounted to PLN 546.0 million and was lower by PLN 278.4 million i.e. 33.8% y/y, mainly due to higher write-offs for impairment of financial assets, related to the COVID-19 coronavirus pandemic (about PLN 441 million impact on net profit).

(in PLN million)

	1 HALF OF 2020	1 HALF OF 2019	CHANGE
<b>Net interest income</b>	<b>2,793.8</b>	<b>2,657.9</b>	<b>5.1%</b>
<b>Net fee and commission income</b>	<b>1,182.2</b>	<b>1,236.3</b>	<b>(4.4%)</b>
Dividend income	26.0	21.6	20.4%
Trading result	104.4	66.9	56.1%
Net other operating income and expenses (*)	(8.6)	37.5	x
<b>Net non-interest income (*)</b>	<b>1,304.0</b>	<b>1,362.3</b>	<b>(4.3%)</b>
<b>Operating income (*)</b>	<b>4,097.8</b>	<b>4,020.3</b>	<b>1.9%</b>
<b>Operating costs</b>	<b>(1,831.3)</b>	<b>(1,809.6)</b>	<b>1.2%</b>
<b>Gross operating profit (*)</b>	<b>2,266.4</b>	<b>2,210.7</b>	<b>2.5%</b>
Net impairment losses on financial assets and off-balance sheet commitments	(804.9)	(286.9)	>100%
<b>Net operating profit</b>	<b>1,461.5</b>	<b>1,923.8</b>	<b>(24.0%)</b>
Bank Guarantee Fund fee	(293.8)	(413.6)	(29.0%)
Tax on certain financial institutions	(326.3)	(297.3)	9.8%
<b>Profit before tax</b>	<b>841.4</b>	<b>1,212.9</b>	<b>(30.6%)</b>
Income tax expense	(294.5)	(386.9)	(23.9%)
<b>Net profit</b>	<b>546.9</b>	<b>826.0</b>	<b>(33.8%)</b>
<b>Attributable to equity holders of the Bank</b>	<b>546.0</b>	<b>824.4</b>	<b>(33.8%)</b>
Attributable to non-controlling interest	0.9	1.6	(43.8%)

(\*) Starting from the first quarter of 2020 the Group made changes in the presentation of selected items of the income statement. The items: 'Net result on other provisions, and 'Gains (losses) on disposal of property, plant and equipment and intangible assets, are presented in the line 'Net other operating income and expenses' (and thus in net non-interest income, operating income, gross operating profit and net operating profit). The above-mentioned changes resulted in restatement of comparable data, but without impact on the net profit for the period. In order to ensure comparability, data for the first half of 2019 have been restated in comparison to those previously published.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## Operating income

In the first half of 2020, the Group's operating income amounted to PLN 4,097.8 million and was higher by 1.9% in comparison with the first half of 2019, mainly thanks to higher volumes, despite the impact of interest rate cuts.

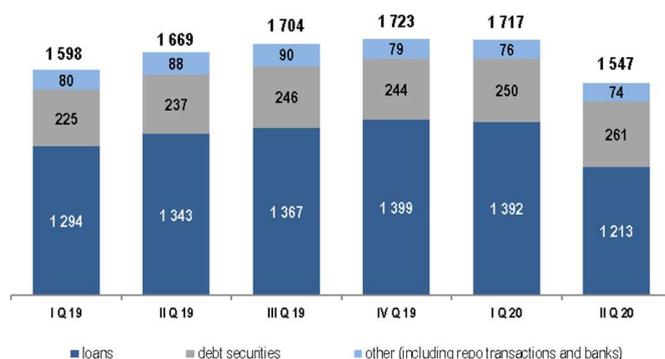
## Total net interest income

(in PLN million)

	1 HALF OF 2020	1 HALF OF 2019	CHANGE
Interest income	3,264.5	3,266.6	(0.1%)
Interest expense	(470.7)	(608.7)	(22.7%)
of which on leasing	(5.4)	(7.0)	(22.9%)
<b>Net interest income</b>	<b>2,793.8</b>	<b>2,657.9</b>	<b>5.1%</b>

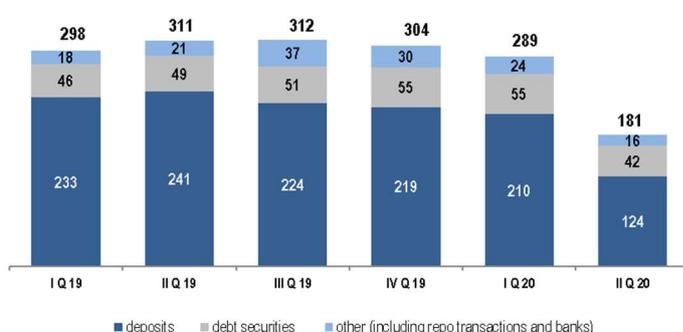
Net interest income in the first half of 2020, amounted to PLN 2,793.8 million and was higher by PLN 135.9 million, i.e. 5.1% compared to the first half of 2019, mainly driven by higher volumes of loans and deposits.

## Interest income



In the first half of 2020, the interest income amounted to PLN 3,264.5 million and was lower by PLN 2.1 million y/y due to the negative impact of interest rate cuts on the interest rate of assets.

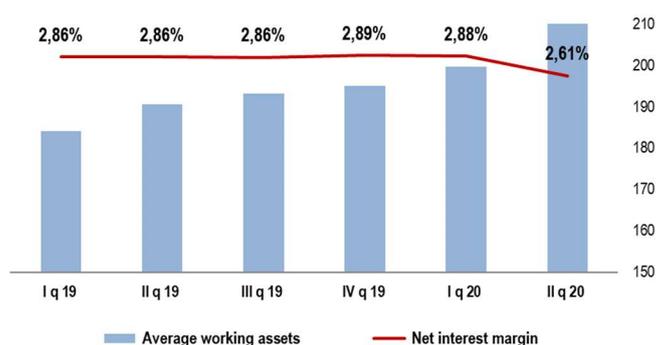
## Interest expense



In the first half of 2020, the interest expense amounted to PLN 470.7 million and was lower by PLN 138.0 million y/y, mainly due to interest rate cuts, with an increase in deposit volumes by 22.9% y/y.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## Interest margin



The interest margin achieved in the first half of 2020 amounted to 2.74% and was lower by 0.12 p.p., under the pressure of the negative impact of interest rate cuts and faster growth in deposits than in loans.

## Net non-interest income

(in PLN million)

	1 HALF OF 2020	1 HALF OF 2019	CHANGE
Fee and commission income	1,396.2	1,409.9	(1.0%)
Fee and commission expense	(214.0)	(173.7)	23.2%
<b>Net fee and commission income</b>	<b>1,182.2</b>	<b>1,236.3</b>	<b>(4.4%)</b>
Dividend income	26.0	21.6	20.4%
Trading result	104.4	66.9	56.1%
of which gains on derecognition of financial assets and liabilities not measured at fair value through profit or loss	44.2	19.9	> 100%
Net other operating income and expense	(8.6)	37.5	x
<b>Net non-interest income</b>	<b>1,304.0</b>	<b>1,362.3</b>	<b>(4.3%)</b>

The Group's net fee and commission income in the first half of 2020, amounted to PLN 1,182.2 million and was lower by PLN 54.1 million, i.e. 4.4% compared to the first half of 2019, mainly due to lower customer activity due to the pandemic, which translated into lower commissions on card operations, investment funds and loans.

The table below presents the Group's net fee and commission income divided according to the main areas of the activity.

(in PLN million)

	1 HALF OF 2020	1 HALF OF 2019	CHANGE
<b>Net fee and commission income</b>	<b>1,182.2</b>	<b>1,236.3</b>	<b>(4.4%)</b>
on loans	229.8	243.2	(5.5%)
on cards	137.4	174.8	(21.4%)
on mutual funds	193.7	215.2	(10.0%)
on brokerage activate	45.3	30.0	51.0%
on margins on foreign exchange transactions with clients	250.0	243.6	2.6%
other	326.0	329.5	(1.1%)

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## Operating costs

In the first half of 2020 operating costs including contributions and payments to the Bank Guarantee Fund, amounted to PLN 2,125.1 million and were lower by PLN 98.1 million, i.e. 4.4% than in the first half of 2019.

The operating costs excluding restructuring provision amounted to PLN 1,696.6 million and were lower by 1.6% y/y, below inflation and despite the costs of investments in operational transformation and digitization and additional costs associated with the coronavirus pandemic. Nominal costs were higher by PLN 21.7 million, i.e. 1.2% compared to the costs achieved in the first half of 2019, mainly due to the cost of FTEs restructuring provision and network restructuring provision in the amount of PLN 134.7 million.

(in PLN million)

	1 HALF OF 2020	1 HALF OF 2019	CHANGE
Personnel expenses (*)	(987.5)	(980.9)	0.7%
Other administrative expenses (**)	(450.9)	(488.5)	(7.7%)
of which Financial supervision authority fee (KNF)	(18.2)	(24.7)	(26.5%)
Depreciation and amortization	(258.2)	(255.2)	1.2%
<b>Operating costs excluding restructuring provision</b>	<b>(1,696.6)</b>	<b>(1,724.6)</b>	<b>(1.6%)</b>
Provisions for FTEs restructuring	(120.0)	(85.0)	41.2%
Network restructuring	(14.7)	-	x
<b>Operating costs</b>	<b>(1,831.3)</b>	<b>(1,809.6)</b>	<b>1.2%</b>

(\*) Excluding restructuring provision

(\*\*) Excluding network restructuring

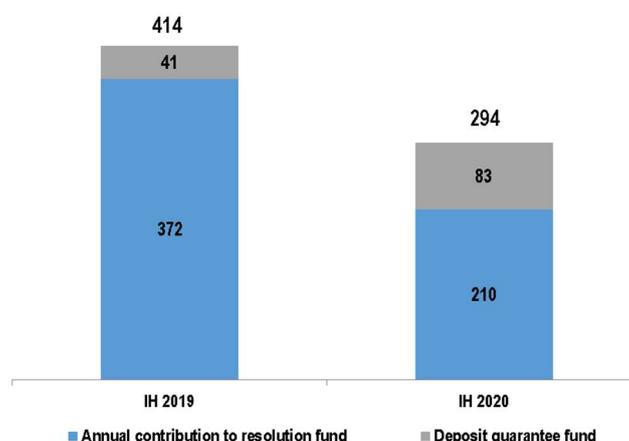
In the first half of 2020, cost / income ratio excluding restructuring provision amounted to 41.3% and was lower by 1.6 p.p. y/y.

As of 30 June 2020, the Group employed 15,730 employees (in the Bank and the companies consolidated under full consolidation method) as compared to 16,613 employees as at the end of June 2019.

As of 30 June 2020, the Bank employed 13,630 employees as compared to 14,436 employees as at the end of June 2019.

## Bank Guarantee Fund fee

Bank Guarantee Fund fee in the first half of 2020 amounted to PLN 293.8 million, and were lower of PLN 119.8 million as compared the first half of 2019.



# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## Tax on certain financial institutions

Tax on certain financial institutions in the first half of 2020 amounted to PLN 326.3 million and was higher by PLN 29.0 million, i.e. 9.8% as compared the first half of 2019, due to an increase in Group's assets by 19.5%.

## 8.2 Net impairment losses

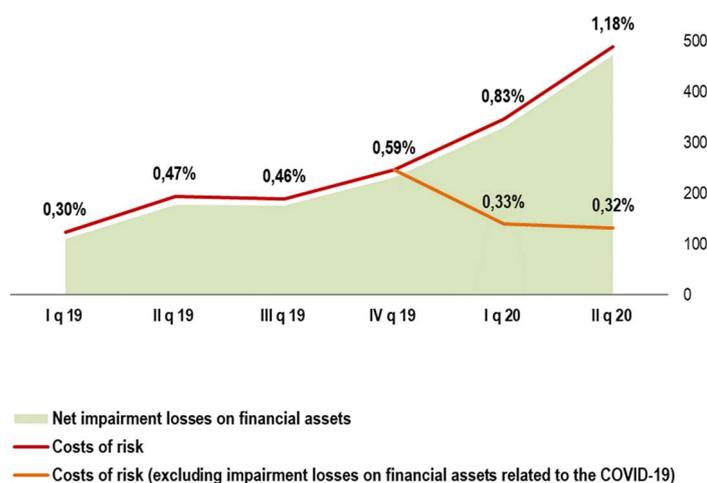
(in PLN million)

	GROUP		BANK PEKAO S.A.	
	1 HALF OF 2020	1 HALF OF 2019	1 HALF OF 2020	1 HALF OF 2019
financial assets measured at amortized cost	(691.2)	(226.0)	(656.7)	(207.5)
financial assets measured at fair value through other comprehensive income	(21.1)	(18.3)	(21.8)	(17.9)
financial liabilities measured at amortized cost	(92.6)	(42.6)	(109.5)	(37.8)
<b>Net impairment losses on financial assets and off-balance sheet commitments</b>	<b>(804.9)</b>	<b>(286.9)</b>	<b>(788.0)</b>	<b>(263.2)</b>

The Group's net impairment losses on financial assets and off-balance sheet commitments amounted to PLN 804.9 million in the first half of 2020, and was three times higher as compared the first half of 2019, due to the creation of impairment related to the COVID-19 virus pandemic in accordance with IFRS 9.

Impairment losses for financial assets related to the COVID-19 coronavirus pandemic were created based on the forecasted deterioration of the risk parameters of the loan portfolio in the amount of ca. PLN 544 million and estimated based on macroeconomic scenarios assuming an economic recession in Poland in 2020.

### Costs of risk



The costs of risk in the first half of 2020 amounted to 1.01% and was higher by 0.63 p.p. y/y, due to the creation of loan loss provisions related to the COVID-19 pandemic.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## 8.3 The structure of the net profit

The structure of the net profit of the Group is presented in the table below:

(in PLN million)

	1 HALF OF 2020	1 HALF OF 2019	CHANGE
<b>Net profit of Bank Pekao S.A.</b>	<b>605.7</b>	<b>916.3</b>	<b>(33.9%)</b>
<b>Entities consolidated under full method</b>			
Pekao Investment Management S.A.	52.4	60.7	(13.7%)
Pekao Faktoring Sp. z o.o.	7.9	8.1	(2.5%)
Pekao Leasing Sp. z o.o.	6.2	25.2	(75.4%)
Pekao Direct Sp. z o.o. (d. Centrum Bankowości Bezpośredniej Sp. z o.o.) (*)	2.8	0.3	>100%
Pekao Financial Services Sp. z o.o.	2.6	4.6	(43.5%)
Dom Inwestycyjny Xelion Sp. z o.o.	0.3	0.1	>100%
Pekao Powszechne Towarzystwo Emerytalne S.A. w likwidacji	0.2	0.4	(50.0%)
Pekao Fundusz Kapitałowy Sp. z o.o. w likwidacji	0.1	0.2	(50.0%)
Centralny Dom Maklerski Pekao S.A. (**)	-	10.8	x
FPB "MEDIA" Sp. z o.o. w upadłości	0.0	0.0	x
Pekao Property S.A. w likwidacji	(0.1)	(0.1)	0.0%
Centrum Kart S.A.	(0.7)	(0.1)	x
Pekao Bank Hipoteczny S.A.	(1.5)	0.7	x
Pekao Investment Banking S.A. (***)	(2.4)	(10.0)	(76.0%)
<b>Exclusions and consolidation adjustments (****)</b>	<b>(127.5)</b>	<b>(192.8)</b>	<b>(33.9%)</b>
<b>Net profit of the Group attributable to equity holders of the Bank</b>	<b>546.0</b>	<b>824.4</b>	<b>(33.8%)</b>

(\*) On January 17, 2020, the name of the Centrum Bankowości Bezpośredniej limited liability company changed to Pekao Direct limited liability company, due to the registration of the amendment to the founding act in the register of entrepreneurs of the National Court Register.

(\*\*) On 25 June, 2019, the Ordinary General Meeting of Centralny Dom Maklerski Pekao S.A. (CDM Pekao S.A.) and the Extraordinary General Meeting of CBB Sp. z o.o. and on 26 June, 2019, the Ordinary General Meeting of the Bank adopted resolutions accepting the division of (CDM Pekao S.A.).

The division plan was agreed by the management boards of the companies participating in the division on 27 February, 2019 and assumed that the division will be effected in accordance with art. 529 § 1 Section 1 of the Commercial Companies Code, i.e.:

- by transferring to the Bank part of the assets (assets and liabilities) and the rights and obligations of CDM Pekao S.A. in the form of an organized part of the company CDM Pekao S.A. related to the provision of brokerage services,
- by transferring to CBB Sp. z o.o. part of assets (assets and liabilities) and rights and obligations of CDM Pekao S.A. in the form of an organized part of the company CDM Pekao S.A. related to call center services.

(\*\*\*) On May 29, 2020, Pekao IB concluded a sales agreement with Bank Pekao S.A. as part of the consolidation and integration process of the brokerage activities in the Pekao Group. an organized part of the enterprise covering brokerage activities. This transaction was classified as an intra-group transaction and the result of this transaction was recognized in the Group's equity.

(\*\*\*\*) Includes, among others, transactions within the Group (including dividends from subsidiaries for the previous years), and net profit attributable to non-controlling interest.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## **Results of the Bank's major related entities**

### ***Pekao Investment Management S.A. – Pekao IM***

In the first half of 2020, consolidated net profit of Pekao IM amounted to **PLN 52.4 million** compared with PLN 60.7 million in the first half of 2019. Net assets of investment funds managed by Pekao TFI S.A. was lower by ca. 14.8% compared to the end of June 2019 due to the impact of the COVID-19 pandemic on the capital market in Poland and worldwide.

### ***Pekao Faktoring Sp. z o.o. – Pekao Faktoring***

In the first half of 2020, Pekao Faktoring reported a net profit of **PLN 7.9 million**, compared to a profit of PLN 8.1 million in the first half of 2019. The result of the current period is lower due to an extraordinary event. In the first half of 2020, the Company achieved an increase in factoring commitment by 44.3% y/y. Pekao Faktoring takes first place in turnover on the Polish factoring market.

### ***Pekao Leasing Sp. z o.o. – Pekao Leasing***

In the first half of 2020, Pekao Leasing reported a net profit of **PLN 6.2 million** compared with PLN 25.2 million in the in the first half of 2019. The result was lower due to the expected increase a costs of risk, due to the pandemic, despite an 11.0% higher revenue and strict cost control. In the first half of 2020, Pekao Leasing concluded new contracts by 31.6% less. The value of leased assets was only 9.9% lower y/ y and amounted to PLN 1,057.1 million.

### ***Pekao Direct Sp. z o.o. (previously Centrum Bankowości Bezpośredniej Sp. z o.o.) – Pekao Direct***

In the first half of 2020, Pekao Direct generated a net profit of **PLN 2.8 million**, compared to a result of PLN 0.3 million in the first half of 2019. The result was influenced by the increase in services for the Bank using remote communication channels - including newly introduced: chat and video), while optimizing and improving the efficiency of Pekao Direct.

### ***Pekao Financial Services Sp. z o.o. – PFS***

In the first quarter of 2020, Pekao FS reported a net profit of PLN 2.6 million (including the Bank's share of **PLN 1.7 million**), compared to a profit of PLN 4.6 million achieved in the first half of 2019. The net result was lower due to the fluctuation of revenues in the first half of 2019, taking into account the settlements of work carried out by Pekao FS, among others as part of the implementation of bancassurance products and an increase in costs caused by expanding the scope of activity primarily with services under the PPK program and preparation of PFS resources for its subsequent stages. The situation on the capital market related by COVID-19 also contributed to the decrease in revenues.

### ***Dom Inwestycyjny Xelion Sp. z o.o. – DI Xelion***

Net profit in the first half of 2020 amounted to **PLN 0.3 million**, compared to the profit of PLN 0.1 million achieved in the first half of 2019. The result was affected by the unfavorable situation on capital markets, resulting in a further shift in customer preferences towards a lower level of acceptable risk.

### ***Pekao Powszechno Towarzystwo Emerytalne S.A. w likwidacji – Pekao PTE***

In the first half of 2020, Pekao PTE reported net profit of **PLN 0.2 million** compared with PLN 0.2 million in the first half of 2019. Pekao PTE is in liquidation from June 1, 2018 and does not conduct activities.

### ***Centralny Dom Maklerski Pekao S.A. – CDM Pekao***

As of August 30, 2019, CDM Pekao was removed from the national court register, customer service was taken over by the Pekao Brokerage House (organizational unit of the Bank). The net profit of CDM Pekao in the amount of PLN 10.8 million was included in the Group's results for the first half of 2019. From September 2019, the results of CDM Pekao are included in the results of the Bank.

### ***Pekao Bank Hipoteczny S.A. – Pekao Bank Hipoteczny***

In the first quarter of 2020, Pekao Bank Hipoteczny reported a net loss of **PLN 1.5 million**, i.e. compared to a profit PLN 0.7 as in the first half of 2019. Net loss related to booking BFG costs and, in the case of the 2020 result, an additional increase in the level of credit risk.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## **Pekao Investment Banking S.A. – Pekao IB**

In the first quarter of 2020, Pekao IB reported a net loss of **PLN 2.4 million**, compared to a loss of PLN 10.0 million in the first half of 2019. The loss in both periods result from the low number of consultancy transactions carried out and low income from brokerage activities rendered to institutional clients, also limited by the economic situation.

## **The results of Bank Pekao S.A.**

The main items from the Bank's income statement in presentation form are as follows:

(in PLN million)

	1 HALF OF 2020	1 HALF OF 2019	CHANGE
Net interest income	2,714.4	2,588.8	4.9%
Net non-interest income	1,259.2	1,291.8	(2.5%)
<b>Operating income</b>	<b>3,973.6</b>	<b>3,880.5</b>	<b>2.4%</b>
<b>Operating costs</b>	<b>(1,690.6)</b>	<b>(1,635.1)</b>	<b>3.4%</b>
<b>Gross operating profit</b>	<b>2,283.0</b>	<b>2,245.4</b>	<b>1.7%</b>
Net impairment losses on financial assets and off-balance sheet commitments	(788.0)	(263.2)	> 100%
<b>Net operating profit</b>	<b>1,495.0</b>	<b>1,982.2</b>	<b>(24.6%)</b>
Bank Guarantee Fund fee	(291.4)	(411.0)	(29.1%)
Tax on certain financial institutions	(326.3)	(297.3)	9.8%
Gains (losses) on subsidiaries and associates	(0.4)	-	x
<b>Profit before tax</b>	<b>876.8</b>	<b>1,273.9</b>	<b>(31.2%)</b>
<b>Net profit</b>	<b>605.7</b>	<b>916.3</b>	<b>(33.9%)</b>

(\*) Starting from the first quarter of 2020 the Group made changes in the presentation of selected items of the income statement. The items: 'Net result on other provisions, and 'Gains (losses) on disposal of property, plant and equipment and intangible assets, are presented in the line 'Net other operating income and expenses' (and thus in net non-interest income, operating income, gross operating profit and net operating profit). The above-mentioned changes resulted in restatement of comparable data, but without impact on the net profit for the period. In order to ensure comparability, data for the first half of 2019 have been restated in comparison to those previously published.

Net profit of the Bank Pekao S.A. in the first half of 2020 amounted to PLN 605.7 million and was lower by 33.9% y/y mainly due to the establishment of restructuring provision in the first half of 2020 and higher impairment losses on financial assets related to the COVID-19 coronavirus pandemic, with growing revenues due to the dynamic development of commercial activities and continued strict control of operating costs.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

The main Bank's financial information are as follows:

	30.06.2020	30.06.2019	CHANGE
<b>STATEMENT OF FINANCIAL POSITION – SELECTED ITEMS (in PLN million)</b>			
Loans and advances at nominal value <sup>(*)</sup>	149,304.4	143,262.9	4.2%
Amounts due to customers	184,905.9	150,296.6	23.0%
Structured Certificates of Deposit	935.5	891.1	5.0%
Certificates of Deposit	457.0	1,006.0	(54.6%)
Subordinated bonds	2,750.0	2,350.0	17.0%
Repo transactions	-	40.0	x
<b>Total assets</b>	<b>227,290.7</b>	<b>189,574.3</b>	<b>19.9%</b>
Investment funds distributed through the Bank's network	16,260.8	19,032.6	(14.6%)
<b>Total capital ratio in %</b>	<b>19.9%</b>	<b>18.8%</b>	<b>1.1 p.p.</b>

(\*) Including loans and non-treasury debt securities.

As at the end of June 2020, loans and advances at nominal value amounted to PLN 149,304.4 million, an increase of PLN 6,041.5 million, i.e. 4.2% in comparison to the end of June 2019. As at the end of June 2020, the volume of retail loans amounted to PLN 77,204.1 million and the volume of corporate loans amounted to PLN 72,100.3 million.

As at the end of June 2020, the amounts due to customers, Structured Certificates of Deposit, Certificates of Deposit and subordinated bonds amounted to PLN 189,048.4 million, an increase of PLN 34,504.7 million, i.e. 22.3% in comparison to the end of June 2019.

The value of net assets of investment funds managed by Pekao TFI S.A. distributed through the Bank's network amounted to PLN 16,260.8 million as at the end of June 2020, were lower of PLN 2,771.8 million, i.e. 14.6% in comparison to the end of June 2019.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## 8.4 Structure of the consolidated statement of financial position – short form

The balance sheet of Bank Pekao S.A. determines the amount of total assets in balance sheet and the structure of the assets and liabilities of the Group. As at the end of June 2020, the total assets of Bank Pekao S.A. constitutes 96.6% of the total assets of the whole Group.

The table below presents the Group's statement of financial position – short form.

ASSETS	30.06.2020		30.06.2019		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Cash and due from Central Bank	7,362.5	3.1%	4,324.7	2.2%	70.2%
Loans and advances to banks <sup>(*)</sup>	8,110.4	3.4%	2,704.1	1.4%	> 100%
Loans and advances to customers <sup>(**)</sup>	152,441.1	64.8%	146,538.5	74.4%	4.0%
Reverse repo transactions	950.9	0.4%	-	x	x
Securities <sup>(***)</sup>	54,145.0	23.0%	35,216.9	17.9%	53.7%
Property, plant and equipment and intangible assets	3,686.7	1.6%	3,422.5	1.7%	7.7%
Other assets	8,607.1	3.7%	4,704.2	2.4%	83.0%
<b>Total assets</b>	<b>235,303.7</b>	<b>100.0%</b>	<b>196,910.9</b>	<b>100.0%</b>	<b>19.5%</b>

(\*) Including net investments in financial leases to banks.

(\*\*) Including net investments in financial leases to customers and non-treasury debt securities.

(\*\*\*) Including financial assets held for trading, other financial instruments at fair value through profit and loss and excluding non-treasury debt securities.

EQUITY AND LIABILITIES	30.06.2020		30.06.2019		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Amounts due to Central Bank	-	0.0%	5.0	0.0%	x
Amounts due to other banks	7,719.6	3.3%	6,578.8	3.3%	17.3%
Amounts due to customers	184,098.5	78.2%	149,814.8	76.1%	22.9%
Debt securities issued	5,038.4	2.1%	5,952.2	3.0%	(15.4%)
Subordinated liabilities	2,759.5	1.2%	2,363.3	1.2%	16.8%
Repo transactions	0.0	0.0%	40.0	0.0%	x
Lease liabilities	450.6	0.2%	508.6	0.3%	(11.4%)
Other liabilities	10,558.2	4.5%	9,567.3	4.9%	10.4%
Total equity, including	24,678.9	10.5%	22,080.9	11.2%	11.8%
non-controlling interests	11.0	0.0%	11.7	0.0%	(6.0%)
<b>Total equity and liabilities</b>	<b>235,303.7</b>	<b>100.0%</b>	<b>196,910.9</b>	<b>100.0%</b>	<b>19.5%</b>

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## Customers' Financing

### Customer structure of loans and advances

(in PLN million)

	30.06.2020	30.06.2019	CHANGE
<b>Loans and advances at nominal value <sup>(*)</sup></b>	<b>158,304.8</b>	<b>151,560.8</b>	<b>4.4%</b>
Loans and investments in financial leases	148,369.7	140,398.1	5.7%
Retail	78,434.7	74,168.9	5.8%
Corporate	69,935.0	66,229.2	5.6%
Non-treasury debt securities	9,935.1	11,162.7	(11.0%)
Other <sup>(**)</sup>	1,222.0	1,296.5	(5.7%)
<b>Impairment allowances</b>	<b>(7,085.7)</b>	<b>(6,318.8)</b>	<b>12.1%</b>
<b>Total net receivables</b>	<b>152,441.1</b>	<b>146,538.5</b>	<b>4.0%</b>
Reverse repo transactions	950.9	-	x
<b>Total Customers' financing <sup>(***)</sup></b>	<b>159,255.7</b>	<b>151,560.8</b>	<b>5.1%</b>

(\*) Excluding reverse repo transactions.

(\*\*) Including interest and receivables in transit.

(\*\*\*) Total customers' financing includes loans and advances at nominal value, securities issued by non-monetary entities and reverse repo transactions.

As at the end of June 2020, loans and advances at nominal value amounted to PLN 158,304.8 million, an increase of PLN 6,744.0 million, i.e. 4.4% in comparison to the end of June 2019 with significant growth in key strategic areas.

As at the end of June 2020, the volume of retail loans amounted to PLN 78,434.7 million, an increase of PLN 4,265.8 million, i.e. 5.8% in comparison to the end of June 2019, thanks to dynamic growth of PLN mortgage loans by 8.1% y/y.

As at the end of June 2020, corporate loans and non-treasury debt securities amounted to PLN 79,870.1 million, an increase of PLN 2,478.2 million, i.e. 3.2% in comparison to the end of June 2019, thanks to strong dynamics in the medium-sized enterprise segment and leasing receivables.

### Receivables and impairment losses<sup>(\*)</sup>

(in PLN million)

	30.06.2020	30.06.2019	CHANGE
<b>Gross receivables</b>	<b>159,526.8</b>	<b>152,857.3</b>	<b>4.4%</b>
Stage 1	125,431.3	124,777.6	0.5%
Stage 2	25,531.2	20,238.4	26.2%
Stage 3	8,564.3	7,841.3	9.2%
<b>Impairment allowances</b>	<b>(7,085.7)</b>	<b>(6,318.8)</b>	<b>12.1%</b>
Stage 1	(424.9)	(395.2)	7.5%
Stage 2	(909.6)	(683.9)	33.0%
Stage 3	(5,751.2)	(5,239.7)	9.8%
<b>Total net receivables</b>	<b>152,441.1</b>	<b>146,538.5</b>	<b>4.0%</b>

(\*) Including net investments in financial leases to customers, non-treasury debt securities, interest and receivables in transit and excluding reverse repo transactions.

As at the end of June 2020 the ratio of impaired receivables (stage 3) to the gross receivables amounted to 5.4%.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## Loans and advances to customers by currency<sup>(\*)</sup>

	30.06.2020		30.06.2019		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Denominated in PLN	130,199.6	81.6%	127,543.3	83.4%	2.1%
Denominated in foreign currencies <sup>(**)</sup>	29,327.2	18.4%	25,314.0	16.6%	15.9%
<b>Total</b>	<b>159,526.8</b>	<b>100.0%</b>	<b>152,857.3</b>	<b>100.0%</b>	<b>4.4%</b>
Impairment allowances	(7,085.7)	x	(6,318.8)	x	12.1%
<b>Total net</b>	<b>152,441.1</b>	<b>x</b>	<b>146,538.5</b>	<b>x</b>	<b>4.0%</b>

<sup>(\*)</sup> Including net investments in financial leases to customers, non-treasury debt securities, interest and receivables in transit and excluding reverse repo transactions.

<sup>(\*\*)</sup> Including indexed loans.

The currency structure of loans and advances to customers is dominated by amounts expressed in the Polish zloty; as at the end of June 2020, their share was 81.6%. The largest portion of foreign currency loans and advances to customers were represented by those denominated in EUR (81.3%), CHF (10.8%) and USD (6.3%).

## Loans and advances to customers by contractual maturities <sup>(\*)</sup>

	30.06.2020		30.06.2019		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Current and up to 1 month	15,335.2	9.6%	15,882.4	10.4%	(3.4%)
1 to 3 months	5,927.9	3.7%	4,950.2	3.2%	19.8%
3 months to 1 year	15,042.5	9.4%	14,596.9	9.5%	3.1%
1 to 5 years	54,610.1	34.2%	50,149.2	32.8%	8.9%
Over 5 years	63,040.9	39.5%	61,440.8	40.2%	2.6%
Past due	4,348.2	2.7%	4,541.3	3.0%	(4.3%)
Other	1,222.0	0.8%	1,296.5	0.8%	(5.7%)
<b>Total</b>	<b>159,526.8</b>	<b>100.0%</b>	<b>152,857.3</b>	<b>100.0%</b>	<b>4.4%</b>
Impairment allowances	(7,085.7)	x	(6,318.8)	x	12.1%
<b>Total net</b>	<b>152,441.1</b>	<b>x</b>	<b>146,538.5</b>	<b>x</b>	<b>4.0%</b>

<sup>(\*)</sup> Including net investments in financial leases to customers, non-treasury debt securities, interest and receivables in transit and excluding reverse repo transactions.

As at the end of June 2020, loans and advances with maturity over 5 years represents 39.5% of total loans and advances (mainly attributed to mortgage loans, investment loans, and non-treasury debt securities).

Information on loan concentration is included in the Note to the Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the first half of 2020.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## External sources of financing

(in PLN million)

	30.06.2020	30.06.2019	CHANGE
Amounts due to Central Bank	-	5.0	x
Amounts due to other banks	7,719.6	6,578.8	17.3%
Amounts due to customers	184,098.5	149,814.8	22.9%
Debt securities issued	5,038.4	5,952.2	(15.4%)
Subordinated liabilities	2,759.5	2,363.3	16.8%
Repo transactions	-	40.0	x
<b>Total external sources of financing</b>	<b>199,616.0</b>	<b>164,754.1</b>	<b>21.2%</b>

Amounts due to customers amounted to PLN 184,098.5 million, an increase by 22.9% to significant extent contributed to dynamic increase in loans.

The deposit base is widely diversified and is sourced from retail and corporate customers. In addition, the Group uses also funds borrowed on the interbank market. The Group is not dependent on any single customer nor group of customers.

## Amounts due to customers and debt securities issued

(in PLN million)

	30.06.2020	30.06.2019	CHANGE
<b>Corporate deposits</b>	<b>83,693.8</b>	<b>60,889.30</b>	<b>37.5%</b>
Non-financial entities	61,672.0	44,477.8	38.7%
Non-banking financial entities	5,573.3	6,351.1	(12.2%)
Budget entities	16,448.5	10,060.4	63.5%
<b>Retail deposits</b>	<b>99,969.5</b>	<b>88,366.5</b>	<b>13.1%</b>
Other (*)	435.2	559.0	(22.1%)
<b>Amounts due to customers(**)</b>	<b>184,098.5</b>	<b>149,814.8</b>	<b>22.9%</b>
<b>Debt securities issued, of which</b>	<b>7,797.9</b>	<b>8,315.5</b>	<b>(6.2%)</b>
Structured Certificates of Deposit (SCD)	935.5	891.1	5.0%
Certificates of Deposit (CD)	457.0	1,006.0	(54.6%)
Subordinated bonds	2,750.0	2,350.0	17.0%
Pekao Bank Hipoteczny S.A. covered bonds	1,429.8	1,347.6	6.1%
Pekao Bank Hipoteczny S.A. bonds	215.7	283.4	(23.9%)
Pekao Leasing Sp. z o.o. bonds	1,360.5	2,048.2	(33.6%)
Pekao Faktoring Sp. z o.o. bonds	626.7	352.2	77.9%
Interest	22.7	37.0	(38.6%)
<b>Amounts due to customers and debt securities issued (**)</b>	<b>191,896.4</b>	<b>158,130.3</b>	<b>21.4%</b>
Repo transactions	-	40.0	x
Lease liabilities	450.6	508.6	(11.4)%
<b>Amounts due to customers and debt securities issued, total (***)</b>	<b>192,347.0</b>	<b>158,678.9</b>	<b>21.2%</b>
<b>Investment funds of Pekao TFI S.A. (ex. Pioneer Pekao TFI)</b>	<b>17,389.2</b>	<b>20,403.1</b>	<b>(14.8%)</b>
Bond and money market funds	13,920.1	16,397.8	(15.1%)
Balanced funds	1,931.8	2,207.8	(12.5%)
Equity funds	1,494.5	1,797.5	(16.9%)
PPK	42.7	-	x
including distributed through the Group's network	17,024.8	20,004.1	(14.9%)

(\*) Other item includes interest and funds in transit.

(\*\*) Excluding repo transactions and lease liabilities.

(\*\*\*) Including repo transactions and lease liabilities.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

As at the end of June 2020, amounts due to the Group's customers and debt securities issued amounted to PLN 191,896.4 million, an increase of PLN 33,766.1 million, i.e. 21.4% in comparison to the end of June 2019.

The total volume of retail deposits, Structured Certificates of Deposit and other amounted to PLN 101,317.7 million as at the end of June 2020, an increase of PLN 11,541.9 million, i.e. 12.9% in comparison to the end of June 2019 and they increased their share in the structure of financing.

The total volume of corporate deposits, Certificates of Deposit, subordinated bonds, Pekao Bank Hipoteczny S.A. covered bonds and bonds, Pekao Leasing Sp. z o.o. bonds, Pekao Faktoring Sp. z o.o. bonds interest and other amounted to PLN 90,578.7 million as at the end June 2020, an increase of PLN 22,224.1 million, i.e. 32.5% as compared to the end of June 2019.

The value of net assets of investment funds managed by Pekao TFI S.A. amounted to PLN 17,389.2 million as at the end of June 2020, an decrease of PLN 3,013.9 million, i.e. 14.8% in comparison to the end of June 2019. The decrease occurred mainly in March and was caused by a pandemic situation in the country and abroad.

## Amounts due to customers by currency <sup>(\*)</sup>

	30.06.2020		30.06.2019		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Denominated in PLN	148,702.6	80.8%	121,437.3	81.1%	22.5%
Denominated in foreign currencies	35,395.8	19.2%	28,377.4	18.9%	24.7%
<b>Total</b>	<b>184,098.5</b>	<b>100.0%</b>	<b>149,814.8</b>	<b>100.0%</b>	<b>22.9%</b>

<sup>(\*)</sup> Including interest and amounts due in transit and excluding repo transactions and lease liabilities.

The bulk of the amounts due to customers are denominated in the Polish currency and its share as at the end of June 2020 amounted to 80.8%. The majority of amounts due to customers denominated in foreign currencies were in EUR (51.2%) and USD (43.2%).

## Amounts due to customers by contractual maturities <sup>(\*)</sup>

	30.06.2020		30.06.2019		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Current accounts and overnight deposits	150,974.7	82.2%	100,182.6	67.1%	50.7%
Term deposits	32,688.6	17.8%	49,073.2	32.9%	(33.4%)
<b>Total deposits</b>	<b>183,663.3</b>	<b>100.0%</b>	<b>149,255.8</b>	<b>100.0%</b>	<b>23.1%</b>
Interest accrued	129.3	x	194.0	x	(33.4%)
Funds in transit	305.8	x	365.0	x	(16.2%)
<b>Total</b>	<b>184,098.5</b>	<b>x</b>	<b>149,814.8</b>	<b>x</b>	<b>22.9%</b>

<sup>(\*)</sup> Excluding repo transactions and lease liabilities.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## 8.5 Provisions, deferred tax assets and liabilities

(in PLN million)

	GROUP		BANK PEKAO S.A.	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
<b>Total provisions</b>	<b>946.0</b>	<b>747.3</b>	<b>984.9</b>	<b>763.2</b>
of which:				
provisions for off-balance sheet commitments	385.2	283.1	436.0	309.1
provisions for liabilities to employees	453.1	404.7	445.6	396.4
other provisions	107.7	59.5	103.3	57.7
<b>Deferred tax liabilities</b>	<b>28.9</b>	<b>32.0</b>	<b>-</b>	<b>-</b>
<b>Deferred tax assets</b>	<b>1,177.5</b>	<b>1,151.9</b>	<b>860.7</b>	<b>841.3</b>

## 8.6 Off-balance sheet items

### Statement of Off-balance sheet items

(in PLN million)

	30.06.2020	30.06.2019	CHANGE
Contingent liabilities granted and received	70,218.3	69,998.8	0.3%
Liabilities granted:	51,296.6	49,693.0	3.2%
financial	38,505.1	37,543.3	2.6%
guarantees	12,791.5	12,149.7	5.3%
Liabilities received:	18,921.7	20,305.8	(6.8%)
financial	1,328.4	1,570.7	(15.4%)
guarantees	17,593.3	18,735.1	(6.1%)
Derivative financial instruments	407,065.3	265,093.8	53.6%
interest rate transactions	267,834.7	154,959.0	72.8%
transactions in foreign currency and in gold	135,052.7	106,711.2	26.6%
transactions based on commodities and equity securities	4,177.9	3,423.6	22.0%
<b>Total off-balance sheet items</b>	<b>477,283.6</b>	<b>335,092.6</b>	<b>42.4%</b>

Information on loan concentration is included in the Notes to the Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the first half of 2020.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## 8.7 Capital adequacy

Capital ratios are the basic measure applied for the measurement of capital adequacy according to Regulation of the European Parliament and of the Council (EU) No 575/2013 of June 26, 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (CRR Regulation), which entered into force since January 1, 2014 together with further amendments.

Capital ratios, capital requirements and own funds have been calculated in accordance with the above mentioned CRR Regulation using national options defined in article 171a of The Banking Act, Act of 5 August 2015 on macro-prudential supervision over financial system and crisis management in financial system (Act on macro-prudential supervision), as well as regulations of minister in charge of the finance.

According to law, Group is required to maintain minimal values of capital ratios resulting from Pillar I level (CRR Regulation), capital requirement of Pillar II resulting from The Banking Act and combined buffer requirement resulting from Act on macro-prudential supervision.

Minimal value of capital ratios on Pillar I level are:

- Total capital ratio (TCR) in amount of 8%,
- Tier I capital ratio (T1) in amount of 6%,
- Common Equity Tier I capital ratio (CET 1) in amount of 4.5%.

For Group, capital requirement of Pillar II, resulting from individual requirement imposed on Pekao Bank Hipoteczny, by KNF, amounts to 0.01% for TCR.

Combined buffer requirement consists of:

- Capital conservation buffer in amount of 2.50%,
- Countercyclical capital buffer in amount of 0.00%<sup>1</sup>,
- Other systemically important institution buffer in amount of 0.75%,
- Systemic risk buffer in amount of 0.00%<sup>2</sup>.

In total, Group is required to maintain:

- Total capital ratio (TCR) in amount of 11.26%,
- Capital ratio Tier I (T1) in amount of 9.26%,
- Common Equity Tier (CET 1) in amount of 7.76%.

As of June 30, 2020 for Pekao Group, total capital ratio amounted to 18.0% and Tier I ratio amounted to 16.0% The capital ratios were significantly above the minimum required by the law.

<sup>1</sup> Countercyclical capital buffer was calculated as of 30.06.2020 at the level 0.0008%

<sup>2</sup> According to Minister of Finance's regulation the systematic risk buffer was abolished as of March 19, 2020. The systemic risk buffer rate before abolition amounted to 3% of the total risk exposure amount for all exposures located only on the territory of the Republic of Poland

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

The table below presents the basic information concerning the Group capital adequacy as of 30 June, 2020, 31 December, 2019 and 30 June, 2019 according to regulation which were in force at those dates.

(in PLN thousand)

<b>CAPITAL REQUIREMENT</b>	<b>30.06.2020</b>	<b>31.12.2019</b>	<b>30.06.2019</b>
Credit risk	10,329,935	10,107,188	9,682,610
Exceeding the exposure concentration limit and large exposures limit	-	-	-
Market risk	91,879	87,596	68,573
Counterparty credit risk including CVA	168,605	119,803	104,991
Operational risk	628,218	527,844	495,469
<b>Total capital requirement</b>	<b>11,218,637</b>	<b>10,842,431</b>	<b>10,351,643</b>
<b>OWN FUNDS</b>			
Common Equity Tier I Capital	22,455,983	20,387,099	20,390,463
Tier II Capital	2,750,000	2,750,000	2,000,000
<b>Own funds for total capital ratio</b>	<b>25,205,983</b>	<b>23,137,099</b>	<b>22,390,463</b>
<b>Common Equity Tier I Capital ratio (%)</b>	<b>16.0%</b>	<b>15.0%</b>	<b>15.8%</b>
<b>Total capital ratio TCR (%)</b>	<b>18.0%</b>	<b>17.1%</b>	<b>17.3%</b>

Level of Group Total Capital Ratio at the end of June 2020 was higher by 0.7 p.p. compared to the end of June 2019 mainly due to higher own funds by 12.6% partially compensated by increase of capital requirements by 8.4%.

Increase in own funds for total capital ratio calculation resulted mainly from retention of 100% of Bank's net profit for year 2019 in Tier I capital, inclusion in Tier II capital the amount of PLN 0.75 billion from the issue of subordinated bonds as well as the change of portfolio valuation measured at fair value through equity.

Total capital requirement increased mainly due to higher credit risk and counterparty credit risk capital requirements resulting mainly from increase in loan volumes and depreciation of PLN against major currencies.

Common Equity Tier I capital ratio of Group as at the end of June 2020 was higher by 0.2 p.p. compared to June 2019 due to higher Common Equity Tier I capital by 10.1% partially compensated by increase of capital requirements.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## 8.8 Reconciliation of income statement – presentation form and long form

### Consolidated income statement for the first half of 2020

INCOME STATEMENT – PRESENTATION FORM'S ITEMS	LONG FORM'S ITEMS RECLASSIFIED TO PRESENTATION FORM	1 HALF OF 2020
<b>Net interest income</b>	<b>Net interest income</b>	<b><u>2,793,799</u></b>
<b>Net fee and commission income</b>	<b>Net fee and commission income</b>	<b><u>1,182,241</u></b>
Dividend income	Dividend income	<u>26,003</u>
Trading result	-	<u>104,398</u>
	Net result on other financial instruments at fair value through profit and loss	60,975
	Result on fair value hedge accounting	(752)
	(Gains) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	44,175
Net other operating income and expenses	Net other operating income and expenses	<u>(8,666)</u>
<b>Net non-interest income</b>	-	<b><u>1,303,976</u></b>
<b>Operating income</b>	-	<b><u>4,097,775</u></b>
<b>Operating costs</b>	-	<b><u>(1,831,340)</u></b>
	Personnel expenses	(1,107,513)
	Other administrative expenses	(1,085,721)
	less – Bank Guarantee Fund fee	293,784
	less – Tax on certain financial institutions	326,349
	Depreciation and amortization	(258,239)
<b>Gross operating profit</b>	-	<b><u>2,266,435</u></b>
Net impairment losses on financial assets and off-balance sheet commitments	Net impairment losses on loans and off-balance sheet commitments	<u>(804,920)</u>
<b>Net operating profit</b>	-	<b><u>1,461,515</u></b>
Bank Guarantee Fund fee	Bank Guarantee Fund fee	(293,784)
Tax on certain financial institutions	Tax on certain financial institutions	(326,349)
Gains (losses) on subsidiaries and associates	(Gains) losses on the sale of shares in subsidiaries and associates	-
<b>Profit before income tax</b>	<b>Profit before income tax</b>	<b><u>841,382</u></b>
Income tax expense	Income tax expense	<u>(294,475)</u>
<b>Net profit for the period</b>	<b>Net profit for the period</b>	<b><u>546,907</u></b>
Attributable to equity holders of the Bank	Attributable to equity holders of the Bank	546,049
Attributable to non-controlling interest	Attributable to non-controlling interest	858

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## Consolidated income statement for the first half of 2019

INCOME STATEMENT – PRESENTATION FORM'S ITEMS	LONG FORM'S ITEMS RECLASSIFIED TO PRESENTATION FORM	1 HALF OF 2019
<b>Net interest income</b>	<b>Net interest income</b>	<b><u>2,657,944</u></b>
<b>Net fee and commission income</b>	<b>Net fee and commission income</b>	<b><u>1,236,261</u></b>
Dividend income	Dividend income	<u>21,652</u>
Trading result	-	<u>66,884</u>
	Net result on other financial instruments at fair value through profit and loss	48,726
	Result on fair value hedge accounting	(1,704)
	(Gains) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	19,862
Net other operating income and expenses	Net other operating income and expenses	<u>37,543</u>
<b>Net non-interest income</b>	-	<b><u>1,362,340</u></b>
<b>Operating income</b>	-	<b><u>4,020,284</u></b>
<b>Operating costs</b>	-	<b><u>(1,809,566)</u></b>
	Personnel expenses	(1,065,852)
	Other administrative expenses	(1,199,409)
	less – Bank Guarantee Fund fee	413,634
	less – Tax on certain financial institutions	297,284
	Depreciation and amortization	(255,223)
<b>Gross operating profit</b>	-	<b><u>2,210,718</u></b>
Net impairment losses on financial assets and off-balance sheet commitments	Net impairment losses on loans and off-balance sheet commitments	<u>(286,921)</u>
<b>Net operating profit</b>	-	<b><u>1,923,797</u></b>
Bank Guarantee Fund fee	Bank Guarantee Fund fee	(413,634)
Tax on certain financial institutions	Tax on certain financial institutions	(297,284)
Gains (losses) on subsidiaries and associates	(Gains) losses on the sale of shares in subsidiaries and associates	-
<b>Profit before income tax</b>	<b>Profit before income tax</b>	<b><u>1,212,879</u></b>
Income tax expense	Income tax expense	<u>(386,881)</u>
<b>Net profit for the period</b>	<b>Net profit for the period</b>	<b><u>825,998</u></b>
Attributable to equity holders of the Bank	Attributable to equity holders of the Bank	824,447
Attributable to non-controlling interest	Attributable to non-controlling interest	1,551

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## 9. Quarterly Income Statement

### 9.1 Consolidated income statement – long form

Consolidated income statement for 2020 and 2019 - Provided for comparability purposes.

(in PLN thousand)

	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Interest income	1,547,044	1,717,440	1,722,641	1,703,631	1,668,660	1,597,982
Financial assets measured at amortised cost	1,314,397	1,499,810	1,504,302	1,474,538	1,436,541	1,377,505
Financial assets measured at fair value through other comprehensive income	164,408	158,249	156,604	158,718	167,013	159,844
Financial assets measured at fair value through profit or loss	68,239	59,381	61,735	70,375	65,106	60,633
Interest expense	(181,496)	(289,189)	(303,969)	(312,201)	(311,112)	(297,586)
Net interest income	1,365,548	1,428,251	1,418,672	1,391,430	1,357,548	1,300,396
Fee and commission income	676,929	719,266	758,856	743,649	725,062	684,885
Fee and commission expense	(109,082)	(104,872)	(104,230)	(100,872)	(92,380)	(81,306)
Net fee and commission income	567,847	614,394	654,626	642,777	632,682	603,579
Dividend income	25,748	255	220	535	21,266	386
Result on financial assets and liabilities measured at fair value through profit or loss	50,703	10,272	74,393	20,752	31,063	17,663
Result on fair value hedge accounting	992	(1,744)	2,010	(1,972)	(728)	(976)
Result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	23,049	21,126	32,447	19,592	8,430	11,432
Net impairment losses on financial assets and off-balance sheet commitments	(474,010)	(330,910)	(232,654)	(176,463)	(177,238)	(109,683)
Net other operating income and expenses	(7,879)	(787)	16,545	(10,582)	23,246	14,297
Administrative expenses	(909,932)	(1,283,302)	(908,456)	(905,268)	(993,200)	(1,272,061)
Personnel expenses	(489,277)	(618,236)	(509,580)	(502,264)	(586,428)	(479,424)
Other administrative expenses	(420,655)	(665,066)	(398,876)	(403,004)	(406,772)	(792,637)
Depreciation and amortization	(134,704)	(123,535)	(125,416)	(123,578)	(126,576)	(128,647)
Gains (losses) on subsidiaries and associates	-	-	-	-	-	-
<b>PROFIT BEFORE INCOME TAX</b>	<b>507,362</b>	<b>334,020</b>	<b>932,387</b>	<b>857,223</b>	<b>776,493</b>	<b>436,386</b>
Income tax expense	(147,906)	(146,569)	(248,662)	(200,329)	(193,560)	(193,321)
<b>NET PROFIT</b>	<b>359,456</b>	<b>187,451</b>	<b>683,725</b>	<b>656,894</b>	<b>582,933</b>	<b>243,065</b>
<b>Attributable to equity holders of the Bank</b>	<b>359,151</b>	<b>186,898</b>	<b>684,386</b>	<b>656,214</b>	<b>582,106</b>	<b>242,341</b>
Attributable to non-controlling interests	305	553	(661)	680	827	724

(\*) Other administrative expenses includes tax on certain financial institutions and Bank Guarantee Fund fee.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## 9.2 Consolidated statement of comprehensive income

### Consolidated statement of comprehensive income for 2020 and 2019

(in PLN thousand)

	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
<b>Net profit</b>	<b>359,456</b>	<b>187,451</b>	<b>683,725</b>	<b>656,894</b>	<b>582,933</b>	<b>243,065</b>
<b>Other comprehensive income</b>						
<b>Item that are or may be reclassified subsequently to profit or loss:</b>						
Change in fair value of financial assets measured at fair value through other comprehensive income:						
Profit or loss on fair value measurement	525,077	(161,105)	(39,335)	54,837	123,334	(9,750)
Profit or loss reclassification to income statement after derecognition	548,841	(147,666)	(10,426)	69,776	130,615	1,806
Change in fair value of cash flow hedges	(23,764)	(13,439)	(28,909)	(14,939)	(7,281)	(11,556)
Tax on items that are or may be reclassified subsequently to profit or loss	118,954	414,935	(76,199)	59,352	27,302	64,768
<b>Items that will never be reclassified to profit or loss:</b>						
Effects of the revaluation or sale of investments in equity instruments designated at fair value through other comprehensive	(122,366)	(48,228)	21,952	(21,696)	(28,621)	(10,453)
Remeasurements of the defined benefit liabilities	21,880	(11,233)	(17,025)	(7,795)	16,556	802
Tax on items that will never be reclassified to profit or loss	-	-	(2,783)	-	-	-
<b>Other comprehensive income (net of tax)</b>	<b>539,388</b>	<b>196,503</b>	<b>(109,627)</b>	<b>86,179</b>	<b>135,425</b>	<b>45,215</b>
<b>Total comprehensive income</b>	<b>898,844</b>	<b>383,954</b>	<b>574,098</b>	<b>743,073</b>	<b>718,358</b>	<b>288,280</b>
<b>Attributable to equity holders of the Bank</b>	<b>898,539</b>	<b>383,401</b>	<b>574,767</b>	<b>742,393</b>	<b>717,531</b>	<b>287,556</b>
Attributable to non-controlling interests	305	553	(669)	680	827	724

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## 9.3 Consolidated income statement – presentation form

### Consolidated income statement for 2020 and 2019

(in PLN thousand)

	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
<b>Net interest income</b>	<b>1,365,548</b>	<b>1,428,251</b>	<b>1,418,672</b>	<b>1,391,430</b>	<b>1,357,548</b>	<b>1,300,396</b>
Net fee and commission income	567,847	614,394	654,626	642,777	632,682	603,579
Dividend income	25,748	255	220	535	21,266	386
Trading result	74,744	29,654	108,850	38,372	38,765	28,119
Net other operating income and expenses	(7,879)	(787)	16,545	(10,582)	23,246	14,297
<b>Net non-interest income</b>	<b>660,460</b>	<b>643,516</b>	<b>780,241</b>	<b>671,102</b>	<b>715,959</b>	<b>646,381</b>
<b>Operating income</b>	<b>2,026,008</b>	<b>2,071,767</b>	<b>2,198,913</b>	<b>2,062,532</b>	<b>2,073,507</b>	<b>1,946,777</b>
Operating costs	(831,712)	(999,628)	(864,770)	(862,737)	(950,881)	(858,685)
<b>Gross operating profit</b>	<b>1,194,296</b>	<b>1,072,139</b>	<b>1,334,143</b>	<b>1,199,795</b>	<b>1,122,626</b>	<b>1,088,092</b>
Net impairment losses on financial assets and off-balance sheet commitments	(474,010)	(330,910)	(232,654)	(176,463)	(177,238)	(109,683)
<b>Net operating profit</b>	<b>720,286</b>	<b>741,229</b>	<b>1,101,489</b>	<b>1,023,332</b>	<b>945,388</b>	<b>978,409</b>
Bank Guarantee Fund fee	(43,081)	(250,703)	(20,562)	(20,530)	(20,472)	(393,162)
Tax on certain financial institutions	(169,843)	(156,506)	(148,540)	(145,579)	(148,423)	(148,861)
Gains (losses) on subsidiaries and associates	-	-	-	-	-	-
<b>Profit before income tax</b>	<b>507,362</b>	<b>334,020</b>	<b>932,387</b>	<b>857,223</b>	<b>776,493</b>	<b>436,386</b>
Income tax expense	(147,906)	(146,569)	(248,662)	(200,329)	(193,560)	(193,321)
<b>Net profit</b>	<b>359,456</b>	<b>187,451</b>	<b>683,725</b>	<b>656,894</b>	<b>582,933</b>	<b>243,065</b>
<b>Attributable to equity holders of the Bank</b>	<b>359,151</b>	<b>186,898</b>	<b>684,386</b>	<b>656,214</b>	<b>582,106</b>	<b>242,341</b>
Attributable to non-controlling interest	305	553	(661)	680	827	724

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## 10. Other Information

### 10.1 Management Board position regarding the possibility of achieving previously published forecasts

The Bank has not published the forecast of the financial results for 2020.

### 10.2 Shares in the Bank and related entities held by the Bank's Directors

According to information available to the Bank, as at the date of submitting of Report on the activities of Bank Pekao S.A. Group for the first half of 2020 and as at the date of submitting of Report on the activities of Bank Pekao S.A. Group for the first quarter of 2020, the Members of the Bank's management and supervisory bodies did not held shares of Bank Pekao S.A.

### 10.3 Pending litigations

Information on significant legal proceedings pending before courts, arbitration bodies or public administration authorities in respect of liabilities and receivables of the Bank and its subsidiaries is included in Note 36 to the Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the first half of 2020

### 10.4 Information on derivative financial instruments and hedge accounting

Information on derivative financial instruments and hedge accounting is included in Note 27 to the Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the first half of 2020.

### 10.5 Related party transactions

In the first half of 2020, the Bank and its subsidiaries have not concluded any significant transactions (single or aggregate) with related entities other than those executed on arm's length.

In the first half of 2020, the Bank and its subsidiaries did not provide any sureties in respect of loans or advances or did not provide any guarantees to an entity or a subsidiary of such entity, which the total value would be significant.

Detailed information on related party transactions is included in Note 38 to the Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the first half of 2020.

### 10.6 Accounting principles adopted in the preparation of the report

Accounting principles adopted in the preparation of the report are described in Note 5 to the Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the first half of 2020.

### 10.7 Seasonality or cyclical nature of the Bank's activity

The demand for the financial services offered by the Bank is stable with no material impact of seasonal changes. Due to the nature of the Bank's activity, it is not subject to seasonal or cyclical changes.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## 10.8 Issuance, redemption and repayment of debt securities

### Structured Certificates of Deposit

Structured Certificates of Deposit are investment products for the Bank's clients that form an alternative to traditional banks' deposits. The total value of the Bank's liabilities relating to these products amounted to PLN 935.5 (principal value) as at the end of June 2020. There is 19 issuances of Structured Certificates of Deposit open in PLN with the maximum maturity date on August 16, 2021. The liabilities with the maturity date in 2020 and 2021 accounts for 43.1% and 56.9% of its total value respectively.

### Certificates of Deposit

Certificates of Deposit are investment products denominated in PLN that guarantee 100% protection of invested funds also in case of termination before redemption date. The total value of the Bank's liabilities under these products amounted to PLN 457.0 million (principal value) as at the end of June 2020. There are 4 issuances of Certificates of Deposit. The liabilities with the maturity dates up to 3 months.

### Subordinated bonds

On 30 October 2017, the Bank issued 10 years subordinated bonds with a total nominal value of 1.25 PLN billion. The funds from the issue were designated – after receiving the approval of the Polish Financial Supervision Authority on 21 December 2017 – to increase the Bank's supplementary capital, pursuant to art. 127 para. 2 point 2 of the Banking Law and art. 63 of Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms. The bonds were introduced to trading on the ASO Catalyst market.

On 15 October 2018, the Bank issued 10 years subordinated bonds with a total nominal value of PLN 0.55 billion. The funds from the issue were designated – after receiving the approval of the Polish Financial Supervision Authority on 16 November 2018 – to increase the Bank's supplementary capital, pursuant to art. 127 para. 2 point 2 of the Banking Law and art. 63 of Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms. The bonds were introduced to trading on the ASO Catalyst market.

On 15 October 2018, the Bank issued 15 years subordinated bonds with a total nominal value of PLN 0.20 billion. The funds from the issue were designated – after receiving the approval of the Polish Financial Supervision Authority on 18 October 2018 – to increase the Bank's supplementary capital, pursuant to art. 127 para. 2 point 2 of the Banking Law and art. 63 of Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms. The bonds were introduced to trading on the ASO Catalyst market.

On 4 June 2019, the Bank issued 12 years subordinated bonds with a total nominal value of PLN 0.35 billion. The funds from the issue were designated – after receiving the approval of the Polish Financial Supervision Authority on 8 July 2019 – to increase the Bank's supplementary capital, pursuant to art. 127 para. 2 point 2 of the Banking Law and art. 63 of Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms. The bonds were introduced to trading on the ASO Catalyst market.

On 4 December 2019, the Bank issued 12 years subordinated bonds with a total nominal value of PLN 0.40 billion. The funds from the issue were designated – after receiving the approval of the Polish Financial Supervision Authority on 10 December 2019 – to increase the Bank's supplementary capital, pursuant to art. 127 para. 2 point 2 of the Banking Law and art. 63 of Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms. The bonds were introduced to trading on the ASO Catalyst market.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## **Pekao Bank Hipoteczny S.A. covered bonds**

The total value of the company's liabilities due to covered bonds amounted to PLN 1,570.5 million (principal value) as at the end of June 2020. The liabilities under covered bonds with maturity date up to 6 months account 8%, up to the 1 year account 21.3%, from 1 year up to 3 years account for 30.0% with maturity date from 3 up to 5 years account for 26.9% and with maturity date from 5 years up to 10 years account for 5.7% of the total nominal value.

## **Pekao Bank Hipoteczny S.A. bonds**

The total value of the company's liabilities under bonds with maturity date to 3 months year amounted to PLN 219.8 million (principal value) as of June 2020.

## **Pekao Leasing Sp. z o.o. bonds**

The total value of the company's liabilities under bonds amounted to PLN 1,831.5 million (principal value) as of 30 June 2020. The liabilities with the maturity date up to 1 month, from 3 months and up to 6 months, up to 1 year and from to 3 year accounts for 10.9%, 62.5%, 15.6% and 10.9% of its total value respectively.

## **Pekao Faktoring Sp. z o.o. bonds**

The total value of the company's liabilities under bonds with maturity date to 6 months amounted to PLN 709.2 million (principal value) as of 30 June 2020.

## **10.9 Information on dividend and appropriation of profit achieved**

The Management Board of Bank Pekao S.A. informed in the current report No. 30/2020 from 22 May 2020 that on 22 May 2020 the Ordinary General Meeting of the Bank adopted the Resolution on the distribution of net profit of the Bank for the year 2019. The Resolution does not provide dividend payment.

According to the Resolution:

- from the net profit of Bank for the year 2019 in the amount of PLN 2,247,466,618.97, the amount of PLN 562,409,000.69 i.e. ca. 25% of net profit of the Bank for 2019, is allocated to reserve capital,
- the remaining part of the net profit of Bank for the year 2019 in the amount of PLN 1,685,057,618.28, i.e. ca. 75% of net profit of the Bank for 2019, is left undistributed.

## **10.10 Subsequent events**

No significant events occurred after the balance sheet date which were not reflected in the financial statements.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

## 11. Representations of the Bank's Management Board on reliability of the presented financial statements

The Management Board of Bank Pekao S.A. declares to the best of its knowledge that:

- the Condensed Interim Separate Financial Statements of Bank Pekao S.A. for the first half of 2020 and Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the first half of 2020 and comparative figures have been prepared in accordance with applicable accounting policies and that they reflect in a true, fair and clear manner the Bank's and the Group's financial position and their results,
- the Report on the activities of Bank Pekao S.A. Group for the first half of 2019 provides a true picture of Bank Pekao S.A. Group's development, achievements and situation, including the main threats and risks.

The Management Board of Bank Pekao S.A. declares that the registered audit company performing the review of the Condensed Interim Separate Financial Statements of Bank Pekao S.A. for the first half of 2020 and Condensed Interim Consolidated Financial Statements of Bank Pekao S.A. Group for the first half of 2020 has been selected in pursuance of applicable provisions of law. The company and the registered auditors performing the review meet the requirements indispensable for issuing an objective and independent report on the review concerning condensed interim unconsolidated financial statements and condensed interim consolidated financial statements, in accordance with applicable provisions of law and professional standards.

# Report on the activities of Bank Pekao S.A. Group for the first half of 2020

04.08.2020 Date	Leszek Skiba Name/Surname	Vice President of the Management Board managing work of the Management Board Position/Function	Signature
04.08.2020 Date	Jarosław Fuchs Name/Surname	Vice President of the Management Board Position/Function	Signature
04.08.2020 Date	Marcin Gadomski Name/Surname	Vice President of the Management Board Position/Function	Signature
04.08.2020 Date	Krzysztof Kozłowski Name/Surname	Vice President of the Management Board Position/Function	Signature
04.08.2020 Date	Tomasz Kubiak Name/Surname	Vice President of the Management Board Position/Function	Signature
04.08.2020 Date	Grzegorz Olszewski Name/Surname	Vice President of the Management Board Position/Function	Signature
04.08.2020 Date	Tomasz Styczyński Name/Surname	Vice President of the Management Board Position/Function	Signature
04.08.2020 Date	Marek Tomczuk Name/Surname	Vice Member of the Management Board Position/Function	Signature
04.08.2020 Date	Magdalena Zmitrowicz Name/Surname	Vice Member of the Management Board Position/Function	Signature