

Report of the Supervisory Board of Bank Polska Kasa Opieki Spółka Akcyjna on the activities in 2020 and on the results of the assessment of: the Report on the activities of Bank Pekao S.A. Group in 2020 – prepared along with the Report on the activities of Bank Pekao S.A., financial statements of Bank Polska Kasa Opieki Spółka Akcyjna and Bank Polska Kasa Opieki Spółka Akcyjna Group for the year ended 31 December 2020, and the Management Board proposal regarding distribution of the Bank Polska Kasa Opieki Spółka Akcyjna net profit for the year 2020

I. Composition and organisation of the Supervisory Board work in 2020.

Between 1 January 2020 and 20 April 2020, the Supervisory Board comprised the following Members:

Paweł Surówka – Chairman of the Supervisory Board,
Joanna Dynysiuk – Deputy Chairwoman of the Supervisory Board,
Stanisław Ryszard Kaczoruk – Deputy Chairman of the Supervisory Board,
Paweł Stopczyński – Secretary of the Supervisory Board,
Sabina Bigos-Jaworowska – Member of the Supervisory Board,
Justyna Głębiowska-Michalak – Member of the Supervisory Board,
Grzegorz Janas – Member of the Supervisory Board,
Michał Kaszyński – Member of the Supervisory Board,
Marian Majcher – Member of the Supervisory Board.

On 15 April 2020, Mr. Paweł Surówka resigned from the position of the Chairman of the Bank's Supervisory Board and from the membership in the Bank's Supervisory Board, effective as of 20 April 2020.

On 21 April 2020, the Bank's Supervisory Board appointed, as of the date of the resolution, Mr. Grzegorz Janas as the Chairman of the Bank's Supervisory Board for the current joint term of office.

Therefore, between 21 April 2020 and 22 May 2020, the Bank's Supervisory Board comprised the following Members:

Grzegorz Janas – Chairman of the Supervisory Board,
Joanna Dynysiuk – Deputy Chairwoman of the Supervisory Board,
Stanisław Ryszard Kaczoruk – Deputy Chairman of the Supervisory Board,
Paweł Stopczyński – Secretary of the Supervisory Board,
Sabina Bigos-Jaworowska – Member of the Supervisory Board,
Justyna Głębiowska-Michalak – Member of the Supervisory Board,
Michał Kaszyński – Member of the Supervisory Board,
Marian Majcher – Member of the Supervisory Board.

On 19 May 2020, all Members of the Bank's Supervisory Board appointed for the joint term of office ending in 2020, that is Chairman of the Supervisory Board, Mr. Grzegorz Janas, Deputy Chairwoman of the Supervisory Board, Ms. Joanna Dynysiuk, Deputy Chairman of the Supervisory Board, Mr. Stanisław Ryszard Kaczoruk, Secretary of the Supervisory Board, Mr. Paweł Stopczyński, as well as Members of the Supervisory Board: Ms. Sabina Bigos-Jaworowska, Ms. Justyna Głębiowska-Michalak, Mr. Michał Kaszyński and Mr. Marian Majcher, resigned as of the date of the Bank's Annual General Meeting for the 2019 fiscal year from their positions in the Bank's Supervisory Board and renounced their mandates in the Bank's Supervisory Board for the joint term of office ending in 2020.

On 22 May 2020, the Bank's General Meeting, taking into account the assessment of suitability, appointed Members of the Bank's Supervisory Board for a new three-year joint term of office commencing on 23 May 2020. The following persons were appointed to the Bank's Supervisory Board: Ms. Beata Kozłowska-Chyła, Ms. Małgorzata Sadurska, Mr. Marcin Eckert, Ms. Sabina Bigos-Jaworowska, Mr. Michał Kaszyński, Ms. Joanna Dynysiuk, Mr. Marian Majcher, Mr. Stanisław Ryszard Kaczoruk, Ms. Justyna Głębiowska-Michalak.

Between 23 May 2020 and 28 May 2020, the Bank's Supervisory Board comprised the following Members:

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

On 29 May 2020, the Bank's Supervisory Board appointed, as of the date of the resolution, Ms. Beata Kozłowska-Chyła as the Chairwoman of the Bank's Supervisory Board for its current joint term of office.

On 29 May 2020, the Bank's Supervisory Board appointed, as of the date of the resolution, Ms. Joanna Dynysiuk and Mr. Marcin Eckert as the Deputy Chairs of the Bank's Supervisory Board for its current joint term of office.

On 29 May 2020, the Bank's Supervisory Board appointed, as of the date of the resolution, Mr. Stanisław Ryszard Kaczoruk as the Secretary of the Bank's Supervisory Board for its current joint term of office.

Therefore, between 29 May 2020 and 31 December 2020, the Bank's Supervisory Board comprised the following Members:

Beata Kozłowska-Chyła – Chairwoman of the Supervisory Board,
Joanna Dynysiuk – Deputy Chairwoman of the Supervisory Board,
Marcin Eckert – Deputy Chairman of the Supervisory Board,
Stanisław Ryszard Kaczoruk – Secretary of the Supervisory Board,
Sabina Bigos-Jaworowska – Member of the Supervisory Board,
Justyna Głębiowska-Michalak – Member of the Supervisory Board,
Michał Kaszyński – Member of the Supervisory Board,
Marian Majcher – Member of the Supervisory Board,
Małgorzata Sadurska – Member of the Supervisory Board.

Five Members of the Supervisory Board, i.e.: Sabina Bigos-Jaworowska, Justyna Głębiowska-Michalak, Stanisław Ryszard Kaczoruk, Michał Kaszyński, and Marian Majcher meet the criteria of independence.

The Supervisory Board exercised permanent supervision over the Bank's activity in accordance with the rights and obligations defined in the Code of Commercial Companies, the Bank's Articles of Association and those resulting from the corporate governance principles and the code of best practices.

The Supervisory Board held 11 meetings and 6 teleconferences in 2020, during which it examined 187 pieces of information, analyses and motions, and adopted 182 resolutions.

The Supervisory Board performed its tasks both during the meetings and within the framework of the Board committees.

The following Supervisory Board committees continued their activity in 2020: (i) Audit Committee, (ii) Nomination and Remuneration Committee, and (iii) Risk Committee. Reports on the activities of the above-mentioned committees, approved by the Supervisory Board, have been attached to this report.

II. Personnel-related issues

Between 1 January 2020 and 3 February 2020, the Bank's Management Board comprised the following members:

Marek Lusztyn – Vice-President of the Bank's Management Board in charge of the work of the Management Board,

Marcin Gadomski – Vice-President of the Bank's Management Board,

Tomasz Kubiak – Vice-President of the Bank's Management Board,

Grzegorz Olszewski – Member of the Bank's Management Board,

Tomasz Styczyński – Vice-President of the Bank's Management Board,

Marek Tomczuk – Vice-President of the Bank's Management Board,

Magdalena Zmitrowicz – Vice-President of the Bank's Management Board.

On 4 February 2020, the Polish Financial Supervision Authority ("PFSA") unanimously

approved the appointment of Mr. Marek Lusztyn as the President of the Bank's Management Board.

In view of the above, between 4 February 2020 and 14 February 2020, the Bank's Management Board comprised the following members:

Marek Lusztyn – President of the Bank's Management Board,
Marcin Gadomski – Vice-President of the Bank's Management Board,
Tomasz Kubiak – Vice-President of the Bank's Management Board,
Grzegorz Olszewski – Member of the Bank's Management Board,
Tomasz Styczyński – Vice-President of the Bank's Management Board,
Marek Tomczuk – Vice-President of the Bank's Management Board,
Magdalena Zmitrowicz – Vice-President of the Bank's Management Board.

On 4 February 2020, the Bank's Supervisory Board, acting pursuant to the provisions of Article 22a (1) of the Act of 29 August 1997 - Banking Law and § 18 (8) of the Bank's Articles of Association, having positively assessed the suitability requirement, appointed, effective as of 15 February 2020, Mr. Jarosław Fuchs to the Bank's Management Board for the current joint term of office and to the position of the Vice-President of the Bank's Management Board.

Between 15 February 2020 and 14 April 2020, the Bank's Management Board comprised the following members:

Marek Lusztyn – President of the Bank's Management Board,
Jarosław Fuchs – Vice-President of the Bank's Management Board,
Marcin Gadomski – Vice-President of the Bank's Management Board,
Tomasz Kubiak – Vice-President of the Bank's Management Board,
Grzegorz Olszewski – Member of the Bank's Management Board,
Tomasz Styczyński – Vice-President of the Bank's Management Board,
Marek Tomczuk – Vice-President of the Bank's Management Board,
Magdalena Zmitrowicz – Vice-President of the Bank's Management Board.

On 14 April 2020, the Bank's Supervisory Board, acting pursuant to the provisions of Article 22a (1) of the Act of 29 August 1997 - Banking Law and § 18 (8) of the Bank's Articles of Association, having positively assessed the suitability requirement, appointed, effective as of 15 April 2020, Mr. Grzegorz Olszewski, acting so far as the Member of the Bank's Management Board, to the position of the Vice-President of the Bank's Management Board.

On 14 April 2020, the Bank's Supervisory Board, acting pursuant to the provisions of Article 22a (1) of the Act of 29 August 1997 - Banking Law and § 18 (8) of the Bank's Articles of Association, having positively assessed the suitability requirement, appointed, effective as of 20 April 2020, Mr. Leszek Skiba to the Bank's Management Board for its current joint term of office, and to the position of the Vice-President of the Bank's

Management Board.

Therefore, between 15 April 2020 and 19 April 2020, the Bank's Management Board comprised the following members:

Marek Lusztyn – President of the Bank's Management Board,
Jarosław Fuchs – Vice-President of the Bank's Management Board,
Marcin Gadomski – Vice-President of the Bank's Management Board,
Tomasz Kubiak – Vice-President of the Bank's Management Board,
Grzegorz Olszewski – Vice-President of the Bank's Management Board,
Tomasz Styczyński – Vice-President of the Bank's Management Board,
Marek Tomczuk – Vice-President of the Bank's Management Board,
Magdalena Zmitrowicz – Vice-President of the Bank's Management Board.

Between 20 April 2020 and 21 April 2020, the Bank's Management Board comprised the following members:

Marek Lusztyn – President of the Bank's Management Board,
Jarosław Fuchs – Vice-President of the Bank's Management Board,
Marcin Gadomski – Vice-President of the Bank's Management Board,
Tomasz Kubiak – Vice-President of the Bank's Management Board,
Grzegorz Olszewski – Vice-President of the Bank's Management Board,
Leszek Skiba – Vice-President of the Bank's Management Board,
Tomasz Styczyński – Vice-President of the Bank's Management Board,
Marek Tomczuk – Vice-President of the Bank's Management Board,
Magdalena Zmitrowicz – Vice-President of the Bank's Management Board.

On 21 April 2020, the Bank's Supervisory Board, acting pursuant to the provisions of Article 22a (1) of the Act of 29 August 1997 - Banking Law and § 18 (8) of the Bank's Articles of Association, having positively assessed the suitability requirement, appointed, effective as of 22 April, Mr. Krzysztof Kozłowski to the Bank's Management Board for its current joint term of office, and to the position of the Vice-President of the Bank's Management Board.

On 21 April 2020, in consultation with the Supervisory Board, Mr. Marek Lusztyn resigned from the position of the President of the Bank's Management Board. At the same time, acting pursuant to the provisions of Article 22a (1) of the Act of 29 August 1997 - Banking Law and § 18 (8) of the Bank's Articles of Association, having positively assessed the suitability requirement, the Supervisory Board appointed, effective as of 22 April 2020, Mr. Marek Lusztyn to the position of the Bank's Management Board Vice-President and, subject to the approval of the Polish Financial Supervision Authority and upon obtaining such approval, to the position of the Bank's Management Board Vice-President supervising the management of significant risk in the Bank's operations.

On 21 April 2020, the Bank's Supervisory Board, acting pursuant to the provisions of Article 22a (1) of the Act of 29 August 1997 - Banking Law and § 18 (8) of the Bank's

Articles of Association, as well as taking into account validity of the suitability assessment carried out by the Supervisory Board on 14 April 2020, entrusted Mr. Leszek Skiba, effective as of 22 April 2020, with the managing of the Management Board works and, subject to the approval of the Polish Financial Supervision Authority and upon obtaining such approval, appointed Mr. Leszek Skiba, acting so far as the Vice-President of the Bank's Management Board, to the position of the Bank's Management Board President.

At the same time, on 21 April 2020, Mr. Marcin Gadomski resigned from the position of the Vice-President of the Bank's Management Board and the Member of the Bank's Management Board.

Therefore, between 22 April 2020 and 30 June 2020, the Bank's Management Board comprised the following members:

Leszek Skiba – Vice-President of the Bank's Management Board in charge of the Management Board work,
Jarosław Fuchs – Vice-President of the Bank's Management Board,
Krzysztof Kozłowski – Vice-President of the Bank's Management Board,
Tomasz Kubiak – Vice-President of the Bank's Management Board,
Marek Lusztyn – Vice-President of the Bank's Management Board,
Grzegorz Olszewski – Vice-President of the Bank's Management Board,
Tomasz Styczyński – Vice-President of the Bank's Management Board,
Marek Tomczuk – Vice-President of the Bank's Management Board,
Magdalena Zmitrowicz – Vice-President of the Bank's Management Board.

On 1 June 2020, Mr. Marek Lusztyn resigned, effective as of 30 June 2020, from the position of the Bank Management Board Vice-President supervising the Risk Management Division, and from the position of the Bank's Management Board Member.

On 16 June 2020, the Bank's Supervisory Board, acting pursuant to the provisions of Article 22a (1) of the Act of 29 August 1997 - Banking Law and § 18 (8) of the Bank's Articles of Association, having positively assessed the suitability requirement, appointed, effective as of 1 July 2020, Mr. Marcin Gadomski to the Bank's Management Board for the current joint term of office and to the position of the Vice-President of the Bank's Management Board. Furthermore, the Bank's Supervisory Board, subject to the approval of the Polish Financial Supervision Authority and upon obtaining such approval, entrusted Mr. Marcin Gadomski with the function of the Bank's Management Board Vice-President supervising the management of significant risk in the Bank's operations.

Therefore, between 1 July 2020 and 21 December 2020, the Bank's Management Board comprised the following members:

Leszek Skiba – Vice-President of the Bank's Management Board in charge of the Management Board work,
Jarosław Fuchs – Vice-President of the Bank's Management Board,

Marcin Gadomski – Vice-President of the Bank’s Management Board,
Krzysztof Kozłowski – Vice-President of the Bank’s Management Board,
Tomasz Kubiak – Vice-President of the Bank’s Management Board,
Grzegorz Olszewski – Vice-President of the Bank’s Management Board,
Tomasz Styczyński – Vice-President of the Bank’s Management Board,
Marek Tomczuk – Vice-President of the Bank’s Management Board,
Magdalena Zmitrowicz – Vice-President of the Bank’s Management Board.

On 21 December 2020, Mr. Marek Tomczuk resigned with immediate effect from the position of the Vice-President of the Bank’s Management Board and the Member of the Bank’s Management Board.

Between 22 December 2020 and 31 December 2020, the Bank’s Management Board comprised the following members:

Leszek Skiba – Vice-President of the Bank’s Management Board in charge of the Management Board work,
Jarosław Fuchs – Vice-President of the Bank’s Management Board,
Marcin Gadomski – Vice-President of the Bank’s Management Board,
Krzysztof Kozłowski – Vice-President of the Bank’s Management Board,
Tomasz Kubiak – Vice-President of the Bank’s Management Board,
Grzegorz Olszewski – Vice-President of the Bank’s Management Board,
Tomasz Styczyński – Vice-President of the Bank’s Management Board,
Magdalena Zmitrowicz – Vice-President of the Bank’s Management Board.

On 31 December 2020, Mr. Grzegorz Olszewski and Mr. Tomasz Styczyński resigned from the positions of the Vice-Presidents of the Bank’s Management Board and the Members of the Bank’s Management Board, effective as of 31 December 2020 and 31 January 2021, respectively.

III. Predominant activities of the Supervisory Board

The activities of the Supervisory Board in 2020, as in previous years, focused on both strategic issues and those related to the supervision over the Bank's day-to-day operations. Adaptation of the Bank's operations to the rapidly changing situation related to the Covid-19 pandemic was an additional challenge.

Strategic issues included primarily decisions on the distribution of the Bank's profit for 2019 and leaving the undistributed portion of the profit for 2019, as well as submitting the above question to the General Meeting for a resolution. Under strategic issues, the Supervisory Board approved the "Capital Management Strategy - 2020", the "Strategy for the management of non-performing exposures (NPE) at Bank Pekao S.A." and took note of the information about the "Level of achievement of key KPIs for the operationalisation of the Bank Strategy in force for 2018-2020". The Supervisory Board also approved the "Credit Risk Policy 2020", the "Financing Plan for 2020" and gave a

positive opinion on the "Financial Plan for Bank Polska Kasa Opieki Spółka Akcyjna Group for 2020", as well as approved the updated "Individual Recovery Plan for Bank Pekao S.A." and the "Group Recovery Plan for Bank Pekao S.A. Group". In addition, the Supervisory Board approved the "Pekao Group Risk Appetite 2020" along with its subsequent update. The Supervisory Board also decided to liquidate the foreign representative office in the UK. As regards analysis and implementation by the Bank of transactional processes, the Supervisory Board expressed a positive opinion on the following Bank's transactions: sales by the Bank of 100% of shares in Xelion Investment House to Quercus TFI S.A., purchase by the Bank of 38.33% of shares in National Payment Integrator S.A. It also approved submission by the Bank to the Bank Guarantee Fund ("BFG") of a binding offer to take over Idea Bank S.A. and its obligations within the framework of the compulsory restructuring of Idea Bank conducted by the BFG.

On a regular basis, the Supervisory Board discussed with the Management Board information about macroeconomic outlook in Poland, including prospects of the GDP growth, inflation and interest rates, deposits and loans.

The Supervisory Board analysed quarterly reports on the capital management and liquidity situation of the Bank and the Group.

The Supervisory Board carried out systematic analyses of the following issues: (i) financial situation, (ii) sales results in the area of key products, i.e. mortgage loans in Polish zlotys, consumer loans, investment funds, (iii) assets quality, and (iv) risk level. Furthermore, the Supervisory Board gave opinions on the due diligence process held within the framework of the sales of non-performing receivables' portfolio of retail and micro customers.

The Supervisory Board supervised the risk management process in the Bank. The operational loss warning level and sub-warning levels for event classes in 2020, as well as results of the annual review of the ICAAP and the risk and capital management system, and the updated "ICAAP Policy - Risk and Capital Management Principles" were approved. The Supervisory Board approved the "Operational Risk Management Strategy" and the "Operational Risk Management Policy". Furthermore, the Supervisory Board approved the "Annual Model Risk Report - 2019" and the "Model Risk Management Principles Policy". The Supervisory Board closely analysed quarterly reports on the financial risk management, operational risk control, loan portfolio and debt collection, as well as risk of bancassurance activities. Furthermore, the Supervisory Board reviewed and approved the "Report on implementation of the obligations regarding periodic review of the distribution process and the issuance and manufacturing of financial instruments (MiFID II)".

The Supervisory Board adopted the "Procedure for periodic evaluation of market

conditions for material transactions". Additionally, the Supervisory Board adopted the updated (i) policy for the selection of the audit firm to carry out the statutory audit of financial statements and the rules of cooperation with the audit firm, the certified auditor and the supervision authority, (ii) procedure for the selection of the audit firm to carry out the statutory audit of the Bank's financial statements, and (iii) policy for the provision of permitted non-audit services by the audit firm and its affiliates. Furthermore, the Bank's Supervisory Board decided to select an audit firm to carry out audits of the statements of the Bank and the entire Bank Pekao S.A. Group.

The Supervisory Board also reviewed operations of the Bank's subsidiaries. The Supervisory Board took note of information about activities of the Bank Pekao S.A. Group companies.

The Supervisory Board reviewed information about the "Assessment of the risk of money laundering and terrorist financing at Bank Polska Kasa Opieki Spółka Akcyjna".

The Supervisory Board gave opinions on annual and interim separate and consolidated financial statements of Bank Pekao S.A. and Bank Pekao S.A. Group, prepared in accordance with the International Financial Reporting Standards applicable in the European Union, as well as annual and interim reports on the activities of Bank Pekao S.A. Group.

The Supervisory Board considered a proposal to put an item on the agenda of the General Meeting of Shareholders regarding an amendment to the Articles of Association and gave a positive opinion on draft resolutions of the General Meeting of Shareholders on amendments to the Articles of Association and on adoption of the consolidated text of the Articles of Association.

According to its statutory duties, the Supervisory Board reviewed and gave a positive opinion on the proposals and reports submitted by the Bank's Management Board to the Ordinary General Meeting of Shareholders for the financial year 2019.

The Supervisory Board devoted much attention to issues related to the functioning of the internal audit. The Audit Plan of Bank Polska Kasa Opieki Spółka Akcyjna for 2020 was approved. It covered, inter alia, (i) Annual Audit Plan for 2020, (ii) Long-term Audit Plan for 2020-2024, (iii) Annual and Long-term Plan of Pekao Brokerage House, and Audit Plan of Bank Polska Kasa Opieki Spółka Akcyjna for 2021, which included, inter alia, (i) Annual Audit Plan for 2021, (ii) Strategic Audit Plan for 2021-2025, (iii) Annual and Strategic Plan of Pekao Brokerage House. The Internal Audit Strategy for 2018 - 2020 was updated. Furthermore, the Supervisory Board oversaw implementation of the post-inspection recommendations issued by the Polish Financial Supervision Authority after topical inspections and learned results of the verification of these recommendations carried out by the Internal Audit Department. The Supervisory Board reviewed the

annual report on activities of the Internal Audit Department of Bank Polska Kasa Opieki Spółka Akcyjna in 2019 and the assessment of the Internal Audit Department performance in 2019. Additionally, the Supervisory Board reviewed the Bank's internal control system for 2019 and approved amendments to the "Internal Control System at Bank Pekao S.A."

The Supervisory Board approved appointment of the Internal Audit Department Director and accepted terms and conditions of his/her employment.

Within the framework of its supervision over effective management of non-compliance risk, the Supervisory Board approved (i) Compliance Department Action Plan for 2021, and reviewed (ii) Compliance Department Activity Report for 2019, and (iii) quarterly reports on the activities of the Compliance Department.

According to the Bank's internal regulations, the Supervisory Board reviewed remuneration of the Internal Audit Department and the Compliance Department employees.

The Supervisory Board reviewed information about implementation of the business continuity and crisis management processes in 2019.

The Supervisory Board positively assessed the Bank's application in 2019 of the Corporate Governance Principles for Supervised Institutions issued by the Polish Financial Supervision Authority, and the way in which Bank Pekao S.A. met its disclosure obligations regarding application of the corporate governance principles as defined in the Stock Exchange Rules. It also adopted Report on the assessment of the Bank's application in 2019 of the Corporate Governance Principles for Supervised Institutions.

Pursuant to the "Bank Pekao S.A. capital adequacy information policy", the Supervisory Board reviewed documents on the Bank Pekao S.A. Group capital adequacy. Furthermore, the Supervisory Board approved the procedure "Policy of profitability monitoring and the emergency plan for profitability improvement at Bank Pekao S.A."

Within the framework of its duties set forth in § 7(1) of the Supervisory Board Rules, the Supervisory Board elected the Chairman, two Deputy Chairmen and the Secretary of the Board from among its members.

Another issues reviewed by the Supervisory Board were those related to the remuneration policy and suitability assessment. The Supervisory Board approved the "Remuneration Policy at Bank Polska Kasa Opieki Spółka Akcyjna" and defined the "Initial Terms and Conditions of the Variable Remuneration Scheme for 2020". The Supervisory Board positively assessed the functioning of the Bank's "Remuneration Policy at Bank Pekao S.A.", and adopted the "Report on the assessment of the

functioning of the Remuneration Policy at Bank Pekao S.A. in 2019". Additionally, the Supervisory Board decided to submit this Report to the General Meeting of Shareholders in order to verify whether the adopted Remuneration Policy at the Bank is conducive to the development and security of the Bank's operations. Furthermore, the Supervisory Board reviewed the audit report on the "Implementation of the Remuneration Policy - variable components of remuneration" and the information about changes to the regulations regarding remuneration-related information obligation. Additionally, the Supervisory Board took note of the information on the variable remuneration of executives.

In order to adjust the Bank's internal regulations to the generally applicable legal provisions as well as guidelines and recommendations of the supervision authority, the Supervisory Board adopted the "Policy on gender equality and diversity with regard to the Bank's employees, including Members of the Supervisory Board, Members of the Management Board and persons performing key functions at Bank Polska Kasa Opieki Spółka Akcyjna" and the "Policy on selection of candidates for the positions of Members of the Management Board and key functions, as well as assessment of the suitability of the proposed and appointed Members of the Management Board, Members of the Supervisory Board, and persons performing key functions at Bank Polska Kasa Opieki Spółka Akcyjna".

In addition, the Supervisory Board approved the "Remuneration Policy for the Members of the Supervisory Board and the Management Board at Bank Polska Kasa Opieki Spółka Akcyjna", and decided to submit it to the General Meeting for resolution.

The Board adopted (i) Prerequisites for 2020 for the Members of the Bank's Management Board, (ii) Management Objectives for 2020 for individual Members of the Bank's Management Board and (iii) additional Management Objectives for 2020 for the Members of the Management Board.

The Supervisory Board (i) made a positive assessment of the compliance and risk of the former Members of the Bank's Management Board, (ii) assessed degree of achievement of the Management Objectives set for the former and current Members of the Management Board for 2019, (iii) determined the amount of the Variable Remuneration set for 2019 for the current and former Members of the Bank's Management Board, and (iv) the allocation of the Variable Remuneration for 2019 and determination of the acquisition and settlement of the portion of the Variable Remuneration for 2019 payable in advance by the current and former Members of the Management Board of Bank Polska Kasa Opieki Spółka Akcyjna. In addition, the Supervisory Board decided on the acquisition of the 2020 portion of the bonus and the settlement of the 2020 portion of the bonus for each current and former Member of the Management Board in accordance with the Rules for the Variable Remuneration Scheme in the years 2014-2018. Furthermore, the Supervisory Board assessed (i) achievement in 2019 of additional management objectives conditioning the possibility of receiving variable remuneration

for 2019 by individual Members of the Management Board and (ii) the extent to which the Prerequisites set under the Variable Remuneration Scheme for 2019 were met.

The Supervisory Board adopted resolutions on: (i) assessing the collective suitability of the Bank's Management Board and individual suitability of the Bank's Management Board Members, (ii) appointing Members of the Bank's Management Board for a new joint term of office, (iii) establishing and amending the terms of individual contracts with Members of the Bank's Management Board, (iv) allocation of responsibilities among Members of the Bank's Management Board, as well as on (v) expanding composition of the Management Board and (vi) assigning a new function to a Member of the Management Board.

As for the decisions mentioned above, the Supervisory Board decided to submit motions to the Polish Financial Supervision Authority regarding: (i) consent to the appointment of the President of the Bank's Management Board, (ii) consent to entrust the Vice-President of the Management Board with the function of the Management Board Vice-President supervising the management of significant risk in the Bank's operations. Additionally, the Supervisory Board submitted to the Polish Financial Supervision Authority the following information: (i) on the change in the composition of the Bank's Management Board, (ii) on the compliance of the Bank's Management Board Members with the statutory requirements, (iii) on the approval of a new internal allocation of responsibilities. The Bank's Supervisory Board responded to PFSA letters addressed to it.

In the wake of the Covid-19 pandemic, the Bank's Supervisory Board took steps with a view to ensure the highest possible level of the Bank's security, inter alia in the field of cybersecurity. Furthermore, taking into account the difficult situation and the need for a radical change in macroeconomic assumptions, the Supervisory Board decided on the "Financial Objective of Bank Pekao S.A. Group for 2020" and reviewed information on the impact of the Covid-19 pandemic on the Bank's loan portfolio.

The Bank's Supervisory Board made decisions on signing new contracts, signing annexes to existing contracts, and continuation of current contracts entered into with the Bank's contractors.

The Supervisory Board reviewed applications and gave non-binding opinions on financing both external entities and companies from the Bank's Group.

Additionally, the Supervisory Board of Bank Pekao S.A., acting pursuant to the provisions of § 14 (8) of the Bank's Articles of Association, adopted amendments to the Rules of the Supervisory Board.

Acting pursuant to the provisions of § 6 (9) of the Supervisory Board Rules, the Supervisory Board of Bank Pekao S.A. adopted amendments to the following Rules: Nomination and Remuneration Committee, Audit Committee, and Risk Committee.

Acting pursuant to the provisions of § 6 (5) of the Supervisory Board Rules, the Supervisory Board elected members of the (i) Risk Committee, (ii) Audit Committee and (iii) Nomination and Remuneration Committee.

The Supervisory Board gave its consent to one of its members to perform certain functions in supervisory boards of the companies which are the Bank's customers.

Within the scope of its competence set forth in § 18 (17) of the Bank's Articles of Association, the Supervisory Board examined also motions on incurring obligations or disposal of assets whose value in respect of a single entity exceeded 5% of the Bank's own funds.

Besides, the Bank's Supervisory Board reviewed motions submitted to the Supervisory Board by its Members.

The Supervisory Board examined requests and information on confidential matters.

Furthermore, the Supervisory Board took note of the Report on the operation of the system for supervising legal compliance at Pekao Brokerage House and the information on compliance of the brokerage services provided by Brokerage House in 2019 with the OTC Guidelines issued by the PFSA.

The Supervisory Board reviewed quarterly information on expenditures of the Marketing, Communications and Research Department for marketing services.

The Supervisory Board took note of information about the Bank's investor relations activities.

Additionally, the Supervisory Board reviewed information on the implementation of IT projects.

IV. Assessment of the report on the activities of Bank Pekao S.A. Group in 2020, financial statements of the Bank and Bank Group for 2020, as well as the Bank's Management Board proposal regarding distribution of the net profit for 2020.

The Bank Pekao S.A. Supervisory Board, acting pursuant to the provisions of Article 382 § 3 of the Code of Commercial Companies and fulfilling its statutory duties, assessed the report on activities of the Bank Group for 2020, prepared along with the report on the Bank's activities, as well as financial statements of the Bank and the Bank Group for 2020 in terms of their conformity with the books, documents and the factual state.

As a result of this assessment, having reviewed the independent certified auditor's report on the audit of the separate financial statements of Bank Polska Kasa Opieki Spółka Akcyjna and consolidated financial statements of Bank Polska Kasa Opieki

Spółka Akcyjna Group for 2020, the Supervisory Board gives a positive opinion on the results obtained and recommends that the General Meeting adopts resolutions approving the said reports.

In formulating this recommendation, the Supervisory Board took into account that:

- 1) The Bank's activities in 2020 focused on further sustainable growth in all areas, successful strengthening of its strong position in the retail banking market and its leadership position in the corporate banking area.

The net profit of Bank Pekao S.A. in 2020 amounted to PLN 1,126.4 million and was lower by PLN 1,121.1 million, that is by 49.9% on a year-to-year basis, mainly due to higher impairment losses on financial assets related to the COVID-19 coronavirus pandemic (impact on net income amounted to approximately PLN 672 million).

The Bank Pekao S.A. Group net profit attributable to equity holders of the Bank in 2020 amounted to PLN 1,101.7 million and was lower by PLN 1,063.3 million, that is by 49.1% on a year-to-year basis, mainly due to higher impairment losses on financial assets related to the COVID-19 coronavirus pandemic and a provision for legal risk on mortgage loans extended in foreign currencies (impact on net income amounted to approximately PLN 672 million and PLN 377 million, respectively).

Net interest income was lower by 4.9% for the Group and by 5.3% for the Bank compared to the results achieved in 2019, mainly due to the negative impact of interest rate cuts.

Fee and commission income was lower by 3.9% for the Group and by 1.2% for the Bank compared to the result achieved in 2019, mainly due to the lower activity of customers during the pandemic, which translated into lower commissions on cards, investment funds and loans.

The Group and Bank operating expenses, excluding restructuring provision costs in 2020, were lower by 3.4% and by 2.0% on a year-to-year basis, respectively, that is well below inflation and despite costs incurred for investments in operational transformation and digitalisation as well as additional costs incurred due to the coronavirus pandemic. Nominally, the costs were lower by 2.0% for the Group and by 0.4% for the Bank compared to the costs incurred in 2019.

- 2) The return on average equity (ROE) for the Group and for the Bank amounted to, respectively, 4.5% and 4.8%.
- 3) Loans and borrowings at the nominal value were higher by 0.7% for the Group and lower by 1.0% for the Bank. Retail customer loans were higher (by 3.1% for the Group and by 2.6% for the Bank) due, in particular, to the increase in mortgage loans extended in Polish zlotys by 6.1% for the Group and by 5.4% for the Bank. Corporate loans, including non-treasury securities, were lower by 1.7% for the Group and by 4.9% for the Bank, though a growth was recorded in the medium-sized enterprises segment (by 4.5% on a year-to-year basis) and in the segment of leasing

receivables.

- 4) The Bank and the Bank Pekao S.A. Group retained a solid capital base (the combined TCR capital ratio for the Group and the Bank at the end of December 2020 amounted to 18.7% and 20.8%, respectively), and a safe liquidity profile reflected in the net loan to deposit ratio at the level of 81.3% for the Group and 77.1% for the Bank. Combined with a high level of the capital, this allows further solid and stable development of the Group and Bank operations.
- 5) At the end of Q1 2020, due to the outbreak of the COVID-19 pandemic, Bank Pekao S.A. took broad and decisive measures to support employees, customers and business partners, adapting its operations to the new situation and challenges. The goal of the implemented solutions was to maintain business continuity and mitigate epidemic risks for the Bank's employees as well to ensure safe use of banking services for customers visiting the Bank's branches. During the pandemic, the Bank promoted "7 golden rules of safe banking" by encouraging customers to use Pekao24 e-banking platform and PeoPay mobile application, to use remote contact methods via chat, video or phone, and to limit visits in the bank branches as well as observe safety rules when visiting a branch. The Bank promoted contactless payments by cards or phones. Out of concern for the customer safety, the Bank was one of the first to increase the limit for contactless transactions to PLN 100 without the need for authorisation for all Bank customers using payment and credit cards. Out of concern for the employee safety, the Bank ensured conditions for remote work for 6 thousand employees whose work did not require direct contact with customers or who could contact customers through the use of remote and ICT channels. Thanks to developed technological capabilities and digitalisation of processes, a significant part of tasks is performed by employees working remotely or in distributed locations. During the COVID-19 pandemic, Bank Pekao S.A. supported customers in maintaining their financial liquidity. Retail banking customers were allowed to suspend payments of consumer and mortgage loan instalments for the time of temporary problems with managing their home budgets during the pandemic (6% of the retail loans and 4% of the microenterprise and SME loans enjoyed loan repayment holiday). The Bank made it possible to go through a fully remote application process using Pekao24 website. At the end of 2020, the share of customers enjoying loan holiday in the retail customer portfolio was 0.3% compared to 6% at the end of June 2020, and in the case of microenterprise and SME loans the said share decreased to 0.01% compared to 4% at the end of June 2020. In 2020, the Bank opened 409,000 new accounts. Innovative solutions for customers, including the possibility to open bank accounts using selfie pictures based on biometrics and introduction of PeoPay KIDS package which parents may also open remotely without leaving home had a positive impact on the level of account sales. In 2020, 26% of consumer accounts were opened online, which means fourfold increase compared to 2019. In the best months even one in three accounts was opened this way.

- 6) In line with its strategy, Bank Pekao remains the bank of first choice for the most demanding corporate customers. The Bank provides comprehensive universal banking services, as well as services in the area of leasing and factoring, investment advice services, merger and acquisition advice services, or highly advanced treasury and capital market products. A broad range of products and services, innovative solutions, individual approach and comprehensive financial services for enterprises, institutions and public sector bodies are appreciated by customers and determine the strength of Bank Pekao S.A. corporate banking. Specialised knowledge and experience in organising and financing investments, trading in treasury securities, trust activities, financing trade or commercial properties are areas valued by customers as well as independent national and international experts. Bank Pekao S.A. remains a leading financial partner for large and medium-sized enterprises, local government bodies and financial institutions. More than 13,000 entities use the Bank's services, including approximately 3,000 foreign customers.
- 7) Bank Pekao S.A. is a universal commercial bank offering a full range of banking services to individual and institutional customers. It operates primarily in Poland. Bank Pekao S.A. Group comprises financial institutions operating in the banking, asset management, brokerage services, transaction consulting, leasing, and factoring markets. Since 2017, Bank Pekao S.A. has been part of PZU S.A. group, the largest financial institution in Central and Eastern Europe.
- 8) In accordance with the adopted strategy for 2018-2020, "Strength of the Polish Wisent" (Siła Polskiego Żubra), the Bank's priorities in 2020 were: smart growth, digital and operational transformation, and building long-term relationships with customers based on an integrated model of services and professionalism of operation in order to strengthen the position of one of the largest and most recognisable banks in Poland. However, economic consequences of the pandemic outbreak and reduction of interest rates to their historical lows radically changed the operating conditions and substantially affected financial results of the banking sector, including financial results of Bank Pekao, while making all assumptions and financial goals for 2020, which were developed and communicated before the outbreak of the pandemic, obsolete. Changes in the environment brought about by the effects of the COVID-19 pandemic have translated into the need to revise financial aspirations communicated in previous years and to strengthen a broad range of measures aimed to ensure stable risk management in times of heightened uncertainty, as well as to accelerate the digital transformation process in order to improve efficiency as well as provide support and new services to customers through remote channels. In 2020, the timeframe of the "Strength of the Polish Wisent" strategy for 2018-2020 ended, therefore the Bank took steps and developed a new strategy for 2021-2024, which was published on 30 March 2021.

Assessment of the Bank's Management Board motion regarding distribution of the net profit for 2020

The Supervisory Board of Bank Pekao S.A. assessed the motion of the Bank's Management Board regarding distribution of the Bank Pekao S.A. net profit for 2020 and retaining the undistributed part of the profit for 2020.

The Supervisory Board gave a positive opinion on the motion regarding distribution of the Bank Pekao S.A. net profit for 2020 taking into account recommendations of the Polish Financial Supervision Authority received by Bank Pekao S.A. on 14 January 2021, regarding:

- 1) suspension by the Bank of the dividend payment in the first half of 2021 (including retained earnings from previous years),
- 2) not undertaking by the Bank in the first half of 2021, without prior consultation with the supervision authority, of other steps outside the scope of the Bank's current business and operating activities, which could result in a reduction of its capital base, including redemption of the Bank's own shares.

The rationale for retaining the undistributed part of the Bank's net profit for 2020 is that in the absence of additional PFSA recommendations in this respect it could potentially be used for dividend payments in the second half of 2021.

Taking into account the above, the Supervisory Board decided to recommend that the General Meeting should pass a resolution on distribution of the Bank Polska Kasa Opieki Spółka Akcyjna net profit for 2020 in the amount of PLN 1,126,424,269.1 (say: one billion one hundred twenty six million four hundred twenty four thousand two hundred sixty nine zlotys 10/100) in accordance with the proposal of the Bank's Management Board, that is:

- 1) the amount of PLN 283,895,459.96 (say: two hundred eighty three million eight hundred ninety five thousand four hundred fifty nine zlotys 96/100) to be allocated to the reserve capital,
- 2) the remaining part of the Bank Polska Kasa Opieki Spółka Akcyjna net profit for 2020 in the amount of PLN 842,528,809.14 (say: eight hundred forty two million five hundred twenty eight thousand eight hundred and nine zlotys 14/100) to leave undistributed.

Assessment of internal control systems, risk management, compliance and internal audit function

In accordance with the Code of Good Practices for WSE Listed Companies, the Supervisory Board prepared and submitted to the Ordinary General Meeting the

assessment of the Bank's situation in 2020, including the assessment of internal control systems, risk management, compliance, and internal audit function. The document containing the said assessment has been attached to this report.

Assessment of the Bank's policy on sponsorship and charity activities

The Supervisory Board prepared and presented to the Ordinary General Meeting the assessment of the reasonableness of the Bank's policy on sponsorship and charity activities.

The main objectives of the sponsorship activity of Bank Pekao S.A. include: to build the Bank's image as a leading financial institution in the area of CSR activities, that is an institution close to customers and communities where the Bank operates, to distinguish the Bank's brand among those of its market competitors, to raise awareness of the Bank and its products among the public, to evoke positive associations between a given event and the Bank, to create and strengthen a positive opinion about the Bank and its products, and to provide the Bank's business divisions with a persistent communication platform for promotional activities as well as strong and positive relationships with the Bank's customers. The Bank's policy in this respect is governed by internal regulations, that is by the Ordinance of the Bank's Management Board President. The above-mentioned Ordinance sets out the rules, procedure and competencies related to granting donations and sponsorships by Bank Polska Kasa Opieki Spółka Akcyjna.

In its charity and sponsorship activities, the Bank supports the selected organisations and institutions which carry out various projects in the following areas:

- 1) high culture,
- 2) sports,
- 3) helping children in need,
- 4) environmental protection with special emphasis on wisent conservation,
- 5) responsible economic development,
- 6) support for young consumer groups,
- 7) useful innovations,
- 8) development of entrepreneurship,
- 9) promoting ethics in business activity,
- 10) local and regional initiatives important from the standpoint of the development of and support for local communities.

Before making a donation or entering into a sponsorship contract, the Bank conducts a risk assessment (due diligence) in accordance with the Bank's regulations on counteracting corruption and conflict of interest.

The Supervisory Board positively assesses the sponsorship and charity policy pursued

by the Bank.

Self-assessment of the Supervisory Board's work

In accordance with the powers and responsibilities set forth in the Code of Commercial Companies, Banking Law, Recommendations of the Polish Financial Supervision Authority, Code of Good Practices for WSE Listed Companies, and the Bank's Articles of Association, in 2020 the Supervisory Board exercised continuous supervision over the Bank's activity.

Good financial results of the Bank in 2020, its position in the Polish banking sector, adequate capital management and efficient risk management should be considered a result of, inter alia, the Board's correct and efficient operation and the proper discharge of its duties and responsibilities.

Taking into account the presented information, activities of the Supervisory Board in 2020 can be assessed as effective, professional and conducted in accordance with best practices.

Summary

In its assessment of the Bank's Management Board, the Supervisory Board took into account, inter alia:

(i) strong financial performance, (ii) effective cost management, (iii) efficient and consistent risk management, (iv) strong capital and liquidity base, (v) high level of the Bank's security, (vi) well-functioning internal control system, and (vii) operational efficiency.

In the Supervisory Board opinion, Bank Pekao S.A. has a strong capital and liquidity structure and at the same time maintains the highest standards of risk management and continues to improve cost efficiency. This allows the Bank to effectively achieve its strategic objectives announced within the framework of the Bank's 2018-2020 strategy "Strength of the Polish Wisent" and to become a profitability leader in the Polish banking sector by embarking on a path of smart growth in a business model based on high efficiency and quality of processes.

In view of the above, pursuant to the provisions of Article 395 § 2 (3) of the Code of Commercial Companies, the Supervisory Board recommends to the General Meeting to grant discharge for the fulfilment of duties in 2020 to the following Members of the Bank's Management Board: Marek Lusztyn for the period from 1 January 2020 to 30 June 2020, Leszek Skiba for the period from 20 April 2020 to 31 December 2020, Tomasz Kubiak for the period from 1 January 2020 to 31 December 2020, Tomasz

Styczyński for the period from 1 January 2020 to 31 December 2020, Marek Tomczuk for the period from 1 January 2019 to 21 December 2020, Magdalena Zmitrowicz for the period from 1 January 2020 to 31 December 2020, Grzegorz Olszewski for the period from 1 January 2020 to 31 December 2020, Jarosław Fuchs for the period from 15 February 2020 to 31 December 2020, Marcin Gadomski for the period from 1 January 2020 to 21 April 2020 and for the period from 1 July 2020 to 31 December 2020.

Taking into account the above activities in 2020, pursuant to the provisions of Article 395 § 2 (3) of the Code of Commercial Companies, the Supervisory Board recommends to the General Meeting to grant discharge for the fulfilment of duties in 2020 to the following Members of the Supervisory Board: Paweł Surówka for the period from 1 January 2020 to 20 April 2020, Joanna Dynysiuk for the period from 1 January 2020 to 31 December 2020, Stanisław Ryszard Kaczoruk for the period from 1 January 2020 to 31 December 2020, Paweł Stopczyński for the period from 1 January 2020 to 22 May 2020, Sabina Bigos-Jaworowska for the period from 1 January 2020 to 31 December 2020, Justyna Głębiowska-Michalak for the period from 1 January 2020 to 31 December 2020, Grzegorz Janas for the period from 1 January 2020 to 22 May 2020, Michał Kaszyński for the period from 1 January 2020 to 31 December 2020, Marian Majcher for the period from 1 January 2020 to 31 December 2020, Małgorzata Sadurska for the period from 23 May 2020 to 31 December 2020, Beata Kozłowska-Chyła for the period from 23 May 2020 to 31 December 2020, Marcin Eckert for the period from 23 May 2020 to 31 December 2020.

Report on the activities of the Audit Committee in 2020

Members of the Audit Committee

The Audit Committee comprises 3 (three) to 5 (five) Members elected from among the Members of the Supervisory Board. At least one Audit Committee Member has knowledge and skills the field of accounting or auditing financial statements. The majority of the Audit Committee Members, including its Chairman and the Committee Member having knowledge and skills in the field of accounting or auditing financial statements, are independent from the Bank within the meaning of Article 129(3) of the Act on certified auditors, audit firms and public supervision. Members of the Audit Committee have knowledge and skills in the Bank's industry. This condition is deemed to be met if at least one Member of the Audit Committee has knowledge and skills in this industry or if individual Members have knowledge and skills in specific areas of that industry.

Between 1 January 2020 and 22 May 2020, the Audit Committee comprised the following members:

- 1) Justyna Głębiowska-Michalak – Chairwoman of the Committee,
- 2) Joanna Dynysiuk – Member of the Committee,

- 3) Grzegorz Janas – Member of the Committee,
- 4) Sabina Bigos-Jaworowska – Member of the Committee,
- 5) Michał Kaszyński – Member of the Committee.

Between 29 May 2020 and 31 December 2020, the Audit Committee comprised the following members:

- 1) Justyna Głębiowska-Michalak – Chairwoman of the Committee,
- 2) Marcin Eckert – Secretary,
- 3) Joanna Dynysiuk – Member of the Committee,
- 4) Sabina Bigos-Jaworowska – Member of the Committee,
- 5) Michał Kaszyński – Member of the Committee.

Ms. Justyna Głębiowska-Michalak, Ms. Sabina Bigos-Jaworowska and Mr. Michał Kaszyński meet the independence criteria.

The composition of the Audit Committee in 2020 met the requirements set forth in the Act on certified auditors, audit firms and public supervision of 11 May 2017.

Responsibilities of the Audit Committee

The Audit Committee supports the Supervisory Board in performing its responsibilities related to, inter alia, controlling and monitoring of: the financial reporting process, effectiveness of the internal control and risk management systems, and internal audit functions, performance of financial review activities, independence of the certified auditor and the auditing company, effectiveness of the legal and regulatory compliance monitoring system.

Meetings of the Audit Committee are held as needed, but in no case less frequently than four times per year, on dates consistent with key quarterly dates in the Bank's reporting cycle and analysis of the annual audit plan submitted by the Director of the Internal Audit Department.

The meetings of the Audit Committee are customarily attended by the President of the Bank's Management Board, and each meeting of the Committee is attended by the Directors of the following Departments: Internal Audit, Legal, and Compliance, as well as other members of the Managerial Staff whose functions are relevant to the agenda of the meeting.

In 2020, amendments were made to the Rules of the Audit Committee of the Bank Polska Kasa Opieki Spółka Akcyjna Supervisory Board by resolution no. 129/20 and resolution no. 130/20 adopted by the Supervisory Board of Bank Polska Kasa Opieki Spółka Akcyjna on 15 July 2020. The consolidated text of the Rules of the Audit Committee of the Bank Polska Kasa Opieki Spółka Akcyjna Supervisory Board established by resolution no. 131/20 of 15 July 2020.

On 3 November 2020, the Supervisory Board of Bank Polska Kasa Opieki Spółka Akcyjna amended by resolution no. 158/20 and then by resolution no. 165/20 of 10 November 2020 the Rules of the Audit Committee of the Bank Polska Kasa Opieki Spółka Akcyjna Supervisory Board and adopted the consolidated text of the "Rules of the Audit Committee of the Bank Polska Kasa Opieki Spółka Akcyjna Supervisory Board".

In order to ensure transparency and objectivity, the Chairwoman of the Audit Committee, Ms. J. Głębikowska-Michalak, held individual meetings with the Internal Audit Department and the Compliance Department Directors without participation of other members of the Bank's management. The Audit Committee Chairwoman, Ms. J. Głębikowska-Michalak, held an individual meeting with the key certified auditor from the company KPMG Audyt spółka z ograniczoną odpowiedzialnością sp.k. without participation of the Members of the Bank's Management Board. Representatives of KPMG Audyt spółka z ograniczoną odpowiedzialnością sp.k. confirmed their independence with respect to the Bank and its subsidiaries, i.e. they informed they met requirements referred to in Articles 69-73 of the Act on certified auditors, audit firms and public supervision of 11 May 2017.

External Auditor

The audit firm authorised to audit and review the financial statements of Bank Polska Kasa Opieki Spółka Akcyjna and the consolidated financial statements of Bank Polska Kasa Opieki Spółka Akcyjna Group for 2018 - 2020 is KPMG Audyt spółka z ograniczoną odpowiedzialnością sp.k. acting under the agreement of 24 July 2018.

Meetings of the Audit Committee

In 2020 the Audit Committee met 15 times (14 January, 4 February, 26 February, 15 April, 11 May, 19 May, 29 May, 16 June, 15 July, 4 August, 18 September, 23 October, 4 November, 17 December, and 21 December).

Attendance of the Audit Committee Members at individual meetings is shown below:

<u>Date</u>	<u>Participating Members</u>
14 January	J. Głębikowska-Michalak, S. Bigos-Jaworowska, J. Dynysiuk, G. Janas and M. Kaszyński
4 February	J. Głębikowska-Michalak, S. Bigos-Jaworowska, J. Dynysiuk, G. Janas and M. Kaszyński
26 February	J. Głębikowska-Michalak, S. Bigos-Jaworowska, J. Dynysiuk, G. Janas and M. Kaszyński
15 April	J. Głębikowska-Michalak, S. Bigos-Jaworowska, J. Dynysiuk, G. Janas and M. Kaszyński

11 May	J. Głębiowska-Michalak, S. Bigos-Jaworowska, J. Dynysiuk and M. Kaszyński
19 May	J. Głębiowska-Michalak, S. Bigos-Jaworowska, J. Dynysiuk and M. Kaszyński
29 May	J. Głębiowska-Michalak, M. Eckert, S. Bigos-Jaworowska, J. Dynysiuk and M. Kaszyński
16 June	J. Głębiowska-Michalak, M. Eckert, S. Bigos-Jaworowska, J. Dynysiuk and M. Kaszyński
15 July	J. Głębiowska-Michalak, M. Eckert, S. Bigos-Jaworowska and M. Kaszyński
4 August	J. Głębiowska-Michalak, M. Eckert, S. Bigos-Jaworowska and M. Kaszyński
18 September	J. Głębiowska-Michalak, M. Eckert, S. Bigos-Jaworowska, J. Dynysiuk and M. Kaszyński
23 October	M. Eckert, S. Bigos-Jaworowska, J. Dynysiuk and M. Kaszyński
4 November	J. Głębiowska-Michalak, M. Eckert, S. Bigos-Jaworowska, J. Dynysiuk and M. Kaszyński
17 December	J. Głębiowska-Michalak, M. Eckert, S. Bigos-Jaworowska, J. Dynysiuk and M. Kaszyński
21 December	J. Głębiowska-Michalak, M. Eckert, S. Bigos-Jaworowska, J. Dynysiuk and M. Kaszyński.

Main tasks of the Audit Committee accomplished in 2020

In 2020, the Committee operated on the basis of the "Rules of the Audit Committee of the Bank Polska Kasa Opieki Spółka Akcyjna Supervisory Board", taking into account provisions of the Act on certified auditors, audit firms and public supervision, Recommendation L on the role of certified auditors in the process of supervision over banks and credit unions, issued by the Polish Financial Supervision Authority, as well as "Best Practices for Public Interest Entities regarding rules of appointment, composition and operation of the audit committees", issued by the Polish Financial Supervision Authority, including questions contained in part XIII of this document.

The Committee reviewed and discussed, whenever needed, the following information with Members of the Bank's Management Board, Directors of the following Departments: Internal Audit, Legal and Compliance, as well as with the external auditor:

- "Report on the audit of the separate financial statements of Bank Pekao S.A. for the year ended 31 December 2019", "Report on the audit of the consolidated financial

statements of Bank Pekao S.A. Group for the year ended 31 December 2019", "Presentation by the audit firm KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k. regarding summary of the audit of the financial statements for the financial year 2019", "Additional report for the Audit Committee in connection with the audit of the separate financial statements for the year ended 31 December 2019", "Additional report for the Audit Committee in connection with the audit of the consolidated financial statements for the year ended 31 December 2019";

- "Report of the independent certified auditor on the review of the interim condensed separate financial statements of Bank Pekao S.A. for the first half of 2020", "Report of the independent certified auditor on the review of the interim condensed consolidated financial statements of Bank Pekao S.A. Group for the first half of 2020", "Presentation by the audit firm KPMG Audyt spółka z ograniczoną odpowiedzialnością spółka komandytowa on the summary of the review of the financial statements for the 6-month period ended 30 June 2020";
- analysis of the Bank Pekao S.A. and Bank Pekao S.A. Group financial statements for the year ended 31 December 2019, and the reports on the operations of Bank Pekao S.A. and Bank Pekao S.A. Group in 2019;
- quarterly and semi-annual financial statements;
- information on the Bank's financial performance;
- motion on giving opinion regarding the "Bank Pekao S.A. Group Financial Target for 2020";
- plan of auditing the financial statements of Bank Pekao S.A. Group and Bank Pekao S.A. for the year ended 31 December 2020;
- information about civil court proceedings involving the Bank in Q3 2019, 2019, Q1 2020, first half of 2020, and Q3 2020;
- report on the debt collection activities including civil cases ended in 2019;
- information about adoption of amendments to the "Bank Pekao S.A. Internal Control System";
- information about the Review of the Internal Control System at Bank Polska Kasa Opieki Spółka Akcyjna for 2019;
- report on the activities of the Department of Compliance in 2019 and report for Q1 2020; for Q2 2020; for Q3 as well as the action plan for the Department of Compliance in 2021;
- report on the operation of the system for supervising legal compliance at Pekao Brokerage House in the first half of 2020;

- information about the status of implementation of post-inspection recommendations issued by the PFSA after: 1) topical inspection conducted at Bank Pekao S.A. from 27 August to 28 September 2018, 2) topical inspection conducted at Bank Pekao S.A. from 13 May to 7 June 2019, 3) supervisory examination and evaluation process as of 31 December 2018, 4) audit of compliance with the obligations arising from the regulations on counteracting money laundering and terrorist financing at Bank Pekao S.A. from 3 to 14 December 2018, and their verification as of 31 December 2019;
- information about the status of implementation of post-inspection recommendations issued by the PFSA after: 1) topical inspection conducted at Bank Pekao S.A. from 27 August to 28 September 2018, 2) topical inspection conducted at Bank Pekao S.A. from 13 May to 7 June 2019, 3) supervisory examination and evaluation process as of 31 December 2018, 4) audit of compliance with the obligations arising from the regulations on counteracting money laundering and terrorist financing at Bank Pekao S.A. from 3 to 14 December 2018, and their verification as of 31 March 2020;
- information about the status of implementation of post-inspection recommendations issued by the PFSA after: 1) topical inspection conducted at Bank Pekao S.A. from 27 August to 28 September 2018, 2) topical inspection conducted at Bank Pekao S.A. from 13 May to 7 June 2019, 3) supervisory examination and evaluation process as of 31 December 2018, and their verification as of 30 June 2020;
- information about the status of implementation of post-inspection recommendations issued by the PFSA after the topical inspection conducted at Bank Pekao S.A. from 13 May to 7 June 2019, and their verification as of 30 September 2020;
- information about the motion submitted to the Bank's Management Board on approving schedule of the tasks aimed at implementation of the post-inspection recommendations issued by the Polish Financial Supervision Authority after the topical audit concerning management of electronic banking channels, in particular continuity of management of these services, conducted at Bank Pekao S.A. from 8 June to 14 August 2020;
- annual bancassurance business risk report for Q2 2019 - Q1 2020; quarterly bancassurance business risk report for Q2 2020; semi-annual report for Q2 and Q3 2020;
- motion to introduce amendments to the Audit Committee Rules and to adopt the consolidated text of the Audit Committee Rules;
- motion on recommending that the Supervisory Board should adopt the consolidated text of the Bank's Articles of Association;
- motion for the Supervisory Board's opinion on the draft resolution of the General Meeting of Bank Polska Kasa Opieki Spółka Akcyjna on amendments to the Bank Polska Kasa Opieki Spółka Akcyjna Articles of Association;

- motion on amending the Bank Polska Kasa Opieki Spółka Akcyjna Supervisory Board Rules;
- information about IT spending in the Q4 2019;
- information about the Marketing, Communications and Research Department expenditures related to marketing services in Q1 2020; Q1-Q2 2020; and Q1-Q3 2020;
- motion on acknowledgement and submission to the Bank Pekao S.A. Supervisory Board of the recommendation regarding acknowledgement of the information on contractual expenses for legal services at Bank Pekao S.A. and on contractual expenses for legal, marketing, public relations and management consulting services at the Bank's subsidiaries in Q1, Q2 and Q3 2020;
- motion submitted by Pekao Towarzystwo Funduszy Inwestycyjnych S.A. on approval to expand the scope of services provided by the audit firm KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k. by ordering a non-prohibited service related to investment funds;
- motion submitted by a subsidiary, Pekao Investment Management S.A., for approval to expand the scope of services provided by the audit firm KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. by ordering a non-prohibited service;
- motion on the conclusion of an annex to the Agreement on the provision of comprehensive payment card services of 28 November 2007 regarding a change in the level of remuneration for Centrum Kart S.A.;
- motion on recommending the Bank's Management Board decision on the continuation of the outsourcing agreements listed in the motion, under which the Bank outsourced, pursuant to the provisions of Article 6a (1)(2) of the Act of 29 August 1997 - Banking Law, performance of activities actually related to the banking operations, in the case of which the contractors' remuneration may exceed, starting from the current year, the equivalent of EUR 1 million net per year;
- information about the capital adequacy of Bank Pekao S.A. Group as of 31 December 2019, and simplified quarterly report on capital management for Q4 2019;
- information about the capital adequacy of Bank Pekao S.A. Group as of 31 March 2020, and simplified quarterly report on capital management for Q1 2020;
- information about the capital adequacy of Bank Pekao S.A. Group as of 30 June 2020, and simplified quarterly report on capital management for Q2 2020;
- information about the capital adequacy of Bank Pekao S.A. Group as of 30 September 2020, and simplified quarterly report on capital management for Q3 2020;

- information about capital management at Pekao Group S.A. for Q4 2019, Q1 2020, Q2 2020, and Q3 2020;
- motion to adopt the updated policies and procedures along with the consent to submit them to the Supervisory Board for adoption of the relevant resolutions: (i) "Policy on the selection of the audit firm to carry out the statutory audit of the financial statements of Bank Pekao S.A. and the principles of cooperation with the audit firm, the certified auditor and the supervision authority", (ii) "Procedure for the selection of the audit firm to carry out the statutory audit of the financial statements of Bank Pekao S.A.", (iii) "Policy on the provision of permitted non-audit services by the audit firm carrying out the audit, by the affiliates of the audit firm and by a member of the audit firm's network";
- information about setting a new deadline for the implementation of the recommendation formulated in the "Letter from Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. to the Bank's Management Board based on the results of the audit of Bank Polska Kasa Opieki S.A. financial statements for 2017" regarding the method of estimating the write-offs of the so-called "gold collateral" portfolio as of 30.06.2020;
- information about selection of the audit firm to audit and review the financial statements of Bank Pekao S.A. and Bank Pekao S.A. Group for 2021-2022, with an option to extend it for 2023;
- information about selection of the audit firm to audit the financial statements of Bank Pekao S.A. and Bank Pekao S.A. Group for 2021-2023;
- periodic information on the Bank's activities in the field of investor relations;
- motion on acknowledgement and submission to the Bank Pekao S.A. Supervisory Board of the recommendation regarding acknowledgement of the information on activities of the Pekao S.A. companies;
- motions and information on the projects implemented at the Bank;
- review of human resources in the Finance Division;
- information about the process of recruitment for the position of the Internal Audit Department Director;
- giving an opinion on the appointment of the Internal Audit Department Director and the terms of his/her remuneration;
- motion to accept the candidate for the position of the Internal Audit Department Director and the terms of his/her remuneration;
- information about the draft changes to the organisational structure of the Internal Audit Department;

- motion to the Supervisory Board on the election of the Chairman of the Bank Polska Kasa Opieki Spółka Akcyjna Supervisory Board Audit Committee;
- election of the Secretary of the Bank Polska Kasa Opieki Spółka Akcyjna Supervisory Board Audit Committee;
- updating of the Internal Audit Strategy for 2018 - 2020;
- Audit Plan of Bank Polska Kasa Opieki Spółka Akcyjna for 2020, which includes, inter alia, the annual audit plan for 2020, the long-term audit plan for 2020-2024, and the annual and long-term plans of Pekao Brokerage House;
- presentation of the assessment of the Internal Audit Department performance in 2019;
- motion on giving the opinion on the Audit Plan of Bank Polska Kasa Opieki Spółka Akcyjna for 2021, which includes, inter alia: annual audit plan for 2021, strategic audit plan for 2021-2025, and Pekao Brokerage House annual and strategic plans;
- annual report on activities of the Internal Audit Department in 2019 and reports on activities of the Internal Audit Department in Q1, Q2, and Q3 2020;
- approval of the report on activities of the Audit Committee in 2019;
- information on the "Data Analytics Development Strategy in the Internal Audit Department for 2020-2023";
- approval of the order placed with KPMG Advisory sp. z o.o. sp.k. with the registered office in Warsaw to provide certain non-prohibited services;
- information on key risk areas - audit planning for 2021.

Furthermore, the Audit Committee passed 91 resolutions in 2020 in accordance with the Rules of the Audit Committee of the Bank Polska Kasa Opieki Spółka Akcyjna Supervisory Board.

As regards the Internal Audit function, the Committee regularly reviewed reports on the activities of the Internal Audit function.

The Audit Committee performed its duties in accordance with its powers and responsibilities.

Report on the activities of the Nomination and Remuneration Committee in 2020

Members of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises 3 (three) to 5 (five) Members elected from among the Members of the Supervisory Board.

Between 1 January 2020 and 20 April 2020, the Nomination and Remuneration Committee (the "Committee") comprised the following members:

- 1) Paweł Stopczyński – Chairman of the Committee,
- 2) Sabina Bigos-Jaworowska – Member of the Committee,
- 3) Joanna Dynysiuk – Member of the Committee,
- 4) Paweł Surówka – Member of the Committee.

Between 21 April 2020 and 22 May 2020, following resignation of Mr. Paweł Surówka from the position of the Supervisory Board Member, the Committee comprised the following persons:

- 1) Paweł Stopczyński – Chairman of the Committee,
- 2) Sabina Bigos-Jaworowska – Member of the Committee,
- 3) Joanna Dynysiuk – Member of the Committee,

On 22 May 2020, the General Meeting of Shareholders appointed, effective as of 23 May 2020, Members of the Supervisory Board for another term of office. On 16 June 2020, the newly constituted Supervisory Board elected new members of the Committee, which from that date until 31 December 2020 comprised the following persons:

- 1) Beata Kozłowska-Chyła – Chairwoman of the Committee,
- 2) Małgorzata Sadurska – Secretary of the Committee,
- 3) Sabina Bigos-Jaworowska – Member of the Committee,
- 4) Joanna Dynysiuk – Member of the Committee,
- 5) Marian Majcher – Member of the Committee.

Responsibilities of the Nomination and Remuneration Committee

The Committee operates on the basis of the Rules of the Bank's Supervisory Board and the Committee Rules, as well as relevant provisions of the Act of 29 August 1997 - Banking Law and implementing regulations issued on its basis.

The purpose of the Committee is to assist the Supervisory Board in fulfilling its responsibilities by, inter alia:

- submitting proposals concerning the determination of the terms and conditions of agreements governing the employment or other legal relationship between the Members of the Management Board and the Bank, including remuneration for the Members of the Bank's Management Board, as well as concerning the approval of the policy of variable components of remuneration of persons holding managerial positions at the Bank in accordance with separate regulations and in order to submit proposals on remuneration of the Members of the Supervisory Board to the General Meeting,
- preparing recommendations regarding the fulfilment of suitability requirements for the purpose of appointment of the Members of the Bank's Management

- Board and the Members of the Supervisory Board,
- preparing reports for the General Meeting on the assessment of the functioning of the Bank's remuneration policy.

In performing its activities, the Committee relies on prudent and stable management of risks, capitals and liquidity, as well as displays special care for the long-term interests of the Bank, its shareholders and investors.

Meetings of the Nomination and Remuneration Committee are held at least twice a year.

In 2020, the Rules of the Nomination and Remuneration Committee of the Bank Polska Kasa Spółka Akcyjna Supervisory Board were adopted by resolution no. 25/20 of 10 April 2020.

In 2020, the Rules of the Nomination and Remuneration Committee were amended by resolutions of the Bank Polska Kasa Opieki Spółka Akcyjna Supervisory Board no.: 133/20 of 15 July 2020, 160/20 of 3 November 2020, 167/20 of 10 November 2020.

Meetings of the Nomination and Remuneration Committee

In 2020 the Nomination and Remuneration Committee met 15 times (14 January, 4 February, 26 February, 14 April, 20, 21 and 23 April, 11, 12 and 19 May, 19, 21 and 22 May, 29 May, 16 June, 15 July, 4 August, 18 September, 23 October, 4 November, and 17 December).

Attendance of the Committee Members at individual meetings is shown below:

<u>Date</u>	<u>Participating Members</u>
14 January	P. Stopczyński, S. Bigos-Jaworowska, J. Dynysiuk
4 February	P. Stopczyński, J. Dynysiuk, P. Surówka
26 February	P. Stopczyński, S. Bigos-Jaworowska, J. Dynysiuk, P. Surówka
14 April	P. Stopczyński, S. Bigos-Jaworowska, J. Dynysiuk, P. Surówka
20, 21 and 23 April	P. Stopczyński, S. Bigos-Jaworowska, J. Dynysiuk
11, 12 and 19 May	P. Stopczyński, S. Bigos-Jaworowska, J. Dynysiuk
19, 21 and 22 May	P. Stopczyński, S. Bigos-Jaworowska, J. Dynysiuk
29 May	B. Kozłowska-Chyła, M. Sadurska, S. Bigos-Jaworowska, J. Dynysiuk, M. Majcher
16 June	B. Kozłowska-Chyła, S. Bigos-Jaworowska, J. Dynysiuk, M. Majcher
15 July	B. Kozłowska-Chyła, M. Sadurska, S. Bigos-Jaworowska, M. Majcher

4 August	M. Sadurska, S. Bigos-Jaworowska, M. Majcher
18 September	B. Kozłowska-Chyła, M. Sadurska, S. Bigos-Jaworowska, J. Dynysiuk, M. Majcher
23 October	B. Kozłowska-Chyła, M. Sadurska, S. Bigos-Jaworowska, J. Dynysiuk, M. Majcher
4 November	B. Kozłowska-Chyła, M. Sadurska, S. Bigos-Jaworowska, J. Dynysiuk, M. Majcher
17 December	B. Kozłowska-Chyła, M. Sadurska, S. Bigos-Jaworowska, J. Dynysiuk, M. Majcher.

Key tasks implemented by the Nomination and Remuneration Committee in 2020

In 2020, the Nomination and Remuneration Committee issued opinions, recommendations or acknowledged information on the following topics:

- Acknowledging information on the progress of the employment restructuring scheme;
- Acknowledging information on the Report on the audit of the variable remuneration components policy;
- Acknowledging information on the identification of persons holding managerial positions (Risk Takers);
- Approval of the Report on the assessment of the functioning of the Remuneration Policy at Bank Polska Kasa Opieki Spółka Akcyjna in 2019;
- Putting forward recommendations on the assumptions for the variable remuneration for the managerial staff system for 2020;
- Putting forward recommendations on individual goals set for the Members of the Management Board;
- Adoption of information and putting forward recommendations on the assessment of the achievement of individual goals set for the Members of the Bank's Management Board along with the settlement of variable remuneration components;
- Putting forward recommendations on the compliance and risk assessments made under the variable remuneration systems applicable to the Members of the Management Board;
- Putting forward recommendations on the terms and conditions of remuneration of candidates for the position of the Management Board Members;
- Putting forward recommendations on the approval of the remuneration policy, selection and suitability assessment policy, gender equality and diversity policy;

- Putting forward recommendations on the need and possible scope of the suitability assessment regarding Members of the Supervisory Board and Management Board who notified the Bank about the occurrence of events which could affect their individual suitability assessment, in particular information on taking up or ceasing to perform functions in the bodies of other entities;
- Conducting individual suitability assessments of candidates for the position of the Management Board Members and the collective suitability of the Management Board, as well as individual suitability assessments of candidates for the position of the Supervisory Board Members and the collective suitability of the Supervisory Board;
- Acknowledging information on the review of remuneration of the Internal Audit Department and Compliance Department employees, as well as of persons holding managerial positions, so-called Risk Takers.

Furthermore, the Nomination and Remuneration Committee adopted 69 resolutions in 2020 in accordance with the Rules of the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee carried out its tasks in accordance with the scope of its rights and responsibilities and was relying on the support of an external adviser who assisted the Nomination and Remuneration Committee and the Supervisory Board in issues related to the remuneration terms and conditions.

Report on the activities of the Risk Committee in 2020

Members of the Risk Committee

The Risk Committee comprises 3 (three) to 5 (five) Members elected from among the Members of the Supervisory Board, with the majority of the Committee Members, including its Chairman, being independent Members of the Supervisory Board.

Between 1 January 2020 and 22 May 2020, the Risk Committee comprised the following members:

- 1) Stanisław Ryszard Kaczoruk – Chairman of the Committee
- 2) Michał Kaszyński – Member of the Committee
- 3) Marian Majcher – Member of the Committee.

Between 29 May 2020 and 31 December 2020, the Risk Committee comprised the following members:

- 1) Stanisław Ryszard Kaczoruk – Chairman of the Committee
- 2) Marcin Eckert – Secretary of the Committee
- 3) Michał Kaszyński – Member of the Committee
- 4) Marian Majcher – Member of the Committee
- 5) Małgorzata Sadurska – Member of the Committee.

Mr. Stanisław Ryszard Kaczoruk, Mr. Michał Kaszyński, and Mr. Marian Majcher meet the criteria of independence.

Responsibilities of the Risk Committee

The Risk Committee assists the Supervisory Board in the performance of its responsibilities relating to: supervision over the risk management system and assessment of the adequacy and effectiveness of that system. In performing its activities, the Committee relies on prudent and stable management of risks, capitals and liquidity, as well as displays special care for the long-term interests of the Bank and its shareholders.

The tasks of the Committee include giving opinions on the following issues:

- overall current and future readiness of the Bank to take risks, expressed as risk appetite,
- the risk management strategy developed by the Bank's Management Board, including policies in the field of credit, financial and operational risk,
- reports on the risk profile and implementation of the risk management strategy, presented by the Bank's Management Board.

It is also the task of the Committee to support the Supervisory Board in supervising implementation of the risk management strategy in the Bank activity by senior managerial staff, and to verify whether the overall prices of liabilities and assets offered to the customers fully reflect the Bank's business and risk strategies and, where the prices fail to properly reflect the risk types in accordance with these strategies, to submit proposals to the Bank's Management Board with a view to ensure that the prices of liabilities and assets adequately reflect these risk types.

The Risk Committee also performs other tasks resulting from applicable laws or recommendations of supervision authorities.

Meetings of the Risk Committee are held at least twice a year.

In 2020, the Risk Committee Rules were amended by resolutions of the Bank Polska Kasa Opieki Spółka Akcyjna Supervisory Board no. 101/20 of 29 May 2020, 118/20 of 10 July 2020, 132/20 of 15 July 2020, 159/20 of 3 November 2020, and 166/20 of 10 November 2020.

Risk Committee Meetings

In 2020, the Risk Committee held 14 meetings (4 February, 26 February, 15 April, 11 May, 29 May, 16 June, 15 July (two meetings were held on this date), 4 August, 18 September, 23 October, 4 November, 4 and 12 November, and 17 and 21 December).

Attendance of the Committee Members at individual meetings is shown below:

<u>Date</u>	<u>Participating Members</u>
4 February	S. R. Kaczoruk, M. Kaszyński
26 February	S. R. Kaczoruk, M. Kaszyński, M. Majcher
15 April	S. R. Kaczoruk, M. Kaszyński, M. Majcher
11 May	S. R. Kaczoruk, M. Kaszyński, M. Majcher
29 May	S. R. Kaczoruk, M. Eckert, M. Kaszyński, M. Majcher, M. Sadurska
16 June	S. R. Kaczoruk, M. Eckert, M. Kaszyński, M. Majcher
15 July	S. R. Kaczoruk, M. Eckert, M. Kaszyński, M. Majcher, M. Sadurska
15 July	S. R. Kaczoruk, M. Eckert, M. Kaszyński, M. Majcher, M. Sadurska
4 August	S. R. Kaczoruk, M. Eckert, M. Kaszyński, M. Majcher, M. Sadurska
18 September	S. R. Kaczoruk, M. Eckert, M. Kaszyński, M. Majcher, M. Sadurska
23 October	S. R. Kaczoruk, M. Eckert, M. Kaszyński, M. Majcher, M. Sadurska
4 November	S. R. Kaczoruk, M. Eckert, M. Kaszyński, M. Majcher, M. Sadurska
4 and 12 November	S. R. Kaczoruk, M. Eckert, M. Kaszyński, M. Majcher, M. Sadurska
17 and 21 December	S. R. Kaczoruk, M. Eckert, M. Kaszyński, M. Majcher, M. Sadurska

Key topics reviewed by the Risk Committee in 2020

The Committee reviewed and discussed the following documents, as needed, with the Members of the Bank's Management Board, as well as with other members of the management responsible for tasks within the discussed areas:

- Regular information on the status of the planned withdrawal from the Mainframe Outsourcing Agreement and Data Center relocation;
- Information on the status of implementation of the NAPS IT system;
- Motion to approve the warning level for operational losses and sub-warning levels

- for event classes in 2020, and to approve the Operational Risk Management Strategy and the Operational Risk Management Policy;
- Quarterly reports on loan portfolio and debt collection activity;
 - Quarterly financial risk reviews;
 - Quarterly reports on operational risk control;
 - Quarterly information on liquidity situation;
 - Approval of the report on the Risk Committee activities in 2019;
 - Election of the Risk Committee Chairman and Secretary;
 - Motions to amend the Risk Committee Rules;
 - Report on the GDPR status at Bank Pekao S.A.;
 - Assessment of the IT support quality at Bank Pekao S.A.;
 - Bank's cybersecurity issues in the context of the epidemic situation in Poland;
 - Motion to accept and provide funding for a modernisation program related to cybersecurity changes in the context of the COVID-19 pandemic;
 - Motion to give a positive opinion on the results of the annual ICAAP review and the review of the risk and capital management system, as well as the document "ICAAP Policy - Risk and Capital Management Principles";
 - Motion to give a positive opinion on the "ICAAP policy - principles of risk and capital management" (update);
 - Motion to give an opinion on the "Strategy for managing non-performing exposures (NPEs) at Bank Pekao S.A.";
 - Motion to give an opinion on "Pekao Group Risk Appetite 2020" and its subsequent update;
 - Motion regarding the Credit Risk Policy 2020;
 - Regular information on the functioning of PeoPay 3.0 application;
 - A 2-month briefing on the implementation of the modernisation program assumptions related to cybersecurity changes in the context of the COVID-19 pandemic;
 - Information about e-mail failure at Bank Pekao S.A. and presentation of proposals to solve the problems in the future;
 - Giving a positive recommendation on the "Group Recovery Plan for Bank Pekao S.A. Group";

- Motion to approve the outsourcing by the Bank to a contractor of factual activities related to banking activities, covering intermediary services for the sale of the Bank's products, where the contractor's remuneration will not be less than the equivalent of EUR 1 million net per year;
- Motion on the change of remuneration rates for the Bank's cash processing and transportation services provided in the name and on behalf of the Bank by external companies, where the contractors' remuneration will be lower than the equivalent of EUR 1 million net per year;
- Acknowledging the "Report of the Brokerage House on the review of the implementation of product governance obligations under MiFID II regulations";
- Giving a positive recommendation regarding compliance of the provision of brokerage services by Pekao Brokerage House in 2019 with the PFSA "Guidelines for the provision of brokerage services on the OTC derivatives market";
- Interim report on business continuity and crisis management;
- Quarterly information on the achievement of key KPIs for the operationalisation of the current Bank Polska Kasa Opieki S.A. strategy for 2018-2020;
- Information about entrusting by the Bank, pursuant to the provisions of Article 6a (1)(2) of the Act of 29 August 1997 - Banking Law, the factual operations related to banking activities to the company Gold Finance sp. z o.o.;
- Audit report "PK-2020-0050 Managing electronic access channels in the context of information security as well as channel development and maintenance";
- Motions on giving opinions with regard to the financing of corporate customers and Bank Pekao S.A. Group companies;
- Recommendations on incurring obligations whose value in relation to customers will exceed 5% of the Bank's own funds;
- Motion to give an opinion on granting financing by Bank Polska Kasa Opieki Spółka Akcyjna to a Member of the Bank's Supervisory Board and Vice-President of the Management Board;
- Motion to carry out due diligence process in connection with the sale of the portfolio of non-performing receivables of retail and micro customers;
- Information on the final MOA audit findings and competences of Eprom Sp. z o.o.;
- Information related to the notifications sent by the Bank to the customers in connection with incorrect calculation of interest in loan agreements;
- Motion on the adoption of the "Policy of profitability monitoring and the

- emergency plan for the improvement of profitability at Bank Pekao S.A.";
- Motion on the approval of the "Assessment of the risk of money laundering and terrorist financing at Bank Polska Kasa Opieki Spółka Akcyjna";
 - Information on the data quality situation at the Bank in connection with the findings of the report "Data quality management for the purposes of rating systems";
 - Information about the company Possible X LTD;
 - Information on the impact of COVID-19 on Bank Pekao S.A. loan portfolio - review of the largest exposures;
 - Information on IT systems failures at selected banks in 2019-2020;
 - Information on the key risk areas - audit planning for 2021;
 - Information from regulators;
 - Motions and information on the projects implemented at the Bank;

Furthermore, the Risk Committee passed 53 resolutions in 2020 in accordance with the Rules of the Risk Committee of the Bank Polska Kasa Opieki Spółka Akcyjna Supervisory Board.

Assessment of the Bank situation in 2020, including assessment of internal control systems, risk management, compliance and internal audit function

In accordance with the Code of Goods Practices for WSE Listed Companies, the Supervisory Board of Bank Polska Kasa Opieki Spółka Akcyjna assessed the Bank's situation in 2020, including assessment of internal control and risk management systems functioning at the Bank.

General assessment of the Bank's situation

In the opinion of the Supervisory Board, the overall economic and financial situation of Bank Pekao S.A. is stable. Bank Pekao S.A. meets all requirements of safe operation and capital adequacy, and ensures safety of funds entrusted by the customers while displaying exceptional capital strength and resilience. The Supervisory Board of Bank Pekao S.A. positively assesses the results achieved in 2020 by both the Bank and Bank Pekao S.A. Group.

The Bank's activities in 2020 focused on further sustainable growth in all areas, successful strengthening of its strong position in the retail banking market and its leadership position in the corporate banking area.

The net profit of Bank Pekao S.A. in 2020 amounted to PLN 1,126.4 million and was

lower by PLN 1,121.1 million, that is by 49.9% on a year-to-year basis, mainly due to higher impairment losses on financial assets related to the COVID-19 coronavirus pandemic (impact on net income amounted to approximately PLN 672 million).

The Bank Pekao S.A. Group net profit attributable to equity holders of the Bank in 2020 amounted to PLN 1,101.7 million and was lower by PLN 1,063.3 million, that is by 49.1% on a year-to-year basis, mainly due to higher impairment losses on financial assets related to the COVID-19 coronavirus pandemic and a provision for legal risk on mortgage loans extended in foreign currencies (impact on net income amounted to approximately PLN 672 million and PLN 377 million, respectively).

Net interest income was lower by 4.9% for the Group and by 5.3% for the Bank compared to the results achieved in 2019, mainly due to the negative impact of interest rate cuts.

Fee and commission income was lower by 3.9% for the Group and by 1.2% for the Bank compared to the result achieved in 2019, mainly due to the lower activity of customers during the pandemic, which translated into lower commissions on cards, investment funds and loans.

The Group and Bank operating expenses, excluding restructuring provision costs in 2020, were lower by 3.4% and by 2.0% on a year-to-year basis, respectively, that is well below inflation and despite costs incurred for investments in operational transformation and digitalisation as well as additional costs incurred due to the coronavirus pandemic. Nominally, the costs were lower by 2.0% for the Group and by 0.4% for the Bank compared to the costs incurred in 2019. Return on average equity (ROE) for the Group and the Bank amounted to 4.5% and 4.8%, respectively.

Loans and borrowings at the nominal value were higher by 0.7% for the Group and lower by 1.0% for the Bank. Retail customer loans were higher (by 3.1% for the Group and by 2.6% for the Bank) due, in particular, to the increase in mortgage loans extended in Polish zlotys by 6.1% for the Group and by 5.4% for the Bank. Corporate loans, including non-treasury securities, were lower by 1.7% for the Group and by 4.9% for the Bank, though a growth was recorded in the medium-sized enterprises segment (by 4.5% on a year-to-year basis) and in the segment of leasing receivables.

The Bank and the Bank Pekao S.A. Group retained a solid capital base (the combined TCR capital ratio for the Group and the Bank at the end of December 2020 amounted to 18.7% and 20.8%, respectively), and a safe liquidity profile reflected in the net loan to deposit ratio at the level of 81.3% for the Group and 77.1% for the Bank. Combined with a high level of the capital, this allows further solid and stable development of the Group and Bank operations.

At the end of Q1 2020, due to the outbreak of the COVID-19 pandemic, Bank Pekao S.A. took broad and decisive measures to support employees, customers and business

partners, adapting its operations to the new situation and challenges. The goal of the implemented solutions was to maintain business continuity and mitigate epidemic risks for the Bank's employees as well to ensure safe use of banking services for customers visiting the Bank's branches. During the pandemic, the Bank promoted "7 golden rules of safe banking" by encouraging customers to use Pekao24 e-banking platform and PeoPay mobile application, to use remote contact methods via chat, video or phone, and to limit visits in the bank branches as well as observe safety rules when visiting a branch. The Bank promoted contactless payments by cards or phones. Out of concern for the customer safety, the Bank was one of the first to increase the limit for contactless transactions to PLN 100 without the need for authorisation for all Bank customers using payment and credit cards. Out of concern for the employee safety, the Bank ensured conditions for remote work for 6 thousand employees whose work did not require direct contact with customers or who could contact customers through the use of remote and ICT channels. Thanks to developed technological capabilities and digitalisation of processes, a significant part of tasks is performed by employees working remotely or in distributed locations. During the COVID-19 pandemic, Bank Pekao S.A. supported customers in maintaining their financial liquidity. Retail banking customers were allowed to suspend payments of consumer and mortgage loan instalments for the time of temporary problems with managing their home budgets during the pandemic (6% of the retail loans and 4% of the microenterprise and SME loans enjoyed loan repayment holiday). The Bank made it possible to go through a fully remote application process using Pekao24 website. At the end of 2020, the share of customers enjoying loan holiday in the retail customer portfolio was 0.3% compared to 6% at the end of June 2020, and in the case of microenterprise and SME loans the said share decreased to 0.01% compared to 4% at the end of June 2020. In 2020, the Bank opened 409,000 new accounts. Innovative solutions for customers, including the possibility to open bank accounts using selfie pictures based on biometrics and introduction of PeoPay KIDS package which parents may also open remotely without leaving home had a positive impact on the level of account sales. In 2020, 26% of consumer accounts were opened online, which means fourfold increase compared to 2019. In the best months even one in three accounts was opened this way.

In line with its strategy, Bank Pekao remains the bank of first choice for the most demanding corporate customers. The Bank provides comprehensive universal banking services, as well as services in the area of leasing and factoring, investment advice services, merger and acquisition advice services, or highly advanced treasury and capital market products. A broad range of products and services, innovative solutions, individual approach and comprehensive financial services for enterprises, institutions and public sector bodies are appreciated by customers and determine the strength of Bank Pekao S.A. corporate banking. Specialised knowledge and experience in organising and financing investments, trading in treasury securities, trust activities, financing trade or commercial properties are areas valued by customers as well as

independent national and international experts. Bank Pekao S.A. remains a leading financial partner for large and medium-sized enterprises, local government bodies and financial institutions. More than 13,000 entities use the Bank's services, including approximately 3,000 foreign customers.

Bank Pekao S.A. is a universal commercial bank offering a full range of banking services to individual and institutional customers. It operates primarily in Poland. Bank Pekao S.A. Group comprises financial institutions operating in the banking, asset management, brokerage services, transaction consulting, leasing, and factoring markets. Since 2017, Bank Pekao S.A. has been part of PZU S.A. group, the largest financial institution in Central and Eastern Europe.

The Bank invests in training and professional development of its employees (in line with their skills and capabilities), creates a friendly work environment and conducts employee opinion polls and satisfaction surveys.

As in the previous years, the Bank's activity in 2020 was awarded and recognised for achievements and innovations of the offered solutions in the competitions organised by prestigious foreign and domestic industry magazines. In congratulating on the awarded distinctions, the Supervisory Board agrees with the Management Board that the awards for innovative products and services are of particular importance.

For the first time Bank Pekao S.A. received the title "Best Investment Bank in Central & Eastern Europe 2020" awarded by the international magazine Global Finance. The magazine appreciated the quality of services provided by the Bank, its ability to find market opportunities and tailor solutions to customer needs.

For the third time in a row, Bank Pekao S.A. received the title "The Best Investment Bank in Poland" awarded in a prestigious competition organised by the international magazine Global Finance. The title was awarded by a panel of experts who take into account reported transactions completed in the previous year. Opinions of the financial community, the extent of the provided advice and services as well as the institution's ability to structure transactions are also analysed. Furthermore, the assessment takes into account the Bank's market share, distribution network, pricing conditions, as well as ability to response to market needs, innovations and reputation.

For the sixth time in a row, Bank Pekao S.A. Private Banking was recognised by the magazine Global Finance as the best one in Poland. Private Bank Awards 2021 ranking of the magazine Global Finance is one of the most comprehensive analyses which rate banks' offers for the wealthiest customers.

For the tenth time in a row, Bank Pekao S.A. received the Top Employers certificate, thus becoming a member of the select group of the best employers in Poland. The award is granted to companies which excel international HR standards and focus on

supporting the professional development of their employees, on strengthening their skills and competences, and on transparent operating based on the accepted values and principles.

The Bank was granted a special award in the third edition of the Friendly Workplace program. Within the framework of the Friendly Workplace program, awards are granted to companies which respect and support the model of work-life balance, create healthy and friendly work environment, focus on open and partner relationships with employees, and invest in development of their professional competences and interests. The Bank received 24 out of 25 points, thus positioning itself among the best employers in Poland.

Assessment of the internal control system

Bank Pekao S.A. has in place an internal control system compliant with the guidelines set forth in Recommendation "H" of the Polish Financial Supervision Authority, which includes:

- 1) control function (control mechanisms, independent monitoring of compliance with control mechanisms, reporting within the control function),
- 2) independent compliance unit (Compliance Department),
- 3) independent internal audit unit (Internal Audit Department) - this applies to all organisational units of the Bank and its subsidiaries.

The Supervisory Board positively assesses the functioning of the internal audit function at Bank Pekao S.A., which ensures: effective and efficient operation of the Bank, reliable financial reporting, compliance with risk management rules in force at the Bank, compliance of the Bank's operations with applicable laws, internal regulations and market standards. The internal control rules, including the procedures of implementation and monitoring of control mechanisms approved by the Bank Pekao S.A. Management Board and Supervisory Board have been adapted to the Bank's organisational structure, the size and profile of risks identified in the document "ICAAP Policy - Risk and Capital Management Principles", as well as to the scale of the Bank's operations. These rules are reviewed and assessed as part of the internal audit procedure.

The internal control system in place at the Bank is exercised at all organisational levels by the statutory bodies of the Bank, individual units, supervisors at all managerial levels and all employees. The overall objectives of the internal control system are:

- 1) ensure effective and efficient operation of the Bank,
- 2) ensure reliable financial reporting,
- 3) ensure compliance with risk management principles at the Bank,
- 4) ensure compliance of the Bank's operations with applicable laws, internal regulations, and market standards.

Within the framework of the overall objectives of the internal control system, the Bank identifies specific objectives of the internal control system and records them in the control function matrix in conjunction with material processes, key controls and their

monitoring.

The Bank's internal control system includes three lines of defence:

- 1) first line of defence – managing risk in the Bank's operating activity,
- 2) second line of defence - control of risk management by employees at specially designated positions or organisational units, irrespective of the risk management at the first line of defence,
- 3) third line of defence – includes an independent internal audit unit.

The Bank ensures independent monitoring of compliance with control mechanisms in all processes functioning at the Bank through:

- 1) horizontal monitoring as part of the first line of defence and vertical monitoring of the first line of defence by the second line of defence,
- 2) horizontal monitoring as part of the second line of defence,
- 3) horizontal monitoring as part of the third line of defence.

Independent monitoring of compliance with control mechanisms is done through: on-going verification and testing.

Dedicated structures fully cover the most important risk areas on the above-mentioned three lines of defence.

Control functions with respect to subsidiaries are exercised through the Bank's representatives in the supervisory boards of these companies.

The Bank's Management Board is responsible for designing, implementing and ensuring operation of an independent, adequate and effective internal control system in all organisational units and positions of the Bank.

The Supervisory Board exercises supervision over the introduction and implementation of the internal control system that is adequate and effective.

Assessment of the risk management system

The Supervisory Board positively assesses the risk management system operating at the Bank and Pekao Group.

Risk management follows a comprehensive and consolidated approach and extends to all units of the Bank and its subsidiaries.

The risk management strategy formulated in the "ICAAP Policy - Risk and Capital Management Principles", adopted by the Bank's Management Board in accordance with the applicable regulatory requirements, has been approved by the Supervisory Board. The said policy is subject to regular reviews and necessary updates in order to adjust it to the best market practices, legal regulations and changes at the Bank and in its operating environment, as well as in order to maintain its validity and adequacy to the

scale and complexity of the operations performed by the Bank and by the Group.

In accordance with applicable law and supervisory regulations, the Bank's Management Board is responsible for achieving the strategic risk management goals. The Supervisory Board, supported by the Risk Committee of the Supervisory Board, oversees whether the Bank's policy of taking exposure to various risks is compliant with the Bank's overall strategy and financial plan, in particular by defining the Bank's risk appetite and approving the following documents adopted by the Management Board: risk management strategy, capital management strategy, loan policy, investment and market risk policy, operational risk strategy and policy, as well as model policy, and by reviewing regular reports of the Management Board on the managing of particular risks.

The risk management system operating at the Bank is an integral part of the Bank's management system. The system is adapted to the Bank's organisational structure and is adequate to the activities conducted by the Bank, to the size and profile of Tier I and Tier II risks present in the Bank's operations.

As part of the risk management system, the Bank uses formal procedures to identify, measure and monitor risks, as well as risk mitigating limits. The system of management information at the Bank allows effective monitoring of risk levels. Risks are monitored with regard to profitability and the capital required to take them.

Credit risk, liquidity risk, market risk and operational risk are managed by the Risk Management Division, which is supervised by the relevant Vice-President of the Management Board. The management of other risks is shared between the Risk Management Division and other divisions involved in their control.

An important role in credit risk management is played by the Credit Committee, in market and liquidity risk management - by the Assets, Liabilities and Risk Committee, in operational risk management - by the Operational Risk Committee and the Bank Security Committee, and in model risk management - by the Model Risk Committee. Effective risk management is one of the Bank's strengths.

Assessment of the compliance risk management system

The Supervisory Board positively assesses the compliance risk management system, whose goal is to ensure compliance of the activities undertaken by the Bank and its employees with the laws, internal regulations and market standards in the processes functioning at the Bank.

The Bank has a separate compliance unit - the Compliance Department - which is independent in organisational and operational terms and reports directly to the President of the Bank's Management Board. The Compliance Department is a key component of ensuring compliance at the Bank.

The Bank ensures compliance through the use of appropriately designed compliance risk control mechanisms/controls and other compliance risk management tools, such as opinions and compliance risk estimations. As part of its control function, the Compliance Department designs and supervises implementation of control mechanisms aiming to ensure compliance with the laws, internal regulations and market standards, or implements these control mechanisms on its own. It also independently monitors compliance with those mechanisms by other organisational units of the Bank. The Compliance Department is also responsible for the implementation, within the Bank's risk management function, of the compliance risk management process, which involves identification, assessment, control and monitoring of the compliance risk related to the Bank's operation, as well as reporting it. Reports on the performance of the Compliance Department tasks are submitted, along with the level of the estimated compliance risk, to the Management Board and to the Supervisory Board. The Bank exercises supervision over compliance risk related to the activities of its subsidiaries.

The assumptions of the compliance risk management process are defined in regulations prepared by the Management Board and approved by the Supervisory Board, i.e. Bank Pekao S.A. Compliance Policy and Bank Pekao S.A. Compliance Department Rules. The key elements supporting this process include:

- a) supervision of the Supervisory Board and responsibility of the Management Board for effective management of compliance risk,
- b) properly defined organisational structure and HR policy,
- c) internal rules for ensuring compliance,
- d) compliance risk identification, assessment, control, monitoring and reporting processes,
- e) trainings,
- f) continued cooperation of the Compliance Department with the Internal Audit Department and other organisational units performing duties within the framework of the compliance risk control and management functions.

In order to ensure compliance with applicable laws, internal regulations and market standards, each of the Bank's employees applies appropriate control mechanisms or performs independent monitoring of compliance with the control mechanisms in accordance with their assigned job responsibilities.

The Supervisory Board supervises the compliance risk management process with the support of the Audit Committee. The Supervisory Board evaluates effectiveness of compliance risk management based on periodic and annual reports of the Compliance Department, information from the Management Board and opinions of the Audit Committee. The Supervisory Board reviews and approves the annual report of the Compliance Department. The Supervisory Board also approves the Compliance Plan for the subsequent year.

The Supervisory Board positively assesses cooperation with the Compliance

Department.

Assessment of the internal audit function

The Supervisory Board positively assesses the functioning of internal audit at Bank Pekao S.A. The Internal Audit Department (IAD) enjoyed appropriate independence and had at its disposal human and financial resources necessary for its efficient operation. Organisationally, the IAD reports directly to the President of the Bank's Management Board and functionally to the Audit Committee and the Supervisory Board.

The Supervisory Board appointed a new IAD Director and approved the report on IAD activities in 2019. The IAD Director proved organisational independence of internal audit operations in 2019.

In 2020, an updated Internal Audit Strategy for 2018-2020 was approved.

The positive assessment of the internal audit function also takes into account evaluation of key performance indicators, presented annually to supervision authorities by the Internal Audit Department Director in order to ensure that the set objectives are achieved.

The IAD Director presented quarterly reports on the activity of the Internal Audit Department to the Audit Committee and the annual report on the activity to the Supervisory Board. Internal audit also provided adequate information on the assessment of adequacy and effectiveness of internal control and risk management systems.

Summary

The Supervisory Board assesses the Bank's situation as satisfactory and stable. The assessment is justified by: (i) strong financial performance, (ii) effective cost management, (iii) effective and consistent risk management, (iv) strong capital and liquidity base, (v) high level of the Bank's security, (vi) efficient internal control system, and (vii) operational effectiveness.

In the Supervisory Board opinion, Bank Pekao S.A. has a strong capital and liquidity structure and at the same time maintains the highest standards of risk management and continues to improve cost efficiency. This allows the Bank to effectively achieve its strategic objectives announced within the framework of the Bank's 2018-2020 strategy "Strength of the Polish Wisent" and to become a profitability leader in the Polish banking sector by embarking on a path of smart growth in a business model based on high efficiency and quality of processes.