BANK PEKAO SA

Report on the activities of Bank Pekao S.A. for the year 2009

Warsaw, March 2010

Contents

Report on the activities of Bank Pekao S.A. for the year 2009 (cont)

1. Highlights

	2009	2008	2007 COMBINED DATA**	2007	2006	2005	2004*
INCOME STATEMENT (PLN MILLION)							
Operating income ***	6,693	7,525	7,855	4,995	4,464	4,142	3,800
Operating costs ***	(3,353)	(3,427)	(3,487)	(2,469)	(2,157)	(2,165)	(2,152)
Operating profit ***	3,340	4,097	4,368	2,526	2,307	1,976	1,647
Profit before income tax ***	2,981	4,030	4,125	2,398	2,100	1,742	1,346
Net profit	2,462	3,346	3,382	2,007	1,729	1,439	1,171
PROFITABILITY RATIOS							
Return on average equity (ROE)	14.7%	23.3%	22.8%	22.4%	21.0%	18.2%	16.3%
Net interest margin	3.3%	3.9%	3.7%	3.9%	4.1%	4.3%	3.6%
Non-interest income / operating income	39.8%	36.5%	49.0%	49.7%	48.7%	45.8%	46.6%
Cost / income ratio	50.1%	45.5%	44.4%	49.4%	48.3%	52.3%	56.6%
BALANCE SHEET (PLN MILLION)							
Total assets	126,918	127,979	119,569	119,569	66,977	61,445	59,092
Loans and receivables from customers****	73,043	75,106	63,956	63,956	32,355	28,733	26,072
Amounts due to customers	96,701	90,458	89,160	89,160	51,811	46,850	45,884
Shareholders' equity	17,968	15,571	14,378	14,378	8,620	8,196	7,704
BALANCE SHEET STRUCTURE RATIOS							
Net loans / total assets	57.6%	58.7%	53.5%	53.5%	48.3%	46.8%	44.1%
Securities / total assets	21.6%	17.7%	20.3%	20.3%	24.9%	30.1%	32.7%
Deposits / total assets	76.2%	70.7%	74.6%	74.6%	77.4%	76.2%	77.6%
Loans / deposits	75.5%	83.0%	71.7%	71.7%	62.4%	61.3%	56.8%
Equity / total assets	14.2%	12.2%	12.0%	12.0%	12.9%	13.3%	13.0%
Capital Adequacy Ratio	**15.6%**	**11.6%**	**11.1%**	**11.1%**	**14.7%**	**18.0%**	**20.7%**
EMPLOYEES AND NETWORK							
Total number of employees	18,912	19,718	20,636	20,636	14,362	14,818	15,291
Number of outlets	1,028	1,041	1,058	1,058	782	778	782
Number of ATMs	1,854	1,891	1,885	1,885	1,262	1,244	1,211

In order to assure better comparability, selected data for 2007 income statement are presented as combined data of Bank Pekao S.A. and Pekao285, i.e. the part of Bank BPH SA merged with Bank Pekao S.A. as a result of the merger of the spun-off part of Bank BPH SA as registered on November 29, 2007.
Income statement items for 2005 - 2007 are in line with those published for these periods respectively. The presentation of items in the income statement for 2008 and 2009 is in line with the presentation of short version of income statement used in UniCredit Group.

* Data restated according to IFRS included in the Report on the activities for the year 2005.
** Data were not audited/reviewed by the independent auditor.
*** 2008 and 2007 income statement include continuing and discontinued operations.
**** Including debt securities eligible for rediscounting at Central Bank.

2. Summary of Performance

Bank Pekao S.A. is reporting sound results for 2009, with the net profit amounting to PLN 2,462.3 million. These results were achieved in spite of difficult macroeconomic environment remaining under pressure from the international financial markets, with lower market interest rates and fierce competition in the banking sector causing high deposit prices.

The sound results of 2009 were accomplished thanks to the commercial activity of the Bank, particularly visible in growth of the volumes of consumer and mortgage loans as well as substantially higher volumes of retail and corporate deposits.

The strength of the capital and liquidity structure of the Bank is reflected by a capital adequacy ratio at the level of 15.6% and loans to deposits ratio at the level of 75.5% at the end of December 2009. It allows further sound and stable development of the Bank's activity.

The Bank continued its policy of offering only PLN mortgage loans. The residual stock of mortgage loans denominated in foreign currencies granted to individual customers, almost entirely acquired as a result of the merger of the spun-off part of Bank BPH SA constitutes 7.2% of total loans of the Bank.

- In 2009, the Bank's operating income amounted to PLN 6,692.6 million and was PLN 832.1 million (11.1%) lower than operating income in 2008, mainly due to unfavourable market conditions.
- Total net interest and dividend income in 2009 amounted to PLN 4,025.7 million. It was nominally lower by PLN 749.9 million (15.7%) in comparison with 2008, mainly as a result of a significant reduction of market interest rates and simultaneous upward pressure on deposit prices.
- The Bank's net non-interest income in 2009 amounted to PLN 2,666.9 million and was lower by PLN 82.2 million (3.0%) in comparison with 2008, mainly as a result of decreased net other operating income (in 2008, additional income from the sale of non-performing receivables portfolio has been realized), lower commissions on investment products and lower account maintenance and other fees.
- The operating costs were kept under control and amounted to PLN 3,352.5 million in 2009. They were lower than the operating costs in 2008 by PLN 74.8 million (2.2%).
- In 2009, net write-downs of loans and provision for guarantees and commitments amounted to PLN 406.5 million and were PLN 222.5 million (120.9%) higher than in 2008.
  As at December 31, 2009, the ratio of impaired receivables to total receivables amounted to 6.2% compared with 5.4% at the end of 2008.
- At the end of 2009, the total volume of liabilities to the Bank's customers (including customer deposits, structured certificates of deposits, repo and sell-buy-back transactions) amounted to PLN 97,449.0 million and was PLN 5,983.2 million (6.5%) higher than at the end of 2008.
  The total volume of deposits of retail customers and structured certificates of deposits amounted to PLN 44,263.2 million at the end of 2009 and was PLN 2,125.5 million (5.0%) higher than at the end of 2008.
  At the same time, the value of net assets of mutual funds managed by Pioneer Pekao TFI S.A. amounted to PLN 15,292.3 million at the end of 2009 and was higher by PLN 2,983.9 million (24.2%) in comparison to the end of 2008.
  The total volume of corporate customer deposits and repo and sell buy back transactions amounted to PLN 53,185.8 million at the end of 2009 and was PLN 3,857.7 million (7.8%) higher than at the end of 2008.
- At the end of 2009, the volume of retail loans amounted to PLN 27,300.7 million, and was PLN 1,846.1 million (7.3%) higher than at the end of 2008. The volume of corporate loans, non quoted securities and reverse repo transactions decreased in 2009 by PLN 3,679.5 million (6.9%) and amounted to PLN 49,908.2 million at the end of December 2009.

3. External Activity Conditions

Key Economic Trends

The macroeconomic situation in 2009 was driven mainly by the global financial crisis, which sharply depressed foreign demand for goods and services exported from Poland, and affected consumers' and investors' behaviour domestically. In spite of fears of recession, Poland's economy managed to maintain its positive growth rate, a unique phenomenon on the European arena. Poland's good performance was mainly due to the positive contribution of net exports, aided by the marked depreciation of the złoty, which at the end of Q1 2009 recorded its all time lows, comparable only with those seen in the first quarter of 2004 (4.92 against the euro). Other positive contributors to the sustained positive growth rate were a relatively slow worsening of the situation on the labour market and a relatively modest decline in investments (-0.3% annually according to preliminary data by the Polish Central Statistical Office (GUS)).

In 2009, CPI inflation remained close to the upper limit of the inflation target set by the Monetary Policy Council (3.5% on average, compared with MPC's target of 2.5% +/- one percentage point), owing primarily to significant regulated price hikes at the beginning of the year (an increase in electric energy prices, excise tax on tobacco), the transfer of the earlier pay rises in the corporate sector onto consumer prices, and the weakening of the złoty.

In the face of the financial crisis, the Monetary Policy Council decided to reduce interest rates, and accordingly cut the reference rate from 5.00% at the end of 2008 to 3.50% in June 2009. Over 2009, Poland's current account deficit was gradually improving: at the end of the third quarter of 2009 (latest available data) it amounted to EUR 2.4 billion, compared with EUR 13.5 billion in the corresponding period of 2008. The considerable slowdown in economic growth had a negative impact on the condition of public finances, where the deficit rose to approximately 7.2% of GDP (ESA95), despite various savings measures taken by the government.

In 2009, the financial markets experienced strong volatility. The złoty hit its lows at the end of the first quarter, at the time when stock indices and other currencies from the region plunged to their lowest levels. As the economic prospects brightened and the financial markets were coming to better understand the fundamental differences between Poland and other countries of the region, the złoty strengthened, to close the year at a level similar to the previous year's.

Economic Growth

According to initial estimates by the Polish Central Statistical Office, the economic growth in real terms amounted to 1.7% in 2009, compared with 5.0% in 2008. Domestic demand fell by 0.9% (relative to a growth of 5.5% in 2008). Total consumption rose by 2% (6.3% in 2008), and private consumption – by 2.3% (5.9% in 2008). Gross capital formation (investments plus change in inventories) decreased by 10.8% (2.9% in 2008). Investments fell by 0.3% in 2009, which however must be seen as a very good result in the present situation; this limited decline is attributable to a rapid acceleration in infrastructure projects co-financed by the EU, which counterbalanced the decline in new investments by the private sector.

To note, in 2009 the contribution of net exports to GDP (approximately 2.6 p.p.) was robust and effectively kept the GDP in the positive territory. That was possible thanks to the sharp depreciation of the złoty, which made exports all the more profitable while concurrently averting imports.

On the demand side, gross value added rose by 1.7% (5.0% in 2008). Value added in industry fell by 1.1% (compared with a rise of +6.6% in 2008), in construction – rose by 4.7% (+9.1% in 2008), and in market services – rose by 2.5% (+5.3% in 2008).

Inflation and Interest Rates

In 2009, CPI inflation was on an upward path (having risen from 2.8% year on year at the beginning of the year to 3.5% year on year at the end of the year), mainly on the back of rising regulated prices (e.g. electricity, utilities, excise tax on tobacco), the pay increases made earlier in the corporate sector, and the weakening of the złoty. However, the Monetary Policy Council's decisions to reduce interest rates (at the end of 2008 the National Bank of Poland's reference rate was 5.00%, to go down to as low as 3.50% in June 2009, since when it has remained unchanged) were underpinned not only by the current inflation level but also by the scenarios of its reduction in the period when the economy absorbs the effects of monetary policy measures, and by the necessity to accommodate the monetary policy to the considerable shock to the economy posed by the global financial market crisis. The strong deflationary pressure connected with the global decline in prices of assets and commodities could not have been ignored, either. In the second half of 2009, the Monetary Policy Council's activities were directed towards easing the expectations as to the monetary policy; concurrently the process of election of new MPC members for the new term of office starting at the beginning of 2010 was carried out.

Labour Market

The predominant theme on the Polish labour market was the steady fall of employment (in 2009, the number of people employed in the corporate sector went down by nearly 100 thousand), and the gradual decrease in the annual rate of growth of wages, from the average of 6.3% year on year in the first quarter to approximately 3% on average in the fourth quarter of 2009. Unemployment rate rose from 9.5% at the end of 2008 to 11.9% at the end of 2009. It is worth noting, though, that the deterioration in the labour market during the present economic slowdown has been much slower than was the case during the 2001-2002 economic slump. This should be perceived as a sign of maturity of the Polish labour market. First, it proves that at the time of good economic climate there was no material overstaffing which would now need to be corrected. On the other hand, it shows the long-term perspective taken by corporate managers, who do not make hasty decisions to lay off employees while awaiting an economic recovery.

Foreign Sector

In 2009, the current account deficit clearly narrowed compared to 2008, reaching the level of EUR 5.0 billion vs a deficit at EUR 18.3 billion in previous year. The current account balance accounted for -1.6% of GDP in 2009. Decline in the deficit was mainly due to improvements in merchandise trade balance (in 2009 it amounted to EUR 3.4 billion up from a deficit of EUR 17.7 billion in the corresponding period of 2008). In the previous year exports fell strongly (about 16.6% yoy on average), while imports declined sharply (close to 25% yoy). Imports slowed due to significant decrease in investment demand and the remarkable depreciation of the złoty at the end of 2008 and early 2009. However, a change of the PLN exchange rate supported exports, which, in spite of strong negative demand shock in the countries that are major trading partners of Poland, noted declines in less scale than imports. In the fourth quarter of 2009, the annual growth rate of exports and imports clearly improved (according to the NBP it was respectively 0.9% and -11.6% yoy on average), which would largely be associated with a low base a year ago, and gradual rebounding of external demand.

It is worth noticing that the deficit on the current account deficit in 2009 could be entirely financed by foreign direct investment, which amounted to EUR 8.4 billion.

Portfolio investment, after a significant decline in the first quarter of 2009, started to rise from the second quarter. Particularly strong growth in investment recorded in the case of debt securities.

In 2009, there was a further increase in the State Treasury's foreign debt, both under treasury securities (up by EUR 3.7 billion between December 2008 and November 2009) and loans (up by EUR 1.7 billion in the same period), especially towards the World Bank. The fact that Poland and other countries are now more heavily indebted may contribute to continued higher risk premium on the credit market, which will in turn drive up the cost of financing, impacting the process of business recovery in 2010.

Capital Market

After the crisis reached its peak in 2008, causing a massive downturn across global and regional capital markets, during 2009 the stock indices listed on the Warsaw Stock Exchange (WSE) followed a continued upward path. As risk appetite picked up and the economic growth prospects were slowly improving, investors showed renewed interest in riskier assets. A factor that played a role in the case of portfolio investors was access to cheap financing throughout 2009, owing to certain policy measures implemented by major central banks (including the National Bank of Poland), as well as overliquidity in the banking sector. In 2009, the Polish capital market remained strongly influenced by the sentiments dominating the underlying markets. The improving outlook for real economy, which made Poland stand out against the rest of CEE and the whole EU, was fuelling inflows of capital from both Polish and foreign investors.

On the back of the upward trend which started in February 2009, the WIG index rose by 46.85% by the year's end (to close at 39,985.99 points), the index comprising the 20 blue chips gained 33.47% (closing at 2,388.72 points), while the biggest gains were recorded by the sWIG80 index (up by 61.85%). It's growth rate in 2009 was the highest after the record-breaking high of 1996 (when the WIG grew by 89.07%).

As at the end of 2009, the WSE capitalisation amounted to PLN 715.8 billion (versus PLN 465.2 billion as at the end of 2008). In 2009, there were 13 IPOs (39 in total on the regulated market and NewConnect), a marked decline from 2008 (when the number of IPOs and Private Placements on both the regulated market and NewConnect was 94, of which 33 IPOs on the regulated market). However, it is worth noting that an increase in IPO activity on the Warsaw trading floors (the main market and NewConnect) in the fourth quarter of 2009 turned the WSE into a European leader, both in terms of the volume and the value of equity issues.

The public offering of shares in PGE Polska Grupa Energetyczna, carried out in November 2009, was an important milestone for the Polish capital market, being the second largest IPO on the WSE's record. In addition, the capital increase by PKO BP has undoubtedly contributed to an increased capitalization of the Warsaw Stock Exchange.

A factor that certainly bears on the outlook of the WSE indices are the Polish government's privatisation plans, which in 2010 are expected to fetch proceeds of PLN 24.5 billion. Let us note that the success of PGE's offering may rekindle interest in IPOs, increasing the value of the WSE in anticipation of its envisaged privatisation.

Another highlight of 2009 for the Polish capital market was the launch in September of an organised market for municipal and corporate debt (Catalyst). Apart from the privatisation plans, the availability of debt instruments which the new market affords gives retail investors a possibility of diversifying their portfolios and activity. The prospects for the Catalyst market should thus be viewed optimistically, especially in the context of the current higher levels of debt issuance by both corporate issuers and local governments. However, the Bank's opinion is, that an increase in investment activity on the Catalyst market is set to be a gradual process.

The capital market was also boosted by a gradual influx of retail investment into domestic investment funds. In 2009, the funds reported net subscriptions of PLN 2.5 billion (with PLN 58.7 billion worth of subscriptions and PLN 56.2 billion worth of redemptions), relative to the net redemptions of PLN 29.8 billion in 2008. After a sharp decline in the assets of Polish investment fund management companies, which in 2008 amounted to PLN 60 billion, the rally which swept across the equity market in 2009 translated into a rapid growth in the assets of Polish investment funds (up to PLN 93 billion at the end of December 2009). As at the end of 2009, equity funds accounted for the largest portion of the assets (a rise of 54.4% year on year) (29.1% share in total assets), followed by mixed funds (the former leader), which posted a 29.9% growth (27.2% share in the total assets).

Banking Sector

The activity and overall condition of the banking sector in 2009 were driven primarily by the need to address the consequences of the massive slowdown in real economy and turbulence across the financial markets. They manifested themselves primarily in the confidence crisis that froze the interbank market in early 2009, but was fairly quickly overcome, thanks in particular to the active approach of the National Bank of Poland ("the confidence package", initiatives aimed to improve liquidity both in the Polish złoty and foreign currencies). The economic slowdown took a toll on the financial strength of companies and worsened the situation on the labour market.

The economic downturn translated into a weaker financial performance of banks, as they were forced to make provisions for loans and settle their positions in FX derivatives. Another negative contributor to the banking sector's performance was a sharp decline in interest margin, driven by a higher cost of raising financing (fiercer competition for deposits on the domestic market).

The banks responded to the economic uncertainty by tightening credit conditions, concentrating on attracting deposits, and expanding their portfolios of government securities and securities issued by the National Bank of Poland, as highly liquid safe investments.

The growth rate of household deposits was falling steadily throughout 2009 – from 26.5% year on year at the end of 2008 to 15.3% at the end of 2009. The fall can be largely attributed to a deterioration in the labour market (a lower employment rate coupled with a marked slowdown in pay growth), as a result of which household savings could no longer grow as rapidly as they did when economy was booming.

The growth rate of corporate deposits at the end of 2009 stood at 10.4%, up from 4.0% in 2008. It was supported by the corporate sector's good performance and the completion of a majority of investment projects launched at the time when economy was strong.

The growth rate of household loans lost much of its momentum in 2009 – having fallen from 44.6% year on year at the end of 2008 to 12.0% year on year at the end of 2009. This was due to more stringent mortgage lending criteria, as some banks either openly withdrew from granting mortgage loans in foreign currencies or modified the terms of such loans so significantly as to make them far less attractive than before. On the other hand, household loans slowed on the back of a weaker demand for credit, as the unfavourable developments on the labour market made households more cautious about taking on new liabilities towards banks.

The growth momentum of corporate loans was also sharply reduced – having fallen from 28.4% in 2008 to –3.6% in 2009. The trend was driven by a considerably slower pace of new project launches in the private sector, which was reflected in lower requirement for external financing. Additionally, the corporate sector was also affected (especially in the first half of the year) by stricter lending conditions introduced by some banks.

4. Important Events and Internal Circumstances

4.1 Developmental Directions of the Bank

Bank Pekao S.A. has been present on the market for 80 years and is the second largest bank in Poland and one of the largest financial institutions in Central and Eastern Europe. It cooperates with financial institutions active in the areas of asset management, pension fund management, brokerage activities, as well as leasing and factoring.

The Bank has a superior client service platform available to Polish and international clients, supported by state-of-the-art management systems. Bank Pekao S.A. offers products and services which are competitive on the Polish market, high-quality customer service, and excellent networks of outlets and ATMs, with convenient access countrywide, as well as a professional call centre and Internet banking platform for retail, corporate and SME clients. Bank Pekao S.A. offers a segment-based service model.

Bank Pekao S.A. is committed to maintaining a solid balance sheet and a strong capital base, both of which, in combination with a conservative risk management policy and particular focus on ensuring safety of clients' deposits, were the pillars of the Bank's competitive advantage and stability during the global economic crisis of 2008–2009.

Bank Pekao S.A. will seek to strengthen the international profile of its operations and the position in the Polish banking sector. Moreover, through effective relationships with corporate clients and small-sized enterprises, the Bank seeks to contribute to the economic development in Poland.

The Bank intends to apply advanced management information systems to ensure effective risk management, target setting and business planning.

Individual Clients
Bank Pekao S.A. will continue its efforts to further develop its product range designed for the individual clients group, and will focus on the highest quality of service for retail, affluent and private banking clients.

The Bank offers individual clients the most competitive products and services, including:
- loans, in particular highly competitive consumer loans and mortgage loans denominated in PLN; to this end the Bank's existing offering will be expanded and clients can be assured of a streamlined credit process,
- deposits and investment products; the Bank intends to focus on cross-selling of the existing investment funds to individual clients to complement its current offer of term deposits, and on improvement and expansion of its range of investment products and brokerage services addressed to affluent and private banking clients,
- transactions and other services, the convenient network of outlets and channels for remote execution of transactions (Internet, ATMs, call center – the Bank intends to encourage a wider use of those facilities), as well as individualised advisory services to affluent clients.

The Bank's goal is to become the leading bank for individual clients in Poland, and concentrate efforts on increasing share in the banking services market, in particular in the area of the fastest developing products, such as mortgage loans, consumer loans, credit cards and investment products.

Corporate and Business Clients
With the highest quality of service to corporate clients (small-sized and micro enterprises as well as medium-sized and large corporations) in mind, the Bank will continue to develop its offering, maintain its comprehensive nature, and provide modern banking products to meet the clients' requirements.

The Bank's offering encompasses a wide range of products, including in the area of cash management, electronic banking, trade finance, leasing and factoring, which are made available to clients by the Bank and other Group companies.

The Bank intends to focus on offering safe products and provide innovative solutions, expertise and advice to its corporate clients, going beyond the scope of the basic banking activities.

The Bank has set itselves the goal of becoming the bank that enjoys the highest recognition among corporate clients in Poland for its expertise and capabilities, customer satisfaction, and value creation.

Organisational Changes

In 2009, a number of changes were introduced at the Bank's Head Office, regions and branches.

At the Head Office:

– a single Retail Banking Division was created by combining the existing Mass Market Division with the Individual and SME Banking Division,
– a Private Banking Division was separated from the structure of the Individual and SME Banking Division,
– a new Household Financing Division was established.

The objective behind the creation of the new Retail Banking Division was to enhance management focused on the retail banking market as a whole, improve the commercial effectiveness, and capitalise on potential sales synergies in the three segments managed in the Bank (namely retail, individual and business segments).

The decision to separate the Private Banking Division was guided by a particular focus on the highly specialised segment of private banking clients, involving development and application of banking products and services dedicated to this client group.

The establishment of Household Financing Division, responsible for the management and development of both mortgage products and consumer loans, stemmed from the Bank's commitment to the strengthening of its position on the Polish retail market in this area.

A new, tenth Region was established as part of the Retail Banking Regions: the Silesian Region, headquartered in Katowice.

Changes in organization of branches resulting from creation of consolidated Retail Banking Division caused liquidation of separate Mass Market and Individual and SME Banking units, while the structure at the level of teams and sections was kept intact.

At 62 Branches with significant potential as regards major business clients, Business Client Centres were established.

Furthermore, in order to reinforce the Bank's position in the investor relations area through ensuring a greater cooperation with the key investors and increased support to the Bank's management in the most important decisions concerning the Bank's and the Group's strategy, the Investor Relations Office and the Special Projects Office were transformed into an Investor Relations and Strategic Market Analysis Department.

4.2 Changes within the Group

The composition of the Bank Pekao S.A. Group is presented in the Notes to the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended December 31, 2009.

The most significant developments concerning the Group's organisation are presented below.

Share Capital Increase

Xelion. Doradcy Finansowi Sp. z o.o.

On January 30, 2009, the District Court for the Capital City of Warsaw, XIII Business Branch of the Domestic Registry Court registered the increase of share capital of Xelion.Doradcy Fianansowi Sp. z o.o. by the amount of PLN 6.0 million. The Bank has taken-up 6,000 shares with the par value of PLN 500 per share and issue price of PLN 1,250 per share, totalling PLN 3.0 million nominal value and issue price PLN 7.5 million. Upon registration the share capital of the company amounted to PLN 60.1 million. Bank Pekao S.A. holds 50% of share capital of Xelion. Doradcy Finansowi Sp. z o.o., carrying 50% of votes at the General Meeting of Shareholders in Xelion. Doradcy Finansowi Sp. z o.o.

Merger of Leasing Companies

Pekao Leasing Sp. z o.o.

On April 30, 2009, an integration of Pekao leasing companies was carried out. As part of the process all assets of Pekao Leasing i Finanse S.A. and Pekao Auto Finanse S.A. (subsidiaries of Pekao Leasing Holding S.A., which is a subsidiary of Bank Pekao S.A.) were transferred to Pekao Leasing Sp. z o.o., a subsidiary of Bank Pekao S.A.

The District Court for the Capital City of Warsaw, XIII Business Branch of the Domestic Registry Court, registered an increase in the share capital of Pekao Leasing Sp. z o.o. from PLN 88.2 million to PLN 241.6 million, i.e. by PLN 153.4 million, by way of an issue of 69,746 new shares with a par value of PLN 2,200 per share. All of the newly issued shares were subscribed for by the Bank's subsidiary, Pekao Leasing Holding S.A.

As at December 31, 2009, Bank Pekao S.A. holds 40,067 shares (36.49% of the share capital and the total vote at the General Meeting of Shareholders), while Pekao Leasing Holding S.A. holds 69,746 shares (63.51% of the share capital and the total vote at the General Meeting of Shareholders) in the share capital of Pekao Leasing Sp. z o.o. The total, direct and indirect (held through Pekao Leasing Holding S.A.), interest of Bank Pekao S.A. in the share capital of Pekao Leasing Sp. z o.o. amounts to 87.36%.

For more details of the transaction see Notes to the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended on December 31, 2009.

On May 13, 2009, the District Court for the Capital City of Warsaw, XIII Business Branch of the Domestic Registry Court, deleted Pekao Leasing i Finanse S.A. and Pekao Auto Finanse S.A. from the National Court Register.

Name Changes and Change of Legal Form

On January 14, 2009, the District Court for the Capital City of Warsaw, XIII Business Branch of the Domestic Registry Court registered a change of the name of Final Holding Sp. z o.o. to Holding Sp. z o.o.

With effect from June 25, 2009, the legal form of the Bank's Ukrainian subsidiary, UniCredit Bank Ltd., was changed. The bank was transformed from a limited-liability company into a joint stock company. Currently its full name is Open Joint Stock Company UniCredit Bank.

4.3 Changes in the Statutory Bodies of the Bank

Supervisory Board

On May 5, 2009, the Ordinary General Meeting of Bank Pekao S.A. appointed the Members of the Supervisory Board for the new period of common term of office, lasting three years, beginning as of May 6, 2009.

Composition of the Supervisory Board

DECEMBER 31, 2009	DECEMBER 31, 2008
Jerzy Woźnicki Chairman of the Supervisory Board	Jerzy Woźnicki Chairman of the Supervisory Board
Paolo Fiorentino Deputy Chairman, Secretary of the Supervisory Board	Paolo Fiorentino Deputy Chairman, Secretary of the Supervisory Board
Federico Ghizzoni Deputy Chairman of the Supervisory Board	Federico Ghizzoni Deputy Chairman of the Supervisory Board
Paweł Dangel Member of the Supervisory Board	Paweł Dangel Member of the Supervisory Board
Oliver Greene Member of the Supervisory Board	Fausto Galmarini Member of the Supervisory Board
Alicja Kornasiewicz Member of the Supervisory Board	Oliver Greene Member of the Supervisory Board
Enrico Pavoni Member of the Supervisory Board	Enrico Pavoni Member of the Supervisory Board
Leszek Pawłowicz Member of the Supervisory Board	Leszek Pawłowicz Member of the Supervisory Board
Krzysztof Pawłowski Member of the Supervisory Board	Krzysztof Pawłowski Member of the Supervisory Board

On January 12, 2010, Mrs. Alicja Kornasiewicz, Member of the Supervisory Board, resigned from her position in connection with appointment to the Management Board of Bank Pekao S.A.

Management Board

On December 11, 2008, Mr. Paolo Iannone tendered his resignation from the post of Vice-President of the Bank's Management Board, effective January 1, 2009.

On April 17, 2009 the Supervisory Board of Bank Pekao S.A. removed Mrs. Katarzyna Niezgoda-Walczak, Vice President of the Management Board from the position held in the Management Board of the Bank as of April 17, 2009.

On November 24, 2009, Mr. Jan Krzysztof Bielecki, President of the Management Board, resigned from his position effective on January 11, 2010.

On January 12, 2010, the Supervisory Board took a resolution to appoint Mrs. Alicja Kornasiewicz as President of the Bank's Management Board on the current joint term of office of the Bank's Management Board, effective at the moment of obtaining the approval of Financial Supervision Commission. Until the consent mentioned above is obtained, Mrs. Alicja Kornasiewicz is appointed effective from February 15, 2010 as Member of the Management Board acting as President of the Management Board.

Mr. Luigi Lovaglio has been acting as President of the Bank's Management Board since January 12, 2010 up to February 14, 2010.

Composition of the Management Board

AT THE DATE OF THE REPORT	31.12.2009	31.12.2008
Alicja Kornasiewicz Member of the Management Board Acting President of the Management Board	Jan Krzysztof Bielecki President of the Management Board, CEO	Jan Krzysztof Bielecki President of the Management Board, CEO
Luigi Lovaglio First Vice President of the Management Board General Manager	Luigi Lovaglio First Vice President of the Management Board General Manager	Luigi Lovaglio First Vice President of the Management Board General Manager
Diego Biondo Vice President of the Management Board	Diego Biondo Vice President of the Management Board	Diego Biondo Vice President of the Management Board
Marco Iannaccone Vice President of the Management Board	Marco Iannaccone Vice President of the Management Board	Marco Iannaccone Vice President of the Management Board
Andrzej Kopyrski Vice President of the Management Board	Andrzej Kopyrski Vice President of the Management Board	Paolo Iannone Vice President of the Management Board
Grzegorz Piwowar Vice President of the Management Board	Grzegorz Piwowar Vice President of the Management Board	Andrzej Kopyrski Vice President of the Management Board
Marian Ważyński Vice President of the Management Board	Marian Ważyński Vice President of the Management Board	Katarzyna Niezgoda Vice President of the Management Board
		Grzegorz Piwowar Vice President of the Management Board
		Marian Ważyński Vice President of the Management Board

Members of the Bank's Management Board are appointed for a joint three-year term of office.

Management Board members are appointed and removed from office by the Supervisory Board. Vice-presidents and members of the Management Board are appointed and removed from office on the motion of the President of the Management Board. Appointment of two members of the Management Board, including its President, is subject to approval by the Financial Supervision Authority; the body which applies for the approval is the Supervisory Board.

The scope of powers and duties of the Management Board members is defined by the Bank's Statute, Commercial Companies Code and the Rules of Procedure of the Management Board. The scope of powers of the Bank's Management Board includes all matters which, pursuant to the provisions of applicable laws or the Bank's Statute, do not fall within the scope of competence of other governing bodies of the Bank.

As at the end of 2009, the scope of powers and duties of the Management Board members was as follows:
- Jan Krzysztof Bielecki, President of the Management Board and CEO, supervised the internal audit, legal service, compliance office, macroeconomic research and corporate communication units, as well as the President's Office.
- Luigi Lovaglio, First Vice President of the Management Board and General Manager:
  - coordinated the activity of the following divisions: retail banking, corporate banking and MIB, finance, risk management, logistics and procurement,
  - supervised the activity of the following divisions: household financing, private banking, human resources, organisation and IT, as well as the marketing communications department, customer satisfaction department, investor relations and strategic market analysis department and Rocket Project.
- Diego Biondo, Vice President of the Management Board, supervised the activity of the Risk Management Division.
- Marco Iannaccone, Vice President of the Management Board, supervised the activity of the Financial Division.
- Andrzej Kopyrski, Vice President of the Management Board, supervised the activity of Corporate Banking and MIB Division.
- Grzegorz Piwowar, Vice President of the Management Board, supervised the activity of Retail Banking Division.
- Marian Ważyński, Vice-President of the Management Board, supervised the activity of Logistics and Procurement Division.

4.4 Awards and Distinctions

In 2009, the activities of Bank Pekao S.A. were rewarded with much appreciation, as reflected in the number of awards and distinctions received, the most important of which are discussed in this Chapter. Those which carry the highest prestige – tokens of international recognition for the Bank's performance and risk management policy – are the titles of Best Bank in Poland, granted by financial magazines: The Banker, Euromoney and Global Finance.

Bank Pekao S.A. Named Best Bank in Poland by The Banker Magazine
For the second consecutive time, Bank Pekao S.A. was honoured with the Best Bank of the Year in Poland title, awarded by the high-profile financial magazine The Banker, which is a member of the Financial Times Group and has been present on the market uninterruptedly since 1926.

The title was granted in recognition of the Bank's consistency in building shareholder value, manifest in the level of all capital ratios and financial performance for the most recent quarters. In the grounds for its decision, the judging panel pointed out the leading role in the public debate on the stabilisation of the banking sector at the time of crisis. The strategic decision, made in 2003, not to grant loans to individual customers in foreign currencies was also found to be particularly commendable by the judging panel as an approach that makes the Bank stand out from its domestic competitors.

Bank Pekao S.A. was honoured with the Best Bank of the Year in Poland title, awarded by The Banker, in 2008, 2004, 2002 and 2000.

The banks of the UniCredit Group received eight distinctions from The Banker, including the titles of *Best Bank of the Year* in Italy, Poland, Bulgaria, Turkey, Croatia and Ukraine. The UniCredit Group was also named the best banking group and the best investment bank in Central and Eastern Europe.

Euromoney Excellence Award 2009 for Bank Pekao S.A.
Euromoney Magazine, a high-profile financial monthly, named Bank Pekao S.A. Best Bank in Poland in 2009. This was yet another Euromoney Excellence Award given to the Bank, after the ones granted in 2008, 2005, 2002, 2001 and 2000.

The award is a tribute to Bank Pekao S.A. showing the market's acknowledgment of the Bank's responsible policy pursued for years. Last year confirmed that the traditional business model, relying on a strong deposit base, conservative approach to risk, and lending in the domestic currency for the individual clients, was the best way to come through the crisis unscathed. Bank Pekao S.A. was also recognised for its role of leader in the public debate on the crisis and stabilisation of the Polish financial sector.

Global Finance: Bank Pekao S.A. as Best Bank in Poland, Best Internet Bank for Corporates in Central and Eastern Europe, and Winner in Other GF Rankings
Bank Pekao S.A. was named the best bank in Poland in the World's Best Banks 2009 ranking (likewise in 2006, 2002, 2001 and 2000). When selecting banks from 123 countries, the judging panel considered both objective and subjective criteria. The key objective points of comparison were: asset growth, profitability, new business development, and product innovation. Additionally, the ranking took into account opinions of capital market analysts, experts from rating agencies, bank consultants, and chief financial executives of corporations.

Bank Pekao S.A. is also a proud holder of the title Best Corporate/Institutional Internet Bank in Central and Eastern Europe, and hence a member of the group of winners of the 2009 World's Best Internet Banks competition.

Furthermore, for the second consecutive time the Bank was selected by Global Finance as Best Trade Finance Provider Poland 2009 and Best Foreign Exchange Provider Poland 2009. The latter award goes to the institution that is perceived by clients, other banks and experts as offering the best services on the FX market.

Best Bank in Poland According to "emeafinance"
The Bank's leading market position was also attested to by the receipt of Best Bank in Poland 2009 title from yet another magazine, namely the "emeafinance" bimonthly in the CEE & CIS Banking Awards competition. "Emeafinance" is the important source of information for businesses and financial investors active in the region of Europe, Middle East and Africa.

Bank Pekao S.A. as a Premium Brand

In the fourth edition of the PremiumBrand ranking Bank Pekao S.A. was given the title of Premium Brand in the finance category. The ranking, structured on the basis of a TNS OBOP poll, identifies the brands that enjoy the highest repute and trust of consumers and business partners. It involves a comprehensive research into the reputation of particular brands in business, and is the only ranking of this type on the Polish market. Its results may serve as one more proof of the confidence placed in Bank Pekao S.A. by the clients.

Innovation of the Year 2009: Automated Cross-Border Transfers for Corporate Clients of Bank Pekao S.A.

Bank Pekao S.A. is the proud winner of the Innovation of the Year 2009 competition. The award was granted in recognition of the Bank's project enabling automated processing of trans-border transfers made via Internet banking system PekaoBIZNES[24].

Prestigious Awards for Bank Pekao S.A. as a Custodian on the Capital Market

The Custodial Services Department of Bank Pekao S.A. was honoured with two prestigious titles by the leading industry quarterlies, Global Custodian and Global Investor Magazine. The distinctions were based on customer satisfaction (the customers included foreign investment banks, global custodians and insurers). The Bank received the ***Top Rated*** title by Global Custodian Bank magazine in the category of *Leading Clients* (high net-worth clients), and the title of ***Best Sub-Custodian*** by The Global Investor magazine for the Bank's achievements in clearing transactions in equities and debt instruments.

EUROPRODUKT 2009 for Three Corporate Banking Services of Bank Pekao S.A.

In the 14th edition of the EUROPRODUKT Roku competition three of the Bank's services received the title EUROPRODUKT 2009: Pekao Integrated Agreement, Internet banking system PekaoBIZNES[24], and Pekao BusinessLine service. Each of them is a part of the Bank's service offering for corporate clients.

The Bank also received a special award – ZŁOTY EUROPRODUKT, for reinforcing a positive image of the economy and creating a marketing prestige of products, services and their brands.

EUROPRODUKT is a nationwide competition held under the honorary patronage of the Ministry of Economy and Polish Agency for Enterprise Development.

Bank Pekao S.A. Named Leader in Trade Finance for Its Assistance to Polish Exporters

The Bank's support to foreign trade activities of Polish businesses was acknowledged with the title of Leader in Trade Finance. The title was awarded by the Chapter of the 7th edition of Polish Ranking of Export Leaders, organised under the honorary patronage of the Ministry of Economy.

The competition seeks to identify and reward the best Polish exporters and promote domestic companies on the international market. Bank Pekao S.A. supports initiatives conducive to building and maintaining the activity of Polish businesses, and developing confidence of international business in Polish export products and services.

Pekao's Credit Card and Current Account Distinguished in a Ranking of the Polish Consumer Federation

MasterCard Credit Silver and Eurokonto Plus of Bank Pekao S.A. were distinguished by the Polish Consumer Federation in comparative tests of financial products. The tests were conducted as a pilot initiative within the framework of the Finformation project.

The organisers highly appraised MasterCard Credit Silver Pekao S.A. of Bank Pekao S.A., and singled it out for its multifunction capabilities. Eurokonto Plus was acknowledged for attractive overdraft terms, low cost of debit card use abroad, and safety of the card use.

Bank Pekao S.A. Secures Top Place among Treasury Securities Dealers

Bank Pekao S.A. came out as the winner of a competition held by the Ministry of Finance to appoint Treasury Securities Dealers for 2010. The Bank secured the top place among 16 Polish and international banks, whose activities in the area of trading in treasury securities were evaluated in nine categories throughout the year.

AS Statuette for Bank Pekao S.A.

Bank Pekao S.A. was awarded the AS statuette in the Ranking of Financial Institutions compiled by the Warsaw Chamber of Entrepreneurs, which in this way expressed its appreciation of the launch of Mój Biznes Net package.

The Warsaw Chamber of Entrepreneurs, one of the largest Polish institutions gathering merchants and entrepreneurs, held the Ranking of Financial Institutions among its members for the first time. The purpose of the initiative was to select those institutions which supported businesses in the difficult period of economic slowdown by offering them financial services on the most advantageous terms.

5. Information for the Investors

The Bank's Shareholding Structure

As at December 31, 2009 the share capital of Bank Pekao S.A. amounts to PLN 262,330,611 and is divided into 262,330,611 shares of the following series:

- 137,650,000 Series A bearer shares with a par value of PLN 1 per share
- 7,690,000 Series B bearer shares with a par value of PLN 1 per share
- 10,630,632 Series C bearer shares with a par value of PLN 1 per share
- 9,777,571 Series D bearer shares with a par value of PLN 1 per share
- 373,644 Series E bearer shares with a par value of PLN 1 per share
- 621,411 Series F bearer shares with a par value of PLN 1 per share
- 463,954 Series G bearer shares with a par value of PLN 1 per share
- 359,840 Series H bearer shares with a par value of PLN 1 per share
- 94,763,559 Series I bearer shares with a par value of PLN 1 per share.

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

Since August 1999, the Bank's principal shareholder has been UniCredit S.p.A. As at December 31, 2009, UniCredit S.p.A. held 59.25% of the Bank's share capital and the same percentage of the total vote at its General Meeting of Shareholders. The remaining shareholders' interests amounted to 40.75%. Since none of the remaining shareholders holds more than 5% of the total vote at the Bank's General Meeting of Shareholders, they are not required to disclose acquisitions of Bank Pekao S.A. shares.

The shareholders of Bank Pekao S.A. owning directly or indirectly through their subsidiaries at least 5% of the total number of voting rights at the General Meeting of Bank Pekao S.A. are as follows:

SHAREHOLDER'S NAME	# OF SHARES AND VOTES AT THE GENERAL MEETING	SHARE IN SHARE CAPITAL AND TOTAL NUMBER OF VOTES AT THE GENERAL MEETING	# OF SHARES AND VOTES AT THE GENERAL MEETING	SHARE IN SHARE CAPITAL AND TOTAL NUMBER OF VOTES AT THE GENERAL MEETING
	DECEMBER 31, 2009		DECEMBER 31, 2008	
UniCredit S.p.A.	155,433,755	59.25%	155,433,755	59.28%
Other shareholders	106,896,856	40.75%	106,778,874	40.72%
Total	**262,330,611**	**100.00%**	**262,212,629**	**100.00%**

In 2009, share capital of the Bank has been increased by PLN 117,982 as a result of the issue of 117,982 series G ordinary bearer shares which have been taken up by participants of the share option programme.

Since the beginning of the year 2010 the share capital of the Bank has been increased by the total amount of PLN 2,587 as a result of issue of 2,587 series G ordinary bearer shares which have been taken up by participants of share option programme. At the date of submitting the report the share capital of the Bank amounts to PLN 262,333,198.

Open-end pension funds (OFE) are the group of financial investors holding significant equity interests in the Bank. Based on their publicly available financial statements, as at December 31, 2009 OFE held in aggregate 12.5% of Bank Pekao S.A. shares.

Open-end pension funds' holdings in Bank Pekao S.A.:

SHAREHOLDER	NUMBER OF SHARES AND VOTES AT GM	% OF SHARE CAPITAL AND TOTAL VOTE AT GM	NUMBER OF SHARES AND VOTES AT GM	% OF SHARE CAPITAL AND TOTAL VOTE AT GM
	DECEMBER 31, 2009		DECEMBER 31, 2008	
Aviva OFE Aviva BZ WBK	8,261,635	3.15%	8,084,480	3.08%
ING OFE	7,750,807	2.95%	6,076,935	2.32%
OFE PZU "Złota Jesień"	4,864,042	1.85%	4,456,081	1.70%
Amplico OFE	2,710,788	1.03%	2,523,186	0.96%
AXA OFE	1,853,507	0.71%	1,271,007	0.48%
Generali OFE	1,496,431	0.57%	849,680	0.32%
Aegon OFE	1,423,917	0.54%	1,104,426	0.42%
Nordea OFE	1,386,045	0.53%	920,668	0.35%
PKO BP Bankowy OFE	885,698	0.34%	614,229	0.23%
Allianz Polska OFE	993,583	0.38%	555,207	0.21%
OFE Pocztylion	546,922	0.21%	605,167	0.23%
OFE Warta	514,178	0.20%	379,051	0.14%
OFE Polsat	107,000	0.04%	35,985	0.01%
Total	**32,794,553**	**12.50%**	**27,476,102**	**10.48%**

Source: Prospectuses and annual reports published by the open-end pension funds.

Performance of the Bank's Stock

Bank Pekao S.A. shares are among the most liquid CEE equities.

As at December 31, 2009, the Bank's market capitalisation stood at PLN 42.4 billion (up by 28.2% year on year). Thanks to its high liquidity and capitalisation level, the Bank's stock is included in many prominent stock indices sponsored by Polish and foreign institutions, including the WIG20 index of Polish blue chips.

With the average daily trading volume of 632 thousand shares and the trading value of PLN 38.9 billion in 2009, the share of Bank Pekao S.A. in total trading on the WSE rose in 2009 by 186 basis points (to 13.61%).

In 2009, the price of Bank Pekao S.A. shares went up by 28.1% (from PLN 126.2 as at December 31, 2008 to PLN 161.7 as at December 31, 2009), and by 138.3% from its 2009 minimum – showing growth dynamics in line with that of the WIG-Banks index.

In 2009, Bank Pekao S.A. shares traded in a wide range from PLN 67.85 to PLN 184.60. Such strong volatility was largely a consequence of the situation prevailing on the global markets.

In 2009, the behaviour of the Polish capital market was driven by developments on the global markets. Increasing risk aversion – and the resulting distrust of financial assets from emerging markets, which tend to be perceived as more risky – triggered a massive sell-off of Polish stocks at the beginning of 2009. As the global economic situation took a turn for the better following the launch of various stimulus schemes, sentiment in equity markets began to improve, a trend that was also observed in the case of the Polish market.

Investor Relations Activities

The Bank's activities in the area of Investor Relations focus on establishing transparent and active communication lines with the market, by engaging in active cooperation with investors, research analysts and rating agencies, and on fulfilling the Bank's disclosure obligations in accordance with the applicable laws.

The Bank routinely holds numerous meetings with the investor community, both in Poland and abroad, participates in most regional and industry investor conferences, and responds on an ongoing basis to queries raised by the market. Each quarter a conference is held (webcasted live) to announce the Bank Pekao S.A. Group's financial results. During 2009 four such conferences were held, in addition to over 300 meetings with investors.

The main objective behind the Bank's efforts in the area of Investor Relations is to allow the market to make informed assessment of its financial standing, market position and the effectiveness of its business model, taking into account the financial condition of the whole banking sector, as well as the macroeconomic considerations underlying Poland's economy and the international markets.

All information about Bank Pekao S.A. that is relevant to investors is available in the IR section of the Bank's website at:
http://www.pekao.com.pl/investor_information/.

Ratings of Financial Credibility

Bank Pekao S.A. is rated by three agencies: Fitch Ratings, Standard and Poor's, and Moody's Investors Service. In the case of the first two, the ratings are provided on solicited basis and with respect to Moody's Investors Service, the ratings are unsolicited and they are based publicly available information.

In 2009, rating agencies downgraded their ratings, to reflect the changed economic environment. Following downgrades of UniCredit S.p.A. (the Bank's strategic investor) ratings, Bank Pekao S.A. was assigned ratings on a level with Poland's sovereign ratings.

As at December 31, 2009, Bank Pekao S.A.'s creditworthiness was rated as follows:

Fitch Ratings	**Pekao S.A.**	**Poland**
Long-term rating (IDR)	A-	A-
Short-term rating	F2	F2
Individual rating	C	-
Support rating	1	-
Rating outlook	Negative	Stable
Standard and Poor's	**Pekao S.A.**	**Poland**
Long-term rating	A-	A-
Short-term rating	A-2	A-2
Rating outlook	Stable	Stable
Moody's Investors Service Ltd. (unsolicited rating)	**Pekao S.A.**	**Poland**
Long-term foreign-currency deposit rating	A2	A2
Short-term deposit rating	Prime-1	Prime-1
Financial strength	C-	C-*
Rating outlook	Stable	Negative*

* Average for the Polish banking sector.

6. Activity of Bank Pekao S.A.

6.1 Important Factors influencing Bank's Activities and Results

Bank Pekao S.A.'s activity in 2009 was determined by the macroeconomic situation, remaining under the influence of the situation on international financial markets.

The macroeconomic situation in 2009 was driven mainly by the global crisis, which sharply depressed foreign demand for goods and services exported from Poland, the currency and at the same time affected the consumers' optimism and investment plans of business entities. As a result, the significant slowdown in economic growth, substantial decline in production capacity utilisation and fall of employment have been noted.

Thanks to unprecedented scale of actions stimulating the global economy and improvement of Polish export competitiveness, in the second half of 2009, the improvement in the dynamics of the economic growth, which influenced the consumers optimism as well as risk appetite on the financial markets has been observed.

In 2009, the Bank's activity was driven primarily by the need to address the consequences of the massive slowdown in real economy and turbulence across the financial market in Poland remaining under pressure on international financial markets.

Furthermore, the Bank's activity was significantly impacted by the low market interest rates maintained thanks to coordinated actions of central banks, and fierce competition on deposits market causing their high interest rates.

The economic slowdown took a toll on the financial strength of companies and worsened the situation on the labour market what resulted in deterioration of the quality of loan portfolio and increase in provision costs. Deterioration of the Bank's quality of loan portfolio and increase in provisions in 2009 were considerably lower than in banking sector thanks to conducting responsible credit policy in the last years and avoiding excessive risk.

The Bank's results were also influenced by significant outflow of investments funds, which was the result of considerable repricing of financial assets on the markets in autumn 2008 and at the beginning of 2009. In the subsequent months of 2009 the individual investors presented gradual increase of involvement in domestic investment funds, however not only gross sales of investment funds but also average volume of investment funds were considerably lower than in previous year, thus negatively impacted the Bank's level of commission on investment products.

In effect, in 2009, these factors have had the influence on:
- decrease in interest income by PLN 749,9 million,
- decrease in net fee and commission income by PLN 17,5 million,
- increase in write-downs of loans and provision for guarantees and commitments by PLN 222,5 million.

The Bank's operating costs were kept under strict control, decreasing by PLN 74.8 million (2.2%) in comparison with 2008 (with inflation rate on the level of 3.5%).

It should be highlighted that the negative impact of the unfavorable macroeconomic situation on Bank Pekao S.A. was lower than those observed in the sector.

The Bank consistently applies a rational credit policy and continues its policy of offering only PLN mortgage loans without involving itself and it's clients in excessively risky financial operations.

The strength of the capital structure of the Bank assures the financial stability and guarantees depositories security. It is reflected by a capital adequacy ratio at the level of 15.6% and loans to deposits ratio at the level of 75.5% at the end of December 2009 and it allows further sound and stable development of the Bank's activity.

6.2 Factors which will affect the Results of the Bank

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

The first quarter of 2010 should see sustained growth of more than 3% year on year, due – among other things – to the previous year's low statistical base, but also to the economic recovery on international markets, which will boost exports of goods made in Poland. According to the most recent "Economic Climate" report prepared by the National Bank of Poland, export forecast indicators imply that exports should continue to grow for at least one to two quarters, whereas a lower number of new export orders may suggest that no further acceleration in exports is to be expected afterwards. This would send a rather negative signal for the economy as a whole, for which net exports were a key driver sustaining the positive growth rate in 2009 – when the positive contribution of net exports (2.6 p.p.) offset the negative contribution of domestic demand (0.9 p.p.). Consequently, if net exports are a weaker driving force for GDP in the following quarters (which seems possible), the main question is to what extent will domestic demand take over the role of the "growth engine"? The answer which presents itself is moderately optimistic – on the one hand, in 2009 individual consumption was increasing at the rate of 2.3% (more than could be expected amid such unfavourable environment caused by the global crisis), but on the other hand the situation on the labour market and the investment prospects are becoming increasingly uncertain. In order to save costs, companies reduce their employment levels and are more and more reluctant to raise wages. In turn, stagnating wages will make any material increase in private consumption impossible.

As regards investment activity, the report released by the National Bank of Poland shows a considerable drop in the number of businesses planning to start new investment projects in 2010. This results from the current low level of production capacity utilisation, as well as uncertainty as to whether increased production capacities will be needed any time soon. Although companies do announce plans of modernisation projects, this alone will probably not suffice to sustain the positive growth of private sector investments in 2010. Looking at the combined investment activity of the private and public sectors, there remains an opportunity related to faster absorption of EU funding, which in 2009 offset a decline in private sector investments, as a result of which total investments fell by a mere 0.3% in real terms.

The year 2010 will bring a faster GDP growth, which is expected to hover slightly above 2% (2.3%, according to Bank Pekao S.A.'s forecast). This will fuel an overall improvement in the business environment for banking activity, albeit in the case of Poland such GDP growth still spells a rise in the unemployment rate, as well as low consumption dynamic.

The CPI inflation is expected to fall from 3.5% year on year at the end of 2009 to ca. 2.0% year on year in the first half of 2010, due to a lack of any significant increases in regulated prices (which pushed up the CPI inflation readings in 2009), a stronger złoty and marked slowdown in salary growth. The upbeat current and future inflation prospects will help the Monetary Policy Council to keep interest rates unchanged at least in the first quarter of 2010 and possibly even until the end of the first half of 2010. In the second half of the year, inflation will likely bounce back towards the target (2.5%) and the interest rates will be raised, although this will also depend on the pace of economic growth, which is likely to come under some pressure as inflation climbs up. Such a combination of the inflation and GDP growth rates suggests that interest rates of the National Bank of Poland may remain unchanged until the end of the year.

The mid-term outlook for the złoty points to a stabilisation of its exchange rates at the levels recorded in the fourth quarter of 2009. A key factor here will be the global investment climate. If it deteriorates, the złoty is likely to weaken.

A potential risk factor for the economy will be the scale of the public deficit, projected to reach approximately 7% of GDP in 2010. The resulting substantial requirement for debt financing is bound to gradually enhance yields on treasury securities.

Lending activity in the Polish market is slackening, and is expected to continue on that trend in the months to come, especially in the corporate sector, whose demand for credit will not rise any further due to significant downscaling of new investment projects. The global trends likewise imply a slowdown in lending activity – the broad credit aggregates in the corporate and household sectors (both in the U.S. and the euro zone) fell back from the levels recorded in the same period last year. Those factors pose a threat to the tentative economic recovery, as does withdrawal of stimulus measures implemented by governments and central banks in the U.S. and across Western Europe. Against this backdrop, the prospects for economic growth in the second half of 2010 – both globally and in Poland – are fraught with numerous risks.

6.3 Description of Major Sources of Risk and Threats

Risk Management

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

The key risks inherent in the Bank's financial instruments include credit risk, liquidity risk, and market risk (interest rate risk, currency risk, business risk, real estate risk and financial investment risk). A significant element of the risk management system is also operational risk.

The Bank has adopted a comprehensive and consolidated approach to risk management. It extends to all units of the Bank and its subsidiaries. Risks are monitored and controlled with respect to profitability and the funds necessary to cover the exposure.

The Management Board is responsible for achieving the strategic risk management goals, while the Supervisory Board oversees whether the Bank's policy of exposure to various types of risk is compliant with the overall strategy and financial plan. The Bank's Credit Committee plays an important role in the credit risk management, the Asset, Liability and Risk Committee in market and liquidity risk management, and management of the operational risk falls within the scope of responsibility of the Operational Risk Committee.

The rules of managing each of the risks are defined in internal procedures and are subject to the assumptions of the credit and investment policies adopted annually by the Management Board and approved by the Supervisory Board. The rules of managing operational risk are determined by the objectives specified in the Operational Risk Management Strategy. Credit and market risks reports analyzing details of their development are provided to the Management Board, Audit Committee and Supervisory Board.

Credit Risk

Managing credit risk and maintaining it at a safe level is vital for the Bank's financial performance. In order to minimise credit risk, special procedures have been established, pertaining in particular to the rules of assessing transaction risk, collateralisation of loan and lease receivables, credit decision powers, and restrictions on lending to certain types of businesses.

Lending activities are subject to limits following both from the Banking Law and the Bank's internal standards, including limits concerning exposure concentration ratios for individual sectors of the economy, limit on the share of large exposures in the Bank's loan portfolio and limits of exposures to countries, foreign banks and domestic financial institutions.

The credit decision powers, lending restrictions as well as internal and external prudential standards, pertain to loans and guarantees as well as derivative transactions and debt instruments. The quality of the loan portfolio is also protected by way of periodic reviews and ongoing monitoring of the timely servicing of loans and the financial standing of customers.

Under the guidelines of UniCredit, the Bank has continued to work on further rationalisation of the credit process with a view to obtaining better efficiency and security, including in particular enhancement of the procedures and tools for risk measurement and monitoring.

Credit Risk Concentration Limits

In accordance with the Banking Law, a bank's exposure to a single entity or to entities linked by equity or organisational connections may not exceed 20% of the bank's equity if any of such entities is a related party of the bank, or otherwise 25% of the bank's equity. Moreover, the aggregate amount of the bank's exposures equal or in excess of 10% of its equity may not exceed the large exposure limit which is 800% of the bank's equity. In 2009, the Bank did not exceed the maximum exposure limits defined in the Banking Law.

Sector Exposure Concentration

In order to mitigate the credit risk attributable to excessive sector concentration, the Bank has a system in place which allows to control the sector structure of exposures. The system includes setting sector concentration ratios, monitoring the loan portfolio, and information exchange procedures. The system supports the management of exposures to individual business areas classified in accordance with the Polish Classification of Business Activities (PKD).

Concentration ratios are established based on an analysis of investment risk, the quality of the credit exposure, trends prevailing in a given sector, the Bank's own funds and the sector's assets. Monthly comparison of the Bank's exposures with the applicable concentration ratios enables a quick identification of those sectors where an excessive risk concentration might occur. If such concentration occurs, the Bank analyses the sector's economic situation (both existing and forecast trends) as well as the quality of the exposure to the sector. Based on these measures the Bank's policy of mitigating sector risk is defined and adjusted to the changing environment.

The rules for proceedings on residential mortgage secured loans

Bank Pekao S.A. holds documented rules for proceedings on residential mortgage secured loans in case of material and adverse changes at the real estate market or the negative macroeconomic scenarios are to realize. This is a ground for prompt reaction of the Bank when such events occur at the real estate market in Poland.

Liquidity and Market Risks

The management of liquidity and market risks is a vital element of the Bank's risks management policy, which aims at optimising the structure of balance sheet and off-balance sheet items, taking into account the assumed relation of risk to income and a comprehensive approach to all types of risk borne by the Bank in its business activities. The risks are monitored and controlled in relation to profitability and funds necessary to cover the exposure, and relevant reports are prepared on a regular basis.

The Asset, Liability and Risk Committee supports the Management Board in advising and recommending the appropriate action assuring proper realization of the Management Board policy. The Asset, Liability and Risk Committee is responsible, among the other things, for structural risk management of the Bank's balance sheet resulting from the liquidity gap between assets and liabilities, interest rate and exchange rate, market risk management, financial investment risk, operational risk and Pillar II (Basel II) risk. The Asset, Liability and Risk Committee decides on the process of assets and liabilities management, interest rate and investment policy management, and it controls the compliance of the risk exposures with internal limits and regulations.

The Asset, Liability and Risk Committee monitors and controls the capital adequacy and the exposure to liquidity and market risks against the external limits imposed by supervisory authorities and internal limits adopted by the Bank.

Liquidity Risk

The overall objective of liquidity risk management is to ensure and maintain the Bank's ability to meet its current and future planned obligations, taking into account the cost of liquidity and the return on equity ratio, to avoid crisis situations, and define contingency solutions to be employed in the event of a crisis.

The Bank invests primarily in treasury securities issued by the Polish government as well as financial instruments issued by countries and financial institutions with the highest ratings. Being highly liquid instruments, they make up a liquidity reserve for the Bank, which is regularly monitored and which should allow the Bank to overcome crisis situations.

The Bank's short-term (operational) liquidity including transactions executed on financial markets and the available amount of liquid securities – marketable or eligible as collateral when borrowing from central banks is monitored on a daily basis. Additionally, the structural liquidity (encompassing the whole time horizon of the Bank's balance sheet, including its long-term liquidity) is monitored.

The Bank's liquidity is managed by monitoring, setting the limits on, controlling and reporting to the Bank's management a number of liquidity indicators computed for the main foreign currencies, as well as on aggregate basis. In accordance with the relevant recommendations by the financial supervision, the Bank has introduced internal liquidity indicators, defined as the ratios of adjusted maturing assets to adjusted maturing liabilities for: the total balance, the total balance of foreign currencies as well as balances of the main currencies.

The Bank has contingency procedures in place protecting it against an increase in its liquidity risk exposure and against any substantial deterioration in its financial liquidity.

The contingency plan to be employed in the event of deterioration in the Bank's liquidity involves daily monitoring of certain early-warning indicators capturing both systemic and Bank-specific risks, including four levels of liquidity risk depending on the amount and duration of cash outflow from the accounts of non-banking clients. The plan also specifies the sources and cost of funds required to cover the expected cash outflows. Additionally, it defines the procedures for monitoring the liquidity levels, the procedures for emergency measures, the organisational structures of taskforces charged with restoring the Bank's liquidity, and the scope of the Management Board's responsibility for making decisions necessary to restore the required liquidity level. Both the emergency plan and the possibility of obtaining cash from the sources specified in it are reviewed periodically.

An integral part of the liquidity monitoring process at Bank Pekao S.A. for a situation of a financial market crisis or a crisis triggered by internal factors that are specific for the Bank, is stress test scenario analysis, conducted on a monthly basis.

Pursuant to the PFSA's Resolution No. 386/2008 on fixing liquidity norms for banks, since January 2008 the Bank has calculated regulatory liquidity measures on a daily basis. In 2009, the Bank's regulatory liquidity measures were above the required levels.

In July 2009, the Management Board of Bank Pekao S.A. approved new stricter structural liquidity ratios to further reduce the liquidity risk.

Market Risk

In its activities, the Bank is exposed to market risk, as well as other risks resulting from changes in market risk factors.

Market risk is the risk that the Bank's net profit or economic capital will decrease due to changes in market conditions. The four key market risk factors are related to interest rates, exchange rates, equity prices and commodity prices.

In connection with its exposure to market risk, the Bank operates a market risk management system, which provides an organisational and methodological procedural framework designed to shape the balance-sheet structure and off-balance-sheet items in such a way as to ensure that the strategic objectives are met, while taking into account its exposure to market risk, as well as the accepted risk level defined by the Management and Supervisory Boards.

The objective behind the market risk management strategy is to maximise the Bank's performance so that its financial targets are attained and the exposure to market risk remains within the limits approved by the Management and Supervisory Boards, while ensuring provision of services connected with the market risk (market making and quoting prices to the Bank's clients).

The market risk management process is based on a three-tier control system, which conforms to international best banking practice, as well as recommendations issued by the BIS/PFSA. The market risk management is a formalised process, subject to a set of internal procedures, which reflect the division of risk management processes into the trading book and the banking book.

The key tool for assessing the market risk is the Value at Risk (VaR) model. Under normal market conditions, VaR represents the value of one-day loss that will not be exceeded with a 99% probability.

The model is subject to statistical verification on an ongoing basis, which involves comparing the VaR value with the actual results. The analyses for 2008 and 2009 have confirmed the model's adequacy.

Interest rate risk

The classification of assets and liabilities according to their exposure to interest rate risk is the following:

– assets and financial liabilities exposed to fair value risk related to interest rate: debt securities with fixed interest rate, loans with fixed interest rate, client deposits with fixed interest rate, liabilities due to the issue of securities,
– assets and liabilities exposed to cash flow risk related to interest rate: debt securities with variable interest rate, loans with variable interest rate, client deposits with variable interest rate,
– assets and financial liabilities not directly exposed to the interest rate risk: equity securities.

The Bank is exposed to interest rate risk also due to transactions which fair values are recognized as assets or liabilities in the balance sheet. These transactions include derivative transactions: forward rate agreements (FRA), interest rate swaps (IRS), interest rate options (Cap/Floor), currency swaps and foreign currency forward contracts.

In managing the interest rate risk, the Bank aims to maximize the economic value of capital employed and achieving the planned interest result within the accepted limits. The financial position of the Bank in relation to changing interest rates is monitored through the interest rate gap (revaluation gap), VaR analysis, duration analysis, simulation analysis and stress testing.

Currency risk

The objective of currency risk management is to create a currency profile of the balance sheet and off-balance items which will remain within external and internal limits. The Bank's exposure to currency risk is measured for internal purposes on a daily basis by means of the Value at Risk (VaR) model as well as the extreme conditions testing analysis that is supplementary to the VaR method.

Business Risk

Business risk is defined as adverse, unexpected changes in business volume and/or margins that are not due to credit, market or operational risks.

Earnings at Risk concept is used in business risk calculation. This concept enables the calculation of unexpected negative deviation in the realised financial result from the level assumed in the financial plan. In compliance with the approach assumed by the Group, EaR is assessed in one-year time horizon at 99.97% confidence level.

Real Estate Risk

Real estate risk results from volatility of the market value of real estates owned by the Bank. It covers the real estate portfolio of the Bank. The risk does not cover real estates acquired through enforcement or those constituting collateral.

Real estate risk is calculated in one-year time horizon with VaR method and at the assumed confidence level of 99.97%.

Financial Investment Risk

Financial investment risk stems from the Bank's banking book equity holdings in companies.

The main risk factor that impacts financial investment risk is changes in value of equity shares in subsidiaries, associates, other directly dependent companies and indirectly dependent ones, which are not consolidated within the Bank.

Financial investment risk is assessed based on Value-at-Risk method in one-year time horizon and at the assumed confidence level of 99.97%.

Operational Risk

Operational risk management is based on internal procedures approved by the Bank's Management Board. These procedures are consistent with Recommendation M, as well as the Polish Financial Supervision Authority's Resolution No. 380/2008 and 383/2008.

The system of control over operational risk management covers the Bank and its subsidiaries. In course of development of the operational risk management system, in December 2009, Operational Risk Committee was established, whose mission is to support the Management Board in creating a proper operational risk management process by introducing adequate internal regulations through the application of principles included in the strategy approved by the Supervisory Board.

The Bank's Management Board receives the operational risk reports, including an analysis of operating events broken down by types of events and regions, a review of risk ratios, and an analysis of capital necessary to cover the operational risk. Operational events data base, key risk ratios, self-assessment questionnaire and scenario analysis are the instruments dedicated for risk control process.

For the purpose of operational risk mitigation, the Bank pursues its security policy procedures, including:
- money laundering prevention,
- security of the Bank's facilities,
- business continuity,
- protection of banking secrecy,
- personal data protection,
- rules for the Bank units' cooperation with third parties.

Other operational risk mitigation measures include contingency plans, internal audit controls, requirement of information on operational events to Operational Risk Management Department, insurance schemes, ongoing enhancement of the process quality and the monitoring of areas on which the bank suffered loss. Moreover, in the event that any irregularities are identified, guidance is immediately provided concerning the scope, method and frequency of functional controls in the specific area of the Bank's operations.

Ongoing contacts between the employees of Operational Risk Management Department with the persons in charge of operational risk in the Bank contribute to raise the awareness of operational risk.

Compliance Risk

The purpose of the compliance risk management is to ensure that the Bank and its employees are not in conflict with the applicable norms, including in particular provisions of the law, the Bank's internal regulations, recommendations issued by supervisory and control bodies, as well as best practice and ethical standards. In pursuing its activities, the Bank must also follow the guidelines issued by the UniCredit Group, unless they conflict with Polish law.

Compliance risk management applies to the areas of banking services, financial services, and securities. Implementation and observance of the compliance risk management standards are key factors in creating the enterprise value, reinforcing and protecting the Bank's reputation, and winning public trust in the Bank's activities and standing.

The responsibility for ensuring the Bank's and its employees' adherence to the standards lies with the Office for Compliance Risk Management. The tasks of the Office include in particular monitoring, identifying, eliminating and counteracting the compliance risk.

At least once a year, the Supervisory Board of the Bank reviews the efficacy of the Bank's compliance risk management system. Additionally, to assess the compliance risk, at least once a year the Bank's exposure to the main compliance risks is reviewed.

The Bank uses the CAMP methodology for the compliance risk assessment, which enables to identify the decisive factors in selecting key areas of the banking business which are to be subject to the compliance risk assessment, and to evaluate (on the basis of pre-defined criteria) the existing Bank's processes, mechanisms and regulations concerning selected areas of the banking business. As part of the methodology the compliance risk is assessed with the use of the appropriate Risk Map, reflecting the relationships between particular risk categories and the Bank's specific operating divisions and organisational functions participating in the process.

The compliance risk for the areas under all conducted analysis in the Bank's activity was found to be at the lowest level of the adopted scale and graded as "limited".

6.4 New Capital Accord – Basel II

2008 was the first year when Bank Pekao S.A. applied the Basel II guidelines developed by the Basel Committee for the purpose of computing capital adequacy requirements and capital adequacy ratio. The guidelines were introduced in EU Member States by virtue of Directives 2006/48/EC and 2006/49/EC, and in the Republic of Poland by virtue of Resolution No. 1 of the Banking Supervision Commission dated March 13, 2007, and subsequent regulations issued by Polish financial supervisory authorities.

Given regulatory requirements and the strategic nature of the changes to risk management and the methods of estimating our regulatory and economic capital following from the New Capital Accord, responsibility for the direct supervision over compliance with the New Capital Accord's requirements rests with the Bank's Management Board. The Board is periodically informed of all new projects connected with the implementation of the New Capital Accord and their results. The Management Board's opinion on questions related the introduction of changes resulting from the implementation of the New Capital Accord is submitted to the Supervisory Board for approval.

The Master Plan for the implementation of the New Capital Accord, drafted and approved in 2005, assumes the alignment of our operations with all three Pillars of the New Capital Accord, i.e. Pillar I (Minimum Capital Requirements), Pillar II (Supervisory Review), and Pillar III (Market Discipline).

In accordance with the adopted schedule, Bank Pekao S.A. computes capital adequacy requirements for credit and operational risk purposes under the Standardised Approach, remaining fully compliant with Pillar I requirements. In 2008, it also prepared and approved the Internal Capital Adequacy Assessment Process – the basic constituent of Pillar II. The disclosure requirements under Pillar III were met as at December 31, 2007.

The Master Plan was prepared in close cooperation with banking supervision authorities and under specific guidelines of UniCredit Group. The Plan constitutes an integral part of the UniCredit Group's scheme for phased implementation of the Advanced Approach, approved by the Italian regulator in March 2008. In 2009, the applications for using by the Bank statistical methods for capital adequacy requirements for credit and operational risk have been submitted to Polish and Italian Regulators, thus starting the validation process. The process of achieving compliance with the New Capital Accord also involves meeting stringent organisational and IT requirements. Throughout the process, the Bank is supported by a reputable consulting firm and an IT system provider. The KRM system (Kamakura Risk Management) for capital charge calculation is tailored for running in parallel Standardised and Advanced Approach, its efficiency is above reproach, and its high effectiveness ensures the processing of 99.997% of the credit transactions volume each month. Presently, the Bank is working, in cooperation with the system provider and the consulting firm, on the alignment of the IT system as well as our other systems with the requirements of the Advanced IRB Approach.

The general implementation framework of the capital adequacy system, embracing the chief elements of the Bank's internal capital management, the organisational structure, and the responsibility for the process, has been adopted by the Management Board and subsequently approved by the Supervisory Board. The Bank's detailed internal procedures concerning the estimation of regulatory and internal capital, capital management, and capital planning have also been approved.

Completion of the abovementioned tasks means that since January 2008, the Bank has been effectively in compliance with the regulations of supervisory authorities introducing the Basel II requirements set by the Basel Committee on Banking Supervision.

6.5 Capital Adequacy

A basic measure of capital adequacy is the capital adequacy ratio (CAR). The minimum capital adequacy ratio required by law equals to 8%. At the end of 2009 CAR for the Bank amounted to 15.64 %, which is more than doubled compared with the minimum value required by the law. The Bank's CAR meets also the recommendations of the Polish Financial Supervision Authority, which recommended to take firm and effective actions which would guarantee maintenance of capital adequacy ratio at a safe level, not lower than 10%.

Capital requirements calculation is based on the regulation of supervisory authorities.

The table below presents the basic data concerning Bank capital adequacy as at December 31, 2009 and December 31, 2008.

(PLN thousand)

CAPITAL REQUIREMENT	31.12.2009	31.12.2008
Credit risk	5,639,256	6,512,457
Exceeding large exposure limits	0	0
Market risk	159,441	216,608
Delivery and contractor risk	126,646	301,510
Exceeding exposure concentration limit	0	0
Operational risk	976,978	1,005,094
Total capital requirement	**6,902,321**	**8,035,669**
Capital for capital adequacy ratio calculation		
Tier 1 capital	13,497,012	11,673,105
Tier 2 capital	0	0
Capital for capital adequacy ratio calculation	**13,497,012**	**11,673,105**
Capital adequacy ratio (%)	**15.64%**	**11.62%**

The increase of capital adequacy ratio in 2009 in comparison to the level of December 2008 (by 4.02 p.p.) was influenced by an increase of own funds and simultaneous decrease of total capital requirement.

The strengthening of the Bank's own funds base in 2009 is a consequence mainly of a decision of the Ordinary General Meeting of Bank Pekao S.A. to allocate the net profit of Bank Pekao S.A. for 2008 for the own funds of the Bank.

The decrease of total capital requirement as at the end of 2009 was driven by several factors, such as:
- improvement of the quality of collaterals,
- reduction of loan volumes,
- PLN appreciation,
- changes in regulations conducted by Resolution No. 335/2009 of the Polish Financial Supervision Authority, which assigned the same risk weight for exposure to selected entities as for exposures to State Treasury.

6.6 Bank Pekao S.A. on the Polish Banking Market

Bank Pekao S.A. is a universal commercial bank providing a full range of banking services to individual and institutional clients, both in Poland and abroad.

The Bank offers its clients a broad distribution network with ATMs and outlets conveniently located throughout Poland.

	31.12.2009	31.12.2008
Total number of outlets	1,028	1,041
Total number of own ATMs	1,854	1,891

As at the end of 2009, the Bank kept 4,537.9 thousand PLN-denominated current accounts, 187.4 thousand mortgage loan accounts, and 729.9 thousand of customers hold consumer loan accounts.

	31.12.2009	31.12.2008
Number of PLN-denominated current accounts (in thousand) *	4,537.9	4,337.6
of which packages (in thousand)	3,357.2	3,228.6
Number of mortgage loan accounts (in thousand) **	187.4	180.4
of which PLN-denominated (in thousand)	133.9	123.8
Number of clients holding a consumer loan account (in thousand) ***	729.9	618.3

* Number of accounts including pre-paid card accounts.
** Retail clients' accounts.
*** Including Pożyczka Ekspresowa (Express Loan).

6.6.1 Individual Clients

Retail Banking

The Bank's offering targeted at the largest group of retail clients choosing standard products is among the most comprehensive to be found on the Polish market of banking services.

One of the indisputable successes of the year 2009 was the roll-out of new Eurokonto personal accounts package for retail clients – New Eurokonto Line.

Clients may choose from among the new range of Eurokonto accounts one that is best suited to their individual needs. Active clients who use electronic channels may opt for an Eurokonto Aktywne Plus account, which comes bundled with a wide package of free Assistance insurance and free online access to the account. For more traditionally-minded clients who prefer to manage their accounts through the Bank's physical network of outlets, the Eurokonto Optymalne and Eurokonto Aktywne accounts have been prepared. Children and adults under 30 are offered free accounts, allowing them free access to money without having to leave home.

Selected Eurokonto accounts come bundled with a wide package of free Assistance insurance, under which clients receive free-of-charge assistance in emergency situations that may occur in the home, during car travel in Poland and elsewhere in Europe, and while staying abroad.

Clients can make commission-free cash withdrawals from more than 19 thousand automatic teller machines located in 16 European countries, including over 4 thousand located throughout Poland.

Affluent Customers

Affluent customers, who expect an individualised approach and non-standard solutions, are served through the VIP Advisory Centres model.

The model, under which client relations are largely handled by a single adviser, helps build a personal relationship and intensify cooperation. It allows us to gain an ever-better understanding of the needs of each client and to choose optimal financial solutions drawing on the Bank's wide array of products.

Eurokonto Premium and Eurokonto Premium Plus are dedicated for clients served through the VIP Advisory Centres. Their key features include a very close match between functionality and the client's requirements, personal adviser service, and additional special service packages. The new personal accounts offer clients the following benefits:

– Personal Adviser service at the VIP Advisory Centre,
– free and unique Assistance insurance, including personal assistant (Concierge) service,
– high rate of interest on the account,
– free access to the account via the Internet, telephone and text messages,
– free online transfers and standing orders,
– an option to open additional free accounts for children and foreign-currency accounts,
– commission-free cash withdrawals from more than 19 thousand automatic teller machines located in 16 European countries, including over 4 thousand located throughout Poland.

Seeking to enhance communication with affluent clients, in 2009 the Bank launched new dedicated web pages within the Bank's official website, as well as a new marketing and information kit, which clearly distinguish the Bank's offering of products and services dedicated to affluent clients against its broader offering for individual clients.

Private Banking

The Private Banking service is offered to the Bank's richest clients, as well as the most influential persons from the world of Polish culture, arts and business. The main benefit for the Private Banking clients is receiving support in the strategic allocation of their assets. Based on benchmark investment portfolios, Private Banking Advisers offer recommendations on how to diversify a client's portfolio, in line with his or her individual risk profile.

As part of asset management, Private Banking clients are offered the PRIVATE PORTFOLIO scheme – a service consisting in discretionary management of securities portfolios by Pioneer Pekao Investment Management S.A. Assets entrusted under its management (in the form of cash or securities such as shares, bonds, commercial paper, treasury bills, etc.) are invested into a variety of financial instruments available in the capital market. The primary objective of the portfolio management is to achieve returns above a predefined benchmark, which is defined taking into account the type of investment strategy chosen by the client, as well as the expected level of returns.

In addition, 2009 saw the launch of nine structured deposit accounts for Private Banking clients, designated as Indeks na Zysk (Index for Returns). The product features 100% capital protection, while allowing its holder to earn returns potentially above interest on ordinary bank deposits.

Among the new Eurokonto offer, the Eurokonto Prestiżowe account is the product dedicated to Private Banking clients.

Seeking to upgrade the quality of client service in the area of investment products, in 2009 the Bank ran the Certified Financial Consultant training programme for Private Banking Advisers. It has been also conducted a customer satisfaction survey, whose findings – when incorporated into Private Banking service model – will help maintain the superior service quality.

Saving Products

Apart from offering standard savings products, such as the Dobry Zysk (Good Profit) savings account, Lokata Progresywna (Progressive Deposit), and term deposits, Bank Pekao S.A. has been actively implementing structured products and promoting them among its individual clients. In 2009, the Bank made seven issues of structured products, including the following ones that attracted the greatest interest of clients:

- Certyfikaty Strukturyzowane Rynku Globalnego (Global Market Structured Certificates) – investments made on three stock-exchanges: in Poland, China and the United States,
- Certyfikaty Strukturyzowane Rynku Polskiego (Polish Market Structured Certificates) – investments on the Polish equity market,
- Certyfikaty Strukturyzowane Rynku Surowców (Commodity Market Structured Certificates) – investments linked to commodity indices for agricultural products and industrial metals,
- Certyfikaty Strukturyzowane Rynku Amerykańskiego (US Market Structured Certificates) – investments in stocks included in the S&P 500 index.

In the fourth quarter of 2009, the Bank launched structured product in the form of group unit-linked life insurance under the name Sekura. The product was developed in cooperation with Ergo Hestia insurance company. Its sales volume achieved during the three-week long issue period reached PLN 76.5 million.

In 2009, clients were particularly interested in products that combine an opportunity to invest savings with capital protection. In order to meet clients' expectations, in 2009 the Bank, in cooperation with Pioneer Pekao TFI S.A., introduced new investment funds based on the CPPI strategy (Constant Proportion Portfolio Insurance), designed to protect the capital invested by clients at the end of the agreed 3.5-year investment period.

In addition, the Bank held two issues of specialised open-end investment funds, Pioneer Zmiennej Alokacji SFIO and Pioneer Zmiennej Alokacji 2 SFIO, which generated a total sales volume in excess of PLN 456 million. The offer proved to be one of the market's largest issues of new products in terms of the amount of capital raised in 2009.

Loans

In January 2009, a new Consumer Loans and Mortgage Banking Division was established to manage the development of consumer loans and mortgage products. This was a strategic move aimed at consolidating and strengthening the Bank's position on the household loans market.

Consumer Lending

With respect to cash loans the Bank's strategy focuses on building the position of market leader in consumer finance. This objective is to be achieved through a revision of such areas as products, distribution, price, and promotional activities.

The Bank's loan product enjoying the most popularity is Pożyczka Ekspresowa (Express Loan) denominated in PLN – the clients' borrowings attributable to this product grew by 18.6% throughout the year. In 2009, the Bank expanded its offering to include two new products: Pożyczka w Akcji (an express loan for holders of shares in Polish Oil and Gas Company) and PEX Przeprowadzka (an express loan for the costs associated with moving house).

In 2009, dedicated service desks (called Strefa Kredytów – Pex Corners) at 100 branches countrywide, which provide assistance related to the Express Loan have been set up. The idea behind the concept of the Loan Zone was to improve the standard and quality of service to clients interested in consumer loans, guarantee assistance of specialised salesforce and enhance their effectiveness, as well as to focus on the sale of loan products by building client relationship.

The application process has been streamlined, thanks to which the processing time has been reduced and the loan agreement can now be signed during the client's first visit at the Bank.

To increase the transparency of the Bank's offering, underline the benefits for clients and ensure competitive pricing, the structure of interest on cash loans has been modified to take into account transaction parameters, client segmentation and their history with regards to the use of products.

To facilitate client relationship management, new communication channels have been introduced: Call Back SMS, a convenient way for the client to contact the Bank by sending a text message, and voice mailing, which allows the Bank to provide information to the clients in the form of voice messages.

Mortgage Lending

The Bank continued its policy of offering only PLN mortgage loans. The residual stock of mortgage loans denominated in foreign currencies granted to individual customers, almost entirely acquired as a result of the merger of the spun-off part of Bank BPH SA constitutes 7.2% of total loans of the Bank.

The Bank's mortgage loan offering is widely appreciated by clients, which led to a further rise in sales of złoty-denominated mortgage loans. The Bank' succeeded in closing the year 2009 with a 16.3% year-on-year increase in stock of złoty-denominated mortgage loans granted to individual customers.

The Bank was still actively involved in the sale of preferential subsidised loans within the framework of the governmental programme "Family in their Own Home". The share of such loans in the Bank's total sales remained substantial, as they accounted for nearly half of all housing loans extended by Bank Pekao S.A.

Payment Cards

Bank Pekao S.A. is one of Poland's major issuers of payment cards. Its current offering encompasses a comprehensive range of modern debit, charge, prepaid and credit cards. At the end of December 2009, the number of cards issued by the Bank to its individual clients (coming in several dozen different designs) was 3.5 million.

2009 was a breakthrough year for Bank Pekao S.A. It saw the successful completion of the migration to a new IT platform for cards' processing, the rollout of chip cards to be completed by the end of 2010 and visual redesigning of the cards.

In 2009, the Bank started to issue new Maestro cards with built-in microprocessors, which ensure greater security for users. The new design of the cards includes references to the Bank's being part of the international financial group UniCredit. Holders of Bank Pekao S.A.'s payment cards are able to make commission-free cash withdrawals from more than 19 thousand ATMs located throughout Poland and Europe, and benefit from the discount scheme designated as "Pay by Card, Because It Pays Off", under which they can claim discounts from the scheme partners, at more than 500 outlets located throughout Poland.

Thanks to the newly deployed IT platform, the Bank has offered its clients cutting-edge card functionalities, on more attractive financial terms. The furthest-reaching changes concerned credit cards, whose holders were offered lower charges and interest rates, an extended interest-free period, and a suite of new functionalities.

The most prestigious credit cards (MasterCard World Signia, VISA Platinum and MasterCard Platinum) are dedicated to Private Banking clients. Their holders have an option to flexibly set the repayment dates, receive SMS text alerts after every transaction, and claim a discount on their annual fees after a specified card turnover threshold is met. Holders of World Signia cards can also take advantage of extended concierge service, which is available in the Polish language. In 2009, the graphics of debit cards for Private Banking clients were redesigned, so as to highlight the segment's upmarket character. All cards (including debit, charge and credit cards) issued since the second half of 2009 incorporate a microchip, which significantly enhances their security.

In 2010, the Bank will continue to develop its product range and additional functionalities, which will increase the advantages of using payment cards.

Dom Maklerski Pekao (Dom Maklerski)

Dom Maklerski's work in 2009 was concentrated on increasing sales of investment products to Bank Pekao S.A.'s individual clients who seek alternative investment opportunities, and on stimulating the activity of the existing investors.

In accordance with the adopted strategy, Dom Maklerski actively supported sales efforts targeted at individual clients. It made a wide use of means of direct communication (telephone calls, mailings and text messages) in its activities, including those relating to the largest IPOs and SPOs addressed to individual investors, subscriptions as part of tender offers, and the issues of seven series of the Bank's Structured Deposit Certificates, which attracted subscriptions totalling in excess of PLN 480 million.

To ensure easy access to capital market services and products to individual investors, Dom Maklerski extended its network of Order Acceptance Points, which now comprises 650 locations at Bank Pekao S.A. branches.

Dom Maklerski recognises the role and significance of means of remote communication in providing brokerage services. Accordingly, initiatives aiming at their further development were a priority in 2009. In March 2009, Dom Maklerski launched a new version of its website, reflecting the UniCredit Group's corporate design. It introduced, among other things, new rules for order authorisation and an option to define a bank account for electronic transfers.

In 2009, Dom Maklerski recorded a 37% growth in its trading volume on the equity market, which translated into a market share of 1.3%. Its share in the futures contracts market reached 2.0%.

As at December 31, 2009, Dom Maklerski maintained 158.6 thousand brokerage accounts, and the number of its clients rose by 1.5%. The amount of assets in the accounts was more than PLN 5 billion.

Pekao24

The Pekao24 service is a convenient and safe tool for accessing an account maintained by the Bank, Dom Maklerski Pekao or Centralny Dom Maklerski Pekao S.A. The service allows clients to manage the funds accumulated in their accounts through the Internet, fixed-line or mobile telephone.

As at the end of 2009, more than a million clients regularly accessed their accounts through the Internet and in the whole of 2009 online transactions represented 90% of total transactions executed through the Pekao24 platform.

The most prominent projects implemented or commenced in 2009 included:
- offering the E-lok@ta online term deposit with longer maturities: 120, 180 and 360 days,
- upgrading the Pekao24Support application with new functionalities, which facilitate the service of Pekao24 system users and enable faster execution of an agreement for the use of the Pekao24 service,
- introducing a modern electronic form of invoice payments – eFaktura (eInvoice), which is a functionality allowing the clients to receive invoices and bills in a convenient digital form and making their settlement quick and easy without having to enter the required information manually,
- making the Pekao24 service available to younger clients, who are at least 13 and hold Eurokonto Kieszonkowe account (Pocket Money Account),
- executing sales campaigns promoting the Pekao24 service, which contributed to a significant rise in the number of concluded agreements: the sales of the service in the second quarter of 2009 grew by as much as 360%, resulting in the execution of 163 thousand agreements for the use of the Pekao24 service,
- offering clients an opportunity to use Pekao24 antivirus software provided by reputable world-class vendors, with the option to use the full version of the software free of charge for six months – a unique offer on the market,
- expanding the mobile phone top-ups offer to cover two new networks: Gadu Air and Polsat Cyfrowy,
- implementing a pilot initiative among the Bank's employees to introduce PekaoToken – a new method of transaction authorisation.

The Internet system is more than just a transaction platform – it also has an important information and marketing role. When logged in, the users can see displays of advertisement screens related to current sales campaigns as well as information screens concerning safety issues or organisational changes.

At the beginning of 2010, a new method of transaction authorisation – PekaoToken, a new version of the PekaoInternet platform, and a mobile service have been introduced.

Call Centre

Call Centre is a professional telephone service available to the Bank's individual and business clients. The Call Centre not only receives calls from clients, but also makes outbound calls for the purpose of arranging an appointment for a client at a Bank's branch or supporting the collection process. In 2009, the number of calls initiated by the Bank's consultants was 5.5 million, up by 98% compared with the previous year.

In 2009, the number of calls handled by the Call Centre exceeded 8.5 million, which represented a 35% increase relative to 2008. This dynamic growth is a result of the Bank's higher sales activity, involving in particular making more outbound calls and encouraging clients to contact the Bank by advertising on television (the CallBack SMS campaign), ATMs (the Prosales service), and the Internet (PEX Lending page). Since the fourth quarter of 2009 the Call Centre has also been processing orders placed by VIP clients on the PekaoInternet platform, which had previously been the exclusive responsibility of Advisers working at the Bank's branches.

Streamlining of the Complaint Process
In 2009, the Bank implemented numerous new solutions with a view to streamlining and accelerating the processing of clients' complaints. Moreover, the process time of the most common types of complaints related to cards was radically reduced. The clients can lodge a complaint at any of the Bank's branches, through the Pekao24 system, or by telephone (through the Call Centre).

New CRM Operational System
In June 2009, the Retail Banking Division successfully completed implementation of an operational system of customer relationship management (CRM) – "UNISales" system. This innovative tool integrates the work environment of the sales network, and effectively supports building customer relations and coordinating the sales activity of more than ten thousand employees of the Division.

Customer Relations Management
2009 saw significant development of systems and tools employed in the area of customer relations management. The sales campaigns carried out through the network of the Bank's branches and the Call Centre have been intensified as well as a greater use of the ATM network and the Internet has been made. In 2009, the number of active sales campaigns more than doubled compared with 2008, while the number of clients contacted by the Bank tripled. The campaigns resulted in the execution of more than a million agreements, which is a year-on-year increase of more than 100%.

Following the implementation of advanced Data Mining techniques, a significant improvement in the Bank's ability to recognise client potential has been observed. This was reflected in more accurate tailoring of the Bank's offer to the needs of particular clients. Thanks to the new solutions the Bank can create client profiles and identify which of its products are best suited for a given client.

A new mechanism for prioritising contacts with the clients enabled better management of the work of the salesforce. The Bank was able to concentrate more sharply on its most important targets and strategic products.

In 2010, further intensive development of the tools and systems supporting customer relations management will be continued. The Bank plans to engage in new, event-based marketing sales campaigns, and carry out further investment projects related to infrastructure and technology.

6.6.2 Business Customers (Small and Micro Enterprises)

The Bank's offering includes a comprehensive range of leading-edge products targeted at business clients, provides its services to small-sized and micro enterprises. The basic ongoing service is provided through a family of Mój Biznes (My Business) packages, tailored to the needs and specific nature of each business, which include the PekaoFIRMA24 state-of-the art Internet platform.

Additionally, the Bank has a full palette of loan products available to finance both day-to-day business operations and investment projects.

Business clients looking to implement projects co-financed out of EU funds are offered products from "EU" offer of the Bank, professional advice, as well as information and training services.

The Bank's offering is complemented by a range of specialised products for the business sector, offered by members of the Bank Pekao S.A. Group.

Pekao Leasing Sp.z o.o. povides finance for all kinds of property, plant and equipment, providing lease finance of anything from vehicles, to plant and machinery, to real property. Pekao Bank Hipoteczny S.A. offers long-term financing of commercial real-estate, whereas Pekao Faktoring Sp. z o.o. provides comprehensive factoring services, which involve purchase and financing of receivables under business transactions executed with domestic and foreign counterparties.

In October 2009, the Bank's offering was extended to include the Mój Biznes Net package (a new addition to the Mój Biznes family). Its target client base comprises new business clients expecting to be delivered banking services via electronic channels, such as the Internet and telephone. It is the corporate package offered by the Bank under which no account maintenance fee is charged and certain transactions do not attract any fees or commissions.

In December 2009, in recognition of its newly launched Mój Biznes Net package Bank Pekao S.A. was awarded **the AS statuette in the Financial Institutions Ranking** organised by the Warsaw Chamber of Entrepreneurs.

In 2009, the Bank's portfolio of loan products for business clients was extended to include the so-called "technology loan" – an investment loan facility granted to finance technology projects supported by EU funds under the Operational Programme Innovative Economy. A technology loan taken out with Bank Pekao S.A. can be used to finance:
- purchases of new technologies, their implementation, and launch of new or significantly upgraded goods, processes or services relying on such new technologies, and
- implementation of new proprietary technologies and launch of new or significantly upgraded goods, processes or services relying on such new technologies.

In 2009, the availability of the Bank's offering and full corporate service was increased, as 45 new "SME corners" for business clients were created within the Bank's existing network.

In 2010, the Bank plans to further develop the network of outlets that include corners of sale points for business clients and launch highly specialised comprehensive service centres for business clients in designated areas of the Bank's branches.

The Bank will offer technologically advanced information and analytical solutions, supporting the work environment of its business client advisers. It also intends to broaden the use of the Internet as a tool of effective communication with clients.

PekaoFIRMA24

PekaoFIRMA24 is a state-of-the-art Internet banking system designed to meet the needs of business clients. The system supports transactional services and comprehensive funds management, all up to the highest security standards. The PekaoFIRMA24 platform allows the Bank to provide banking services to businesses through the Internet or by telephone.

The PekaoFIRMA24 system supports accounts of 125.9 thousand companies, 81.1 thousand of which are its regular users. In 2009, 32.9 thousand new clients have started to use the PekaoFIRMA24 system. The customers have ordered 14.5 million transactions through the PekaoFIRMA24 system.

In response to business clients' expectations, new features and functionalities have been introduced to the PekaoFIRMA24 platform, including:
- transactional functionality with respect to deposits, which enables the users to open a deposit account online directly in the system,
- eFaktura, or EBPP (Electronic Bill Presentment and Payment) – a functionality allowing the clients to receive invoices and bills in a convenient digital form and making their settlement quick and easy without having to enter the required information manually,
- phone banking services, which make the system even more user friendly, as the client can order more financial transactions and instructions related to the operation of the Internet system without the need to visit the Bank,
- Quick Start package, which is a new set of informational materials for clients, helping them to get started with the system and execute transfers for the first time,
- modification of the form of transfer to the Social Insurance Institution (ZUS) through the addition of the bridge pensions fund account,
- expansion of the range of Internet supportive browsers for the PekaoFIRMA24 functioning by Mac OS browsers.

In 2010, the Bank plans to add more functionalities to the system and enhance its hardware infrastructure. The Bank intends to develop the eFaktura functionality so that it enables settlement of invoices received from new mass issuers. In addition, the PekaoFIRMA24 system will enable opening negotiated term deposits and charging transfers to credit card accounts.

6.6.3 Corporate Banking

Bank Pekao S.A. is the market leader in banking services offered to large and medium-sized enterprises and its corporate product mix is among the most comprehensive available on the market. The Corporate Banking, Markets and Investment Banking Division is responsible for overall service for corporations, institutions and public sector clients.

With best quality of service for corporate clients in mind, the Bank keeps enhancing its products and services and implements solutions aimed at facilitating their sale.

The service model for corporate clients is based on the key role of a dedicated account manager responsible for identifying the client's needs and selecting suitable products and services. The account managers are assisted by product specialists.

Large corporates are served on an individual basis by account managers working from the Head Office's Department of Large Corporates, which is divided into industry service offices.

A dedicated unit at the Head Office level is responsible for serving the financial institutions and public sector entities, and tailoring the Bank's products to suit individual needs of clients from those sectors.

With a view to ensuring comprehensive banking and advisory service for medium-sized enterprises, they are served through Regional Corporate Centres organised within macro-region structures, which cooperate with product units at the Bank's Head Office.

The scope of the Bank's services includes deposit and lending products, as well as other financial services, including guarantees and sureties issued in domestic and foreign transactions and through the Bank's factoring and leasing subsidiaries. The Bank is a leading arranger of project financing, M&A financing and debt security issues. The Bank's clients have access to a full suite of transactional products, as well as a wide range of money market and FX products, to be used either in day-to-day operations or to build long-term risk hedging structures with respect to currency or interest-rate risk.

Bank Accounts

In 2009, as part of efforts to modernise the products related to clients' bank accounts, the Pekao Integrated Agreement, which is a single document providing access to a complete portfolio of services for active corporate clients, has been implemented. The Pekao Integrated Agreement is offered both to the Bank's existing clients and new clients wishing to establish a relationship with the Bank. The innovative and comprehensive nature of this product has been rewarded with the **EUROPRODUKT 2009** title, granted in the 14th edition of a nationwide competition organised under the auspices of the Ministry of Economy and Polish Agency for Enterprise Development.

Transactional Services

The comprehensive offer of transactional services is the most competitive on the market both in terms of the types of products and the solutions applied.

In 2009, the Bank's offer was expanded to include:
– a new functionality of the PekaoBIZNES24 system, enabling online identification of the number of the incoming mass payments account,
– an innovative solution involving fully automated processing of electronically ordered trans-border transfers.

The PekaoBIZNES24 Internet banking system has achieved the position of the product of choice for corporations, and is a strategic product for the electronic banking and other transactional products.

The competitiveness of the Bank's transactional products and services offered by the Bank is confirmed by numerous awards received in 2009 both in Polish and international competitions.

Bank Pekao S.A.'s automated cross-border transfer technology was awarded the title of **Innovation of the Year 2009** in a competition organised by Business Forum, addressed to companies, institutions and organisations operating on the Polish market in various sectors of economy. The Bank was the only entity from the banking sector distinguished in this year's edition of the event.

PekaoBIZNES24, including its EuropeanGate and GAITS modules supporting trans-border services, was the winner of the **EUROPRODUKT 2009** award.

The Bank also received the title of **Best Corporate/Institutional Internet Bank in Central and Eastern Europe 2009** in a competition organised by the Global Finance monthly, as the best Internet bank serving corporate clients in Poland (the first round of the competition) and in Central and Eastern Europe (the second round of the competition). The title may be seen as yet another evidence of the highest quality of the PekaoBIZNES24 system and of the fact that the system can successfully compete with Internet banking products of other international players. The success is even more significant given that as many as 222 banks from all across the world took part in this year's World's Best Internet Banks competition.

In 2009, the Bank launched the Akademia PekaoBIZNES24 programme (PekaoBIZNES24 Academy) addressed to the most demanding clients using the PekaoBIZNES24 platform. The programme gives its participants the opportunity to familiarise with the system and practice its operation. This initiative has contributed to even greater client satisfaction and at the same time it facilitates more effective use of the PekaoBIZNES24 platform and optimisation of financial processes at a client's enterprise.

In 2010, work on integration with the clients' financial and accounting systems will continue. The emphasis will be also to focused on further digitalisation and automation of processes of document exchange between the Bank and its clients.

The high quality of the Bank's offer in the area of trade finance, which is directly attributable to proper product management, preparation of credit and operational processes, the quality of IT systems and high standard of service, was attested to by the title of **Best Trade Finance Provider 2009** given to the Bank in a competition organised by the Global Finance monthly.

In the nationwide Ranking of Export Leaders the Bank was granted the title of **Leader in Trade Finance** for its support to international trade operations of Polish enterprises. As many as 75% of export companies presented with awards and distinctions at the national level of the ranking, held under the auspices of the Ministry of Economy, are the clients of Bank Pekao S.A.

Since the Bank won as many as three awards for its products in 2009, the Bank was also granted a special award **ZŁOTY EUROPRODUKT** for reinforcing a positive image of the economy and building the market prestige of products and services as well as their brands.

Investment Banking and Structured Finance

In 2009, Bank Pekao S.A. maintained a leading position in structured debt products. The total value of new transactions executed by the Bank amounted to nearly PLN 2 billion. Most of them were club deals, a predominant transaction type on the syndicated loans market in 2009.

The Bank's performance should be considered very good in view of the fact that the number of transactions carried out by businesses, including both investment and acquisition projects, was quite limited. This was a consequence of the general economic situation and uncertainty as to developments on the financial market.

Due to changing macroeconomic environment and signals of deterioration in the financial standing of companies in certain industries, the Bank's activities were largely focused on active management of the existing loan portfolio.

A large number of the new structured transactions involved financing of infrastructural investments, refinancing, financing of general corporate/operating purposes, and, to a lesser extent than in the previous years – leveraged buyouts.

Commercial Real Estate

The global financial crisis, a decline in investment transactions and in sales of residential property experienced by Poland had a material impact on the commercial property market in 2009. Owing to liquidity constraints or concerns over the quality of their loan portfolios, a majority of Polish and foreign banks operating in Poland either suspended or reduced financing of real estate. As for Bank Pekao S.A., it focused on transactions ensuring the highest security and featuring the most attractive price terms. At the same time, it concentrated on the provision of construction loans and avoided loan refinancing and financing of land purchases. By providing construction loans, the Bank created added value for the economy.

In 2009, the Bank's loan portfolio connected with commercial and residential property finance increased by PLN 1.6 billion. However, the volume of new loans was much lower than in previous years, which reflected a general downturn in investment activity in that sector. In line with the Bank's objectives, while focusing on commercial property finance, the Bank did not altogether withdraw from financing the residential development sector, where a few low-leverage transactions have been completed.

Financial Markets

In 2009, the financial markets faced one of the most challenging periods in the past decade, dominated by high volatility of financial instruments, unstable investment sentiment, as well as uncertainties regarding the condition of the world's leading economies.

Despite turmoil on the interbank market, Bank Pekao S.A. retained its leading position as a market maker in all market segments.

The Bank's activity in that area drew appreciation from both observers and participants of the financial markets. The Global Finance magazine named Bank Pekao S.A. **Number 1 on the FX spot market in the PLN category**. Additionally, in the Ministry of Finance's competition held to appoint **Treasury Securities Dealers**, the Bank ranked first, well ahead of the other competitors.

While reinforcing its lead on the Polish market, Bank Pekao S.A. was also actively involved in the Polish government's foreign issues (on the American market and in the euro zone). The Bank co-led each of the issues carried out in 2009, successfully placing substantial amounts of bonds among its Polish and international clients.

Commercial Debt Instruments of the Capital Market

In 2009, Bank Pekao S.A. maintained leading position in the area of arrangement and management of commercial paper issues, emerging as the number one player with a market share of nearly 23%. The Bank's position in the respective market categories in 2009 was as follows:

- first position in the category of corporate bonds (over 365 days), with a market share of over 37%,
- second position in the category of debt securities issued by banks (over 365 days), with a market share of over 19%,
- second position in the category of covered bonds, with a market share of nearly 31%,
- fourth position in the category of municipal bonds (over 365 days), with a market share of over 9%,
- fourth position in the category of short-term paper, with a market share of over 14%.

Custodial Activities

The Bank's custodial services are performed pursuant to an authorisation issued by the Polish Financial Supervision Authority. The Bank's clients include Polish and international financial institutions, custodian and investment banks, insurance companies, mutual and pension funds, as well as non-financial institutions. The Bank's custodial services include, in particular, clearing of transactions executed on domestic and international financial markets, custody of assets, handling of securities and cash accounts, asset valuation, and services related to dividend and interest payments.

In 2009, the Bank won new clients among foreign custodian banks and brokerage firms operating as remote members of the WSE, for which it acts as the clearing agent. Furthermore, the Bank held on to market leader position in depositary receipt programmes, handling more than 50% of such programmes.

It should be mentioned that in 2009 Bank Pekao S.A. won an Request For Proposal issued by one of major banks to select a service provider for cash clearing, safekeeping securities and clearing transactions on securities.

In the 2009 edition of the annual rankings published by prestigious industry magazines Global Custodian Magazine and Global Investor Magazine, the Bank's custodial activities were ranked highly: **Top Rated for Leading Clients, Commended for Cross – Border Non–Affiliate Clients and The Best Sub Custodian – Settlement and Clearing.**

Comprehensive Services for the Public Finance Sector

The public sector, including local governments, has a special place in the Bank's philosophy. The Bank recognizes the specific needs of the local governments in Poland as well as appreciates the potential of being a partaker of that market. Due to massive investment in public infrastructure thus far unseen in Poland, resulting from the need to absorb EU aid funds and prepare for the EURO 2012 football championships, in 2009 a surge in the public sector's demand for specialised banking services related to project preparation and finance has been witnessed. As a result of the Bank's efforts, in 2009 Bank Pekao S.A. emerged as the unchallenged leader in the provision of services to the public finance sector, having achieved unquestionable success in structuring public sector projects.

Bank Pekao S.A. also maintained its lead in the provision of ongoing support to Poland's major cities – every third Polish metropolis is served by Bank Pekao S.A.

In addition to the Bank's expertise in structured project finance, the Bank also ranks high in direct financing of public sector entities. Bank Pekao S.A. won numerous tenders to provide credit financing to Poland's largest cities and provinces (including Wroclaw, Kraków, Toruń, Olsztyn, Kielce and the Mazowieckie Province), as well as bond financing. The Bank was also a financial partner for the State Treasury's special purpose funds.

It also deserves to be noted that the above activities were effectively complemented by the Bank's efforts to enhance the quality of its products and services offered to the public sector, which entailed its involvement in a number of initiatives undertaken directly by local governments, including participation in meetings of the Union of Polish Metropolises.

Bank Pekao S.A.'s Participation in Financing EU Projects

As a result of its active participation in the EU aid funds programmes, Bank Pekao S.A. ranks top on the market of EU financing for enterprises.

In 2009, Bank Pekao S.A. advanced loans and made loan commitments to clients which are the beneficiaries of EU aid funds for a total amount of PLN 810 million.

The Bank's product range was expanded with new solutions designed for clients wishing to apply for EU funds: Technological Loan and a loan with interest subsidised by the National Fund for Environmental Protection and Water Management (NFOŚiGW).

Bank Pekao S.A. is continuing the information campaign addressed to entrepreneurs. In 2009, training courses and conferences on available sources of subsidies from the EU funds have been organised.

The Bank constantly develops and updates the Internet search engine for information about the EU funds. The tool enables its users to find information about the possibilities offered as part of individual EU funds. Both the search engine and the EU newsletter devoted to current legislative changes and UE programmes to be launched are available on the Bank's website.

Cooperation with International and Domestic Financial Institutions

Bank Pekao S.A. maintains correspondent relations with over 2.5 thousand foreign and Polish banks (based on the number of exchanged swift codes).

As at the end of 2009, the Bank had nostro accounts with 66 foreign banks, operated more than 200 loro accounts for over 200 foreign clients, as well as current accounts for over 20 foreign financial institutions.

The Bank acts as an intermediary in transactions executed on behalf of clients of other Polish banks, and for that purpose maintains loro foreign-currency accounts for 14 Polish banks and holds five nostro foreign-currency accounts with two Polish banks. It also provides services consisting in purchase and sale of Polish and foreign banknotes to Polish banks and Polish branches of foreign banks.

In 2009, Bank Pekao S.A. won several new clients (foreign banks) for its services consisting in custody of assets and handling of settlements in Poland. These successes significantly strengthen the Bank's position on the market of loro accounts and custodial services.

The Bank's cooperation with international financial institutions (mainly the European Investment Bank) was continued. The credit facilities made available by the EIB broadened the Bank's capabilities with regard to long-term financing of projects implemented by the corporate sector (especially small and medium-sized enterprises) as well as public sector entities. As a result of that cooperation, the Bank benefits from European Commission grants awarded to banks within the framework of such programmes as SME Finance Facility, SME Guarantee Facility, Municipal Finance Facility and Municipal Infrastructure Facility.

BusinessLine

In 2009, Bank Pekao S.A. continued to develop the BusinessLine service, which ensures professional post-sale support to the clients and their advisors. The service has been made available to another group of clients, namely international financial institutions using the Bank's services related to loro accounts. The actions the Bank took in 2009 resulted in the acquisition of further groups of clients and increased accessibility of the BusinessLine service.

The competitive edge of the BusinessLine service on the European market in terms of high quality, modern technologies and professionalism, was confirmed with the title of **EUROPRODUKT 2009** granted in the 14th edition of a nationwide competition organised under the auspices of the Ministry of Economy and Polish Agency for Enterprise Development.

6.7 Investing in Human Capital

Trends in Personnel Policy

The principles of personnel policy reflect the Bank's mission and the key values of its corporate culture. In 2009, the Bank followed the key principle of its personnel policy, which states that people are the most valuable asset of the Bank. The prevailing trend in the human resources management was a focus on the professional development of employees by creating an environment conducive to the fulfilment of their true potential. The actions were focused on retention of key personnel by means of effective incentives, on efficient talent spotting within the organisation.

These priorities were accompanied by particular emphasis on promoting the corporate culture ethics shared across the organization, as defined in the Integrity Charter.

Workforce in Numbers

At the end of 2009, the Bank employed 18,912 people (less by 806 as compared with the end of 2008). The decrease in the staffing level was a result of the Bank's policy of workforce optimisation. The average age of employees is 42 (as at the end of 2008: 41). 58% of the employees are university graduates – in 2008 was 55%. Women represent 81% of the total workforce.

Remuneration Policy

In June 2009 Bank Pekao S.A. implemented a compensation policy with the approach which is performance-oriented, market-aware and aligned with business strategy and stakeholder interests. To ensure the competitiveness and effectiveness of remuneration as well as transparency and internal equity, the principles of ethical and sustainable conduct and performance define the key pillars of compensation policy, which are:

- clear and transparent governance,
- compliance with regulatory requirements and principles of good business conduct,
- continuous monitoring of market trends and practices,
- sustainable pay for sustainable performance,
- motivation and retention of all employees, with particular focus on talents and mission-critical resources.

Effective management of the employees' remuneration makes it possible to apply those principles while maintaining a high level of competitiveness of the benefits offered by the Bank.

The main remuneration policy tools include:

- MBO Incentive System,
- quarterly bonuses,
- campaigns, contests and conventions for employees,
- additional benefits for employees.

Additional benefits available for the employees vary according to the position and the nature of a particular person's work and include among others free package covering a wide range of healthcare services.

Retention Plans

In 2009, there were main retention schemes existing within the Bank:

- Long-Term Incentive Plans edition 2007-2011 and 2008-2012, addressed to the top management staff,
- Five-Year Loyalty Plan – addressed to employees of key significance for achieving the Bank's business goals and to most promising employees selected under the Talent Management scheme,
- Top Managers second Plan – addressed to key managers with influence on the Bank's business performance. Payment of additional financial benefits under the Plan is directly contingent on achieving superior results.

Employee Share Ownership Plan

In 2009, for the first time, an Employee Share Ownership Plan was introduced in the Bank. It is an offer dedicated to all employees who are interested in buying UniCredit S.p.A. shares. This Plan gives an opportunity to invest in shares at favorable conditions and the main goals of implementing it in Bank Pekao S.A. was encouraging ownership among Bank's employees and presenting value and reward the continues loyalty of employees.

Incentive Systems

The main incentive tool at Bank Pekao S.A. is the Management by Objectives (MBO) system. Since 2000, covers employees in the front-office sales jobs and the ones which play a vital role in achieving Bank's defined commercial goals as well as managerial positions in support functions. Employees covered by the MBO system have defined individual goals, which successful completion makes them eligible to receive a specific amount of annual bonus.

Training and professional development

Bank's strategy in 2009 was based on sustained development efforts to build Bank competitive advantage on strengthening the human capital capabilities and knowledge.

Employee development reflect the corporate values strengthening and have been based on four pillars:
- customer servicing programs,
- credit risk knowledge and methodology programs,
- managerial programs,
- sales support programs

and other educational, non-training activities. In the year 2009, average duration of training per employee was: 4,6 days (trainings covered 91% of all employees of the Bank).

Customer servicing programs

Taking into account external market conditions, Bank Pekao S.A. intensified training activities aimed at improving customer satisfaction. Part of this process was dedicated to perfecting the quality of customer service, support line employees in product knowledge and intensify universality of their duties. Training were implemented in the form of e-learning and class room sessions.

In the area of customer servicing, average duration of training per employee was: 1,6 days.

Credit risk knowledge and methodology programs

The aim of the training was a continuous increase of professional expertise among staff of and experts linked to the functioning of the Bank in the area of credit risk. The substantive scope of the training focused on the Bank's preparation to implementation of a new methodology for estimating the credit risk according to the Advanced Internal Rate Based approach. Training was implemented in the form of classroom training and e-learning. In the area of credit risk knowledge and methodology, average duration of training per employee was: 1 day.

Managerial Programs

In managerial trainings major focus was given to strengthening leadership skills, as a key to achieving sustainable success in the operations of the Bank. The main objective of the programs was to develop competencies and to strengthen the involvement of managers, which ultimately should lead to efficiency increase during realized tasks. The year 2009 was also the year of visible development of retail branch managers, aimed at preparing them to the challenges raised from the new network structure. Additionally managers attended individual courses and trainings tailored to the specific needs. Trainings were carried out both in Poland and abroad, depending on participants needs.

In the area of managerial programs, average duration of training per employee was: 2,6 days.

Sales support programs

In sales support programs and other behavioural and knowledge learning and training activities, average duration of training per employee was: 3,66 days.

International Development Programs

In cooperation with UniCredit, the Bank ran three international programmes intended for the employees of all banks of the UniCredit Group:

– Executive Development Program dedicated for Management Board members and executives (120 participants),
– Talents Management Program aimed at identifying persons with the highest potential and assisting them in their professional advancement through various forms of education (188 participants),
– UniQuest program aimed at identifying high-potential young professionals and assisting them in their development (3 participants).

Traineeship and Internship Programs

The Bank offers three development programs for students and graduates, including two traineeship programs (UniStart and UniSummerStart), targeting students in their second, third and fourth academic year, and one internship program (UniChallenge), dedicated for graduates and students in their final academic years. In total, 215 students and graduates participated in the programmes organised in 2009.

Succession Plans

Succession Planning has a fundamental meaning for ensuring continuity of employment on positions that are strategic from the business perspective, further management of long-term projects, and, what follows, minimizing the operational risk. In 2009 year Succession Planning in the Bank covered 540 key positions in the Network and in Head Office.

Centralisation of HR administration

Centralisation of HR administration had to optimise the HR processes and ensure a high standard of employee service. Due to the centralization process, since mid 2009 HR administration for all employees is conducted in Warsaw. In order to adapt the model for HR services in Poland to the UniCredit Group standards and to strengthen the changes in the Human Resources Division, in 2009 the Bank prepared for the implementation of the Human Resources Shared Service Centre, aimed at providing services for employees of Bank Pekao S.A. and its subsidiaries. The new model for HR services allows to maximise the benefits of centralisation and standardisation of information systems. Centralisation of services covered HR and payroll administration, social services and group insurance. As a result of centralization the number of supported subsidiaries has increased. At the end of 2009 a pilot of Human Resources Shared Service Centre was launched for selected employees of the Bank.

In 2009, a billing service with the Social Insurance Institution was centralised, which as a consequence improved the settlement process with the Social Insurance Institution for previous years and current periods. Centralisation also included the settlement of income tax from individuals, which made realisation of the statutory duties imposed on the employer more effective.

Monitoring the effectiveness of human resource management processes

Measuring the effectiveness of HR practices is the basis for comparison with the benchmark in UniCredit Group and the market rates. In order to ensure efficiency and high quality of HR processes, measures of HR effectiveness have been setup. They include both quantitative and qualitative indicators information on the main activities of the Human Resources Division.

Internal communication

Increasing the quality and effectiveness of relations within the Bank is treated as a priority. Several tools are used to empower employees in expressing their opinions and suggestions about areas which are perceived as the one which require development. Such approach reinforce employees identification with the organization.

The focal tool for expressing employees voice is the Employee Survey, conducted annually and simultaneously in all UniCredit Group's entities. With the help of a questionnaire, employees express their opinions, share views and ideas on various aspects of the organization's activity, assess the clarity of objectives, quality of leadership and management, the effectiveness of internal communication, the company's image, as well as internal relations, the effectiveness of training, a sense of belonging to the organization. The survey is anonymous. The participation rate in the Employee Survey 2009 was very high and much above the market benchmark – it constituted at the level of 82%. Results of the survey have been presented to the Bank's Management Board, the managers, employees and become a foundation of action plans aimed at increasing employee satisfaction.

Daily internal communication is run via electronic channels, such as: intranet, mailings, electronic newsletters and brochures, discussion forum, as well as via internal publications – i.e. "Życie Żubra" and direct meetings with top executives and management. In 2009 internal communication actions were reinforced by intranet chats, which enable direct communication between employees and the management with the use of a special Intranet platform.

Managing through values

Levering on the Integrity Charter Bank Pekao S.A. implemented the Ombudsman Network, aimed at providing employees with the possibility to express their concerns and observations of potential misbehaviour. In 2009, as a pioneer in financial sector and UniCredit, the Bank implemented "Anti-Bullying Policy". It fosters the formation of appropriate conditions of work and enables employees, who believe that they were bullied, to raise a formal objection.

Relations with Trade Unions

In 2009, the interaction between the Bank as an employer and trade unions representatives, which consisted in consultations, bargaining and seeking consensus on various issues, was conducted in accordance with the labour law provisions, with due regard to the interests of all parties and the principles of social dialogue.

Relations with Works Council

Since July 2006, the Works Council, composed of members elected by the eligible trade unions active at Bank Pekao S.A., has operated at the Bank. The Works Council is a representative of the employees, authorized to obtain information for and hold consultations with staff within the scope defined in the Act on Employee Information and Consultation, dated April 7, 2006.

In 2009, there were 3 meetings with Bank Pekao Work Council, the subject of which was exchange of information and consulting in compliance with the operating provisions of law. The parties cooperated with due respect to each other's rights.

7. Balance Sheet and Financial Results

7.1 Structure of the Balance Sheet

The table below presents the Bank's balance sheet:

ASSETS	31.12.2009		31.12.2008		
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	CHANGE
Cash and due from Central Bank	9,587.2	7.5%	9,905.3	7.7%	(3.2%)
Loans and receivables from banks	9,138.5	7.2%	10,213.6	8.0%	(10.5%)
Loans and receivables from customers*	73,042.9	57.5%	75,106.0	58.7%	(2.7%)
Securities**	27,373.1	21.6%	22,683.4	17.7%	20.7%
Investments in associates	1,465.8	1.2%	1,563.3	1.2%	(6.2%)
Tangible and intangible assets	2,424.3	1.9%	2,530.6	2.0%	(4.2%)
Other assets	3,886.2	3.1%	5,976.3	4.7%	(35.0%)
Total assets	**126,918.0**	**100.0%**	**127,978.5**	**100.0**	**(0.8%)**

* Including debt securities eligible for rediscounting at Central Bank.

** Including financial assets held for trading and other financial instruments measured at fair value through profit and loss.

LIABILITIES AND EQUITY	31.12.2009		31.12.2008		
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	CHANGE
Amounts due to Central Bank	1,100.2	0.9%	4,817.5	3.8%	(77.2%)
Amounts due to other banks	5,462.0	4.3%	8,091.4	6.3%	(32.5%)
Amounts due to customers	96,701.3	76.2%	90,458.1	70.7%	6.9%
Debt securities in issue	1,297.8	1.0%	1,719.9	1.3%	(24.5%)
Other liabilities	4,389.1	3.4%	7,320.3	5.7%	(40.0%)
Shareholders' equity	17,967.6	14.2%	15,571.3	12.2%	15.4%
Total liabilities and equity	**126,918.0**	**100.0%**	**127,978.5**	**100.0%**	**(0.8%)**

7.1.1 Assets

Changes in the Structure of Assets

Loans and receivables from customers and securities represent items of the largest value under assets. As at the end of 2009, they accounted for 57.5% and 21.6% of the balance-sheet total, respectively, while as at the end of 2008, the respective figures were 58.7% and 17.7%.

Cash and due from Central Bank

	31.12.2009 PLN MILLION	31.12.2008 PLN MILLION	CHANGE
Cash and due from Central Bank, including:	**9,587.2**	**9,905.3**	**(3.2%)**
Cash	2,232.8	3,129.4	(28.7%)
Current account at Central Bank	7,352.7	5,006.7	46.9%
NBP bonds	0.0	1,686.7	x
Other	1.7	82.5	(97.9%)

Loans and Receivables

Customer structure of loans and receivables

	31.12.2009 PLN MILLION	31.12.2008 PLN MILLION	CHANGE
Loans and receivables at nominal value*	**77,208.9**	**79,042.3**	**(2.3%)**
Loans	73,241.7	77,594.0	(5.6%)
retail	27,300.7	25,454.6	7.3%
corporate	45,941.0	52,139.4	(11.9%)
Non-quoted securities	1,552.1	1,388.4	11.8%
Reverse Repo transactions	2,415.1	59.9	x
Other	223.8	287.7	(22.2%)
Nominal value adjustment	(464.4)	(455.6)	1.9%
Impairment losses	**(3,925.4)**	**(3,768.4)**	**4.2%**
Net loans and receivables from customers	**73,042.9**	**75,106.0**	**(2.7%)**

* Including debt securities eligible for rediscounting at Central Bank, non quoted securities, reverse repo and buy-sell-back transactions.

At the end of December 2009, the volume of retail loans amounted to PLN 27,300.7 million, and was PLN 1,846.1 million (7.3%) higher than at the end of 2008. The volume of corporate loans, non quoted securities and reverse repo transactions decreased in 2009 by PLN 3,679.5 million (6.9%) and amounted to PLN 49,908.2 million at the end of December 2009.

Loans and Impairment Losses

	31.12.2009 PLN MILLION	31.12.2008 PLN MILLION	CHANGE
Gross receivables *	**76,773.5**	**78,602.8**	**(2.3%)**
not impaired	72,045.4	74,344.0	(3.1%)
impaired	4,728.1	4,258.8	11.0%
Impairment losses	(3,925.4)	(3,768.4)	4.2%
Interest	194.8	271.6	(28.3%)
Total value	**73,042.9**	**75,106.0**	**(2.7%)**

* Including debt securities eligible for rediscounting at Central Bank, non-quoted securities, reverse repo and buy-sell-back transactions and receivables in transit.

As at December 31, 2009, the ratio of impaired receivables to total receivables amounted to 6.2% compared with 5.4% at the end of 2008. The ratio increased due to decreased volume of total loans and increased volume of impaired loans.

Amounts due from Customers by Currency *

	31.12.2009		31.12.2008		
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	CHANGE
– denominated in PLN	58,459.6	76.0%	58,669.6	74.4%	(0.4%)
– denominated in foreign currencies**	18,508.7	24.0%	20,204.8	25.6%	(8.4%)
Total	**76,968.3**	**100.0%**	**78,874.4**	**100.0%**	**(2.4%)**
Impairment losses	(3,925.4)	x	(3,768.4)	x	4.2%
Total value	**73,042.9**	**x**	**75,106.0**	**x**	**(2.7%)**

* Including interest and receivables in transit.
** Including indexed loans.

The currency structure of amounts due from customers is dominated by amounts expressed in the Polish złoty; as at the end of 2009, their share was 76.0%. The largest portion of foreign currency amounts due were represented by amounts due denominated in EUR (59.8%), CHF (32.2%) and USD (7.6%).

Amounts due from Customers by Maturity *

	31.12.2009		31.12.2008		
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	CHANGE
Current and up to 1 month	14,044.0	18.3%	12,659.2	16.1%	10.9%
1 to 3 months	1,056.9	1.4%	1,312.7	1.7%	(19.5%)
3 months to 1 year	8,658.1	11.2%	8,859.2	11.2%	(2.3%)
1 to 5 years	21,471.6	27.9%	25,163.2	31.9%	(14.7%)
Over 5 years	31,513.9	40.9%	30,592.3	38.8%	3.0%
Interest	194.8	0.3%	271.6	0.3%	(28.3%)
Amounts due in transit	29.0	0.0%	16.2	0.0%	79.0%
Total	**76,968.3**	**100.0%**	**78,874.4**	**100.0%**	**(2.4%)**
Impairment losses	(3,925.4)	x	(3,768.4)	x	4.2%
Total value	**73,042.9**	**x**	**75,106.0**	**x**	**(2.7%)**

* Including interest and receivables in transit.

A 40.9% of amounts due is made up of amounts due in over 5 years (primarily mortgage loans, loans classified as past due, and a large loan for a central state investment project).

Information on loan concentration is included in Notes to the Unconsolidated Financial Statements of Bank Pekao S.A. for the year ended December 31, 2009.

7.1.2 Liabilities

Changes in the Structure of Liabilities

Amounts due to customers were the main item under the Bank's liabilities and equity. As at the end of 2009, amounts due to customers totalled PLN 96,701.3 million, and their share in the total assets was 76.2%, compared with 70.7% as at the end of 2008. The share of total Shareholder's equity in the total assets increased from 12.2% at the end of 2008 to 14.2% at the end of 2009.

External Sources of Financing

	31.12.2009 PLN MILLION	31.12.2008 PLN MILLION	CHANGE
Amounts due to Central Bank	1,100.2	4,817.5	(77.2%)
Amounts due to other banks	5,462.0	8,091.4	(32.5%)
Amounts due to customers	96,701.3	90,458.1	6.9%
Debt securities in issue	1,297.8	1,719.9	(24.5%)
Total external sources of financing	**104,561.3**	**105,086.9**	**(0.5%)**

In addition to customers deposits and funds borrowed on the interbank market, Bank Pekao S.A. also has a refinancing loan taken out from the National Bank of Poland for the financing of a credit facility granted to fund a central state investment project.

Bank Pekao S.A. acquires deposits mainly in Poland. As at the end of 2009, the geographical structure of deposits acquired through the Bank's domestic branches was as follows (% of total deposits):

REGION	
Warszawski	33.3%
Małopolski	12.0%
Mazowiecki	9.7%
Południowo – wschodni	9.5%
Centralny	9.3%
Dolnośląski	5.9%
Wielkopolski	5.6%
Śląski	5.3%
Zachodni	4.9%
Pomorski	4.5%
Total	**100.0%**

The Bank's deposit base is well diversified. The Bank is not dependent on any single customer or group of customers.

Total Customer Savings

	31.12.2009 PLN MILLION	31.12.2008 PLN MILLION	CHANGE
Corporate customers deposits	**52,671.6**	**47,604.7**	**10.6%**
non-financial institutions	39,901.6	36,408.1	9.6%
financial non-banking institutions	6,426.6	4,362.0	47.3%
budgetary institutions	6,343.4	6,834.6	(7.2%)
Retail deposits	**42,966.1**	**40,420.8**	**6.3%**
Repo and sell buy back transactions	514.2	1,723.4	(70.2%)
Other	549.4	709.2	(22.5%)
Amounts due to customers	**96,701.3**	**90,458.1**	**6.9%**
Structured certificates of deposit (SCD)	**1,297.1**	**1,716.9**	**(24.5%)**
Total liabilities to customers (including SCD, repo and sell-buy-back transactions)*	**97,449.0**	**91,465.8**	**6.5%**
Mutual funds of Pioneer Pekao TFI	**15,292.3**	**12,308.4**	**24.2%**
incl. distributed through the Bank's network	12,519.8	9,926.3	26.1%

* Excluding Other liabilities (interest and amounts due in transit).

At the end of December 2009, the total volume of liabilities to the Bank's customers (including customer deposits, structured certificates of deposits, repo and sell-buy-back transactions) amounted to PLN 97,449.0 million and was PLN 5,983.2 million (6.5%) higher than at the end of 2008.

The total volume of deposits of retail customers and structured certificates of deposits amounted to PLN 44,263.2 million at the end of December 2009 and was PLN 2,125.5 million (5.0%) higher than at the end of 2008. At the same time, the value of net assets of mutual funds managed by Pioneer Pekao TFI S.A. amounted to PLN 15,292.3 million at the end of 2009 and was higher by PLN 2,983.9 million (24.2%) in comparison to the end of 2008.

The total volume of corporate customer deposits and repo and sell buy back transactions amounted to PLN 53,185.8 million at the end of December 2009 and was PLN 3,857.7 million (7.8%) higher than at the end of 2008.

Amounts due to Customers by Currency

	31.12.2009		31.12.2008		
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	CHANGE
– denominated in PLN	81,958.3	84.8%	75,770.1	83.8%	8.2%
– denominated in foreign currencies	14,743.0	15.2%	14,688.0	16.2%	0.4%
Total	**96,701.3**	**100.0%**	**90,458.1**	**100.0%**	**6.9%**

The bulk of the amounts due to customers are denominated in the Polish currency. Their share as at the end of 2009 amounted to 84.8%. As far as the amounts due denominated in foreign currencies are concerned, the majority were denominated in EUR - 56.8% and USD - 39.1%.

Amounts due to Customers by Maturity

	31.12.2009		31.12.2008		
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	CHANGE
Demand deposits	44,213.1	46.0%	37,941.1	42.3%	16.5%
Term deposits	51,938.8	54.0%	51,807.8	57.7%	0.3%
Total deposits	**96,151.9**	**100.0%**	**89,748.9**	**100.0%**	**7.1%**
Interest	314.7	x	306.2	x	2.8%
Amounts due in transit	234.7	x	403.0	x	(41.8%)
Total amounts due to customers	**96,701.3**	**x**	**90,458.1**	**x**	**6.9%**

7.1.3 Off-balance Sheet Items

Statement of Off-balance Sheet Items

(PLN million)

	31.12.2009	31.12.2008	CHANGE
Contingent liabilities granted and received	44,581.0	45,941.4	(3.0%)
Liabilities granted:	31,073.4	37,053.3	(16.1%)
financial	25,841.6	30,932.1	(16.5%)
guarantees	5,231.8	6,121.2	(14.5%)
Liabilities received:	13,507.6	8,888.1	52.0%
financial	2,964.4	853.3	247.4%
guarantees	10,543.2	8,034.8	31.2%
Financial derivatives	169,140.4	251,498.3	(32.7%)
currency transactions	77,017.7	107,265.5	(28.2%)
interest rate transactions	87,327.4	138,461.4	(36.9%)
securities transactions	4,795.3	5,771.4	(16.9%)
Other	25,414.2	20,656.5	23.0%
Total off-balance sheet items	**239,135.6**	**318,096.2**	**(24.8%)**

More detailed information on off-balance-sheet items is included in Notes to the Unconsolidated Financial Statements of Bank Pekao S.A. for the year ended December 31, 2009.

7.2 Income Statement (for the presentation purposes)

Bank Pekao S.A. is reporting sound results for 2009, with the net profit amounting to PLN 2,462.3 million. These results were achieved in spite of difficult macroeconomic environment remaining under pressure from the international financial markets, with lower market interest rates and fierce competition in the banking sector causing high deposit prices.

The sound results of 2009 were accomplished thanks to the commercial activity of the Bank, particularly visible in growth of the volumes of consumer and mortgage loans as well as substantially higher volumes of retail and corporate deposits.

The strength of the capital and liquidity structure of the Bank is reflected by a capital adequacy ratio at the level of 15.6% and loans to deposits ratio at the level of 75.5% at the end of December 2009. It allows further sound and stable development of the Bank's activity.

The Bank continued its policy of offering only PLN mortgage loans. The residual stock of mortgage loans denominated in foreign currencies granted to individual customers, almost entirely acquired as a result of the merger of the spun-off part of Bank BPH SA constitutes 7.2% of total loans of the Bank.

The Bank's income statement for 2009 and 2008 are as follows:

(PLN million)

	2009	2008	CHANGE
Net interest *	3,608.5	4,250.1	(15.1%)
Dividend income	417.2	525.5	(20.6%)
Total net interest and dividend income	**4,025.7**	**4,775.6**	**(15.7%)**
Net fee and commission	2,055.9	2,073.4	(0.8%)
Net trading, hedging and fair value income	554.8	451.3	22.9%
Net other income/expenses	56.2	224.4	(75.0%)
Net non-interest income	**2,666.9**	**2,749.1**	**(3.0%)**
Operating income	**6,692.6**	**7,524.7**	**(11.1%)**
Operating costs	**(3,352.5)**	**(3,427.3)**	**(2.2%)**
Operating profit	**3,340.1**	**4,097.4**	**(18.5%)**
Provisions for risks and charges	0.4	29.6	(98.6%)
Net write-down of loans and provision for guarantees and commitments	(406.5)	(184.0)	120.9%
Net income from investments	46.6	86.6	(46.2%)
Profit before income tax	**2,980.6**	**4,029.6**	**(26.0%)**
Income tax	(518.3)	(683.8)	(24.2%)
Net profit	**2,462.3**	**3,345.8**	**(26.4%)**

* Including income on SWAP transactions.

Operating Income

In 2009, the Bank's operating income amounted to PLN 6,692.6 million and was PLN 832.1 million (11.1%) lower than operating income in 2008, mainly due to unfavourable market conditions.

Total net interest income

(PLN million)

	2009	2008	CHANGE
Interest income	6,223.9	7,628.1	(18.4%)
Interest expense	(2,831.2)	(3,510.9)	(19.4%)
Income on SWAP transactions	215.8	132.9	62.4%
Net interest	**3,608.5**	**4,250.1**	**(15.1%)**
Dividend income	417.2	525.5	(20.6%)
Total net interest and dividend income	**4,025.7**	**4,775.6**	**(15.7%)**

Total net interest and dividend income in 2009 amounted to PLN 4,025.7 million. It was nominally lower by PLN 749.9 million (15.7%) in comparison with 2008, mainly as a result of a significant reduction of market interest rates and simultaneous upward pressure on deposit prices.

Net non-interest income

(PLN million)

	2009	2008	CHANGE
Fee and commission income	2,455.0	2,561.0	(4.1%)
Fee and commission expense	(399.1)	(487.6)	(18.2%)
Net fee and commission income	**2,055.9**	**2,073.4**	**(0.8%)**
Net trading, hedging and fair value income *	554.8	451.3	22.9%
Other net operating income	56.2	224.4	(75.0%)
Net non-interest income	**2,666.9**	**2,749.1**	**(3.0%)**

* Excluding income on SWAP transactions

The Bank's net non-interest income in 2009 amounted to PLN 2,666.9 million and was lower by PLN 82.2 million (3.0%) in comparison with 2008, mainly as a result of decreased net other operating income (in 2008, additional income from the sale of non-performing receivables portfolio has been realized), lower commissions on investment products and lower account maintenance and other fees.

Operating costs

The operating costs were kept under control and amounted to PLN 3,352.5 million in 2009. They were lower than the operating costs in 2008 by PLN 74.8 million (2.2%).

(PLN million)

	2009	2008	CHANGE
Payroll costs	(1,664.6)	(1,667.5)	(0.2%)
Other administrative expenses	(1,286.9)	(1,390.8)	(7.5%)
Amortisation, depreciation and impairment losses on tangible and intangible assets	(401.0)	(369.0)	8.7%
Operating costs	**(3,352.5)**	**(3,427.3)**	**(2.2%)**

In 2009, cost/income ratio amounted to 50.1% in comparison with 45.5% in 2008 due to lower operating income.

As at December 31, 2009, the Bank had 18,912 employees, compared to 19,718 at the end of 2008.

Net write-downs of loans and provision for guarantees and commitments

In 2009, net write-downs of loans and provision for guarantees and commitments amounted to PLN 406.5 million and were PLN 222.5 million (120.9%) higher than in 2008.

Write-offs for revaluation of assets

(PLN million)

	2009	2008	CHANGE
for loan receivables and other financial assets	(412.4)	(232.9)	77.1%
for off-balance sheet liabilities	5.9	48.9	(87.9%)
Total	**(406.5)**	**(184.0)**	**120.9%**

Provisions, deferred tax provision and assets

(PLN million)

	31.12.2009	31.12.2008	CHANGE
Total provisions	**281.4**	**298.2**	**(5.6%)**
of which:			
provisions for off-balance sheet liabilities	135.2	142.3	(5.0%)
provisions for liabilities to employees	130.9	126.7	3.3%
other provisions	15.3	29.2	(47.6%)
Provision for deferred tax	**0.0**	**0.0**	**X**
Deferred tax assets	**338.0**	**286.7**	**17.9%**

7.3 Unconsolidated Income Statement – short version

Presentation remarks

The Bank has introduced some changes to the presentation of specific items of the short version of income statement in order to standardise the presentation of financial statements within UniCredit Group.

The changes introduced for comparative periods were purely presentational and had no impact on the net results reported on the Bank level. Additionally, in order to assure better clarity of results achieved, net interest and fee and commission are presented providing separate information on both income and expenses.

Detailed restatements on the comparative figures for 2008 of the Bank are presented in point 7.3.4.

The unconsolidated income statement for the period from January 1, 2009 to December 31, 2009 is presented in the long version. The reconciliation of the short version and the long version of the income statement is presented in point 7.3.5.

7.3.1 Unconsolidated Income Statement for the year of 2009 and 2008 – short version

(PLN thousand)

	2009	2008
Interest income	6,223,962	7,628,112
Interest expense	(2,831,223)	(3,510,979)
Net interest	3,392,739	4,117,133
Dividend income	417,171	525,537
Total net interest and dividend income	**3,809,910**	**4,642,670**
Fee and commission income	2,454,980	2,561,039
Fee and commission expense	(399,044)	(487,645)
Net fee and commission	2,055,936	2,073,394
Net trading, hedging and fair value income	770,586	584,239
Net other income/expenses	56,216	224,431
Net non-interest income	**2,882,738**	**2,882,064**
OPERATING INCOME	**6,692,648**	**7,524,734**
Payroll costs	(1,664,606)	(1,667,506)
Other administrative expenses	(1,298,560)	(1,403,605)
Recovery of administrative expenses	11,682	12,817
Amortisation, depreciation and impairment losses on tangible and intangible assets	(401,019)	(368,963)
Operating costs	**(3,352,503)**	**(3,427,257)**
OPERATING PROFIT	**3,340,145**	**4,097,477**
Provisions for risks and charges	450	29,578
Net write-downs of loans and provision for guarantees and commitments	(406,580)	(184,025)
Net income from investments	46,555	86,607
PROFIT BEFORE INCOME TAX	**2,980,570**	**4,029,637**
Income tax	(518,307)	(683,792)
NET PROFIT	**2,462,263**	**3,345,845**

7.3.2 Quarterly Unconsolidated Income Statement – short version

(PLN thousand)

PROVIDED FOR THE COMPARABILITY PURPOSES – NOT REVIEWED/AUDITED BY THE INDEPENDENT AUDITOR								
	2009				2008			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Interest income	1,718,632	1,517,052	1,465,540	1,522,738	1,836,382	1,890,293	1,903,884	1,997,553
Interest expense	(915,139)	(673,642)	(592,878)	(649,564)	(805,172)	(847,831)	(870,106)	(987,870)
Net interest income	803,493	843,410	872,662	873,174	1,031,210	1,042,462	1,033,778	1,009,683
Dividend income	0	416,105	15	1,051	37,287	300,336	187,800	114
Total net interest income and dividends	**803,493**	**1,259,515**	**872,677**	**874,225**	**1,068,497**	**1,342,798**	**1,221,578**	**1,009,797**
Fee and commission income	581,348	603,881	613,441	656,310	645,977	688,915	616,895	609,252
Fee and commission expense	(102,022)	(105,081)	(84,917)	(107,024)	(109,952)	(137,623)	(122,655)	(117,415)
Net fee and commission	479,326	498,800	528,524	549,286	536,025	551,292	494,240	491,837
Net trading, hedging and fair value income	173,105	268,735	172,959	155,787	98,137	155,693	155,068	175,341
Net other income/expenses	12,366	8,097	26,120	9,633	52,183	12,803	138,642	20,803
Net non-interest income	**664,797**	**775,632**	**727,603**	**714,706**	**686,345**	**719,788**	**787,950**	**687,981**
OPERATING INCOME	**1,468,290**	**2,035,147**	**1,600,280**	**1,588,931**	**1,754,842**	**2,062,586**	**2,009,528**	**1,697,778**
Payroll costs	(412,164)	(418,762)	(412,805)	(420,875)	(423,945)	(426,545)	(414,377)	(402,639)
Other administrative expenses	(333,133)	(341,222)	(308,289)	(315,916)	(324,910)	(363,803)	(355,232)	(359,660)
Recovery of administrative expenses	3,782	2,496	2,253	3,151	1,866	3,228	4,223	3,500
Amortisation, depreciation and impairment losses on tangible and intangible assets	(99,137)	(99,537)	(100,979)	(101,366)	(90,634)	(91,499)	(93,025)	(93,805)
Operating costs	**(840,652)**	**(857,025)**	**(819,820)**	**(835,006)**	**(837,623)**	**(878,619)**	**(858,411)**	**(852,604)**
OPERATING PROFIT	**627,638**	**1,178,122**	**780,460**	**753,925**	**917,219**	**1,183,967**	**1,151,117**	**845,174**
Provisions for risks and charges	0	60	9	381	4,514	(904)	(363)	26,331
Net write-downs of loans and provision for guarantees and commitments	(57,169)	(112,037)	(103,297)	(134,077)	(35,141)	(50,389)	(30,692)	(67,803)
Net income from investments	45,624	19,155	21,219	(39,443)	2,941	81,268	8,755	(6,357)
PROFIT BEFORE INCOME TAX	**616,093**	**1,085,300**	**698,391**	**580,786**	**889,533**	**1,213,942**	**1,128,817**	**797,345**
Income tax	(116,028)	(132,895)	(132,649)	(136,735)	(162,950)	(174,044)	(194,353)	(152,445)
NET PROFIT	**500,065**	**952,405**	**565,742**	**444,051**	**726,583**	**1,039,898**	**934,464**	**644,900**

7.3.3 Quarterly Unconsolidated Statement of Comprehensive Income

(PLN thousand)

PROVIDED FOR THE COMPARABILITY PURPOSES – NOT REVIEWED/AUDITED BY THE INDEPENDENT AUDITOR								
	2009				2008			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net profit for the reporting period	**500,065**	**952,405**	**565,742**	**444,051**	**726,583**	**1,039,898**	**934,464**	**644,900**
OTHER COMPREHENSIVE INCOME								
Foreign currency translation differences for foreign operations	76	(122)	(90)	13	(41)	(379)	347	3,920
Net change in fair value of available-for-sale financial assets	(198,785)	104,926	132,056	12,094	(15,006)	(245,183)	329,971	145,914
Net change in fair value of cash flow hedges	(87,271)	(52,669)	(12,847)	2,006	7,671	(79,223)	110,153	131,458
Income tax related to other comprehensive income	54,662	(11,172)	(22,756)	(2,953)	1,275	61,766	(83,599)	(51,018)
Total other comprehensive income (net of tax)	**(231,318)**	**40,963**	**96,363**	**11,160**	**(6,101)**	**(263,019)**	**356,872**	**230,274**
Total comprehensive income	**268,747**	**993,368**	**662,105**	**455,211**	**720,482**	**776,879**	**1,291,336**	**875,174**

7.3.4 Presentation changes of Unconsolidated Income Statement for 2008

PLN `000

FINANCIAL DATA PUBLISHED		PRESENTATION CHANGES		FINANCIAL DATA PUBLISHED - AFTER CHANGES	
I. Interest income	7,672,910	(44,798)	/1a	I. Interest income	7,628,112
II. Interest expense	(3,555,777)	44,798	/1a	II. Interest expense	(3,510,979)
III. Net interest income	4,117,133	-		III. Net interest income	4,117,133
		525,537	/1b	Dividend income	525,537
-				IV. Total net interest income and dividends	4,642,670
IV. Net fee and commission income	2,073,394	-		V. Net fee and commission	2,073,394
-		584,239		VI. Net trading, hedging and fair value income	584,239
		53,696	/2		
		(4,564)	/3		
		535,107	/4		
V. Dividend income	525,537	(525,537)	/1b		-
VI. Result on financial instruments at fair value	53,696	(53,696)	/2		-
VII. Result on investment securities	77,470	(77,470)			-
		(82,034)	/5		
		4,564	/3		
VIII.Foreign exchange result	535,107	(535,107)	/4		-
IX.Net other operating income	289,680	(65,249)		VII. Net other income/expenses	224,431
		(29,578)	/6		
		15,638	/7		
		(33,242)	/8		
		3,512	/9		
		458	/10		
		(6,878)	/11		
		(12,817)	/12		
		26	/13		
		(2,358)	/14		
		(10)	/15		
X.Overhead costs	(3,430,134)	3,430,134			-
		1,652,231	/16		
		22,153	/17		
		1,384,455	/18		
		371,295	/19		
		(1,667,506)		VIII.Payroll costs	(1,667,506)
		(1,652,231)	/16		
		6,878	/11		
		(22,153)	/17		

PLN `000

FINANCIAL DATA PUBLISHED		PRESENTATION CHANGES		FINANCIAL DATA PUBLISHED - AFTER CHANGES	
		(1,403,605)		IX. Other administrative expenses	(1,403,605)
		(1,384,455)	/18		
		(15,638)	/7		
		(3,512)	/9		
-		12,817	/12	X. Recovery of administrative expenses	12,817
-		(368,963)		XI. Amortisation, depreciation and impairment losses on tangible and intangible assets	(368,963)
		(371,295)	/19		
		(26)	/13		
		2,358	/14		
-		29,578	/6	XII. Provisions for risks and charges	29,578
XI. Net impairment losses on financial assets and net provisions for guarantees and commitments	(212,246)	28,221		XIII. Net write-downs of loans and provision for guarantees and commitments	(184,025)
		(3,349)	/20		
		(1,672)	/21		
		33,242	/8		
		86,607		XIV. Net income from investments	86,607
		82,034	/5		
		3,349	/20		
		(458)	/10		
		1,672	/21		
		10	/15		
XII. Profit before income tax	4,029,637	-		XV. Profit before income tax	4,029,637

Description of changes:

1a/ “Expense due to the amortisation of premium on securities” in the new presentation decrease interest income on securities

1b/ The item „Dividend income” in the new presentation is one of the components of the item “Total net interest and dividend income”

2/ The item “Result on financial instruments at fair value” in the new presentation is one of the components of the item: “Net trading, hedging and fair value income”

3/ “Result on debt securities in issue” included in the previous presentation in the item “Result on investment securities”, in the new presentation is one of the components of the item: “Net trading, hedging and fair value income”

4/ The item “Foreign exchange result” in the new presentation is one of the components of the item “Net trading, hedging and fair value income”

5/ “Result on financial securities available for sale and investments held to maturity” included in the previous presentation in the item: “Result on investment securities”, in the new presentation is one of the components of the item “Net income from investments”

6/ “Provision charge for litigation and claims” included in the previous presentation in the item “Net other operating income”, in the new presentation is recognized as a separate line: “Provisions for risks and charges“

7/ “Legal expenses to credit recovery” included in the previous presentation in the item “Other operating expenses”, in the new presentation are one of the components of the item: “Other administrative expenses”

8/ “Income from recovered uncollectable receivables” included in the previous presentation in the item “Net other operating income”, in the new presentation is one of the components of the item: “Net write-downs of loans and provision for guarantees and commitments“

9/ “Donations made” included in the previous presentation in the item “Other operating expenses”, in the new presentation are one of the components of the item: “Other administrative expenses”

10/ "Result on disposal of tangible and intangible assets" included in the previous presentation in the item "Net other operating income", in the new presentation is one of the components of the item: "Net income from investments"

11/ "Recovery income from seconded employees" included in the previous presentation in the item "Other operating income", in the new presentation decrease item: "Payroll costs"

12/ "Recovery income from administrative costs" included in the previous presentation in the item "Other operating income", in the new presentation is recognized as a separate line: "Recovery of administrative expenses"

13/ „Impairment losses on tangible and intangible assets" included in the previous presentation in the item „Net other operating income", in the new presentation is one of the components of the item: „Amortisation, depreciation and impairment losses on tangible and intangible assets"

14/ "Investment properties amortisation" included in the previous presentation in the item "Overhead costs", in the new presentation is one of the components of the item "Net other income/expenses"

15/ "Gains on disposal of associates" included in the previous presentation in the item "Net other income/expenses", in the new presentation is one of the components of the item "Net income from investments"

16/ "Payroll costs" included in the previous presentation in item "Overhead costs", in the new presentation is recognized as a separate line: "Payroll costs"

17/ "Seconded employees cost" included in the previous presentation in the item "Overhead costs"- as administrative costs, in the new presentation is one of the components of a separate line: "Payroll costs "

18/ "Other administrative expenses" included in the previous presentation in the item "Overhead costs", in the new presentation is recognized as a separate item: "Other administrative expenses"

19/ "Amortisation, depreciation" included in the previous presentation in item "Overhead costs", in the new presentation is recognized as a separate item: "Amortisation, depreciation and impairment losses on tangible and intangible assets"

20/ "Impairment on financial securities available for sale and investments held to maturity" included in the previous presentation in the item: "Net impairment losses on financial assets and net provisions for guarantees and commitments", in the new presentation is one of the components of the item "Net income from investments"

21/ "Release of impairment charges of investments in associates" included in the previous presentation in the item "Net impairment losses on financial assets and net provisions for guarantees and commitments" in the new presentation is one of the components of the item: "Net income from investments"

7.3.5 Reconciliation of Unconsolidated Income Statement – short and long form

Reconciliation of Income Statement for 2009 PLN `000

INCOME STATEMENT – SHORT FORM'S ITEMS	LONG FORM'S ITEMS RECLASSIFIED TO SHORT FORM		COMMENTS
I. Net interest income		3,809,910	
	Net interest income	3,392,739	
	Dividend income	417,171	
II. Net fee and commission	Net fee and commission	2,055,936	
III. Net trading, hedging and fair value income		770,586	
	Gains and losses on financial assets and liabilities held for trading	702,001	
	Fair value adjustments in hedge accounting	13,945	
	Gains and losses on financial assets and liabilities at fair value through profit and loss	54,558	
	Gains and losses on disposal of financial liabilities	82	
IV. Net other income/expenses		56,216	
	Net other operating income/expenses	67,892	
	less – Recovery of administrative expenses	(11,682)	1/
	Amortisation on property owned for investment	(2,578)	2/
	Gains and losses on disposal of loans	2,584	
OPERATING INCOME		**6,692,648**	
V. Payroll costs	Payroll costs	(1,664,606)	
VI. Other administrative expenses	Other administrative expenses	(1,298,560)	
VII. Recovery of administrative expenses		11,682	1/
VIII. Amortisation, depreciation and impairment losses on tangible and intangible assets		(401,019)	
	Depreciation and amortisation	(403,597)	
	less: Amortisation on property owned for investment	2,578	2/
OPERATING COSTS		(3,352,503)	
OPERATING PROFIT		**3,340,145**	
IX. Provisions for risks and charges	Provisions for risks and charges	450	
X. Net write-downs of loans and provision for guarantees and commitments		(406,580)	
	Impairment losses on loans	(412,443)	
	Net provision for off-balance sheet commitments	5,863	
XI. Net income from investments		46,555	
	Gains and losses on disposal of investments	53,963	
	Profit (loss) from subordinated entities	(105,000)	
	Gains and losses on disposal of available for sale financial assets and held to maturity investments	97,466	
	Impairment losses on available for sale financial assets and held to maturity investments	126	
PROFIT BEFORE INCOME TAX		**2,980,570**	
XII. Income tax	Income tax	(518,307)	
XIII. NET PROFIT	**NET PROFIT**	**2,462,263**	

1/ In the long form the item "Recovery of administrative expenses" included in the item "Net other operating income/expenses", in short form is recognized as a separate line

2/ In the long form the item "Amortisation on property owned for investment" included in the item "Depreciation and amortisation"

Reconciliation of Income Statement for 2008

PLN '000

INCOME STATEMENT – SHORT FORM'S ITEMS	LONG FORM'S ITEMS RECLASSIFIED TO SHORT FORM		COMMENTS
I. Net interest income		4,642,670	
	Net interest income	4,117,133	
	Dividend income	525,537	
II. Net fee and commission	Net fee and commission	2,073,394	
III. Net trading, hedging and fair value income		584,239	
	Gains and losses on financial assets and liabilities held for trading	682,429	
	Fair value adjustments in hedge accounting	-	
	Gains and losses on financial assets and liabilities at fair value through profit and loss	(93,626)	
	Gains and losses on disposal of financial liabilities	(4,564)	
IV. Net other income/expenses		224,431	
	Net other operating income/expenses	127,171	
	less – Recovery of administrative expenses	(12,817)	1/
	Amortisation on property owned for investment	(2,908)	2/
	Gains and losses on disposal of loans	112,985	
OPERATING INCOME		**7,524,734**	
V. Payroll costs	Payroll costs	(1,667,506)	
VI. Other administrative expenses	Other administrative expenses	(1,403,605)	
VII. Recovery of administrative expenses		12,817	1/
VIII. Amortisation, depreciation and impairment losses on tangible and intangible assets		(368,963)	
	Depreciation and amortisation	(371,871)	
	less: Amortisation on property owned for investment	2,908	
OPERATING COSTS		**(3,427,257)**	
OPERATING PROFIT		**4,097,477**	
IX. Provisions for risks and charges	Provisions for risks and charges	29,578	
X. Net write-downs of loans and provision for guarantees and commitments		(184,025)	
	Impairment losses on loans	(232,919)	
	Net provision for off-balance sheet commitments	48,894	
XI. Net income from investments		86,607	
	Gains and losses on disposal of investments	(458)	
	Gains and losses on disposal of available for sale financial assets and held to maturity investments	82,034	
	Impairment losses on available for sale financial assets and held to maturity investments	3,349	
	Gains on sale of subordinated entities	10	3/
	Write-backs on impairment on subordinated entities	1,672	3/
PROFIT BEFORE INCOME TAX		**4,029,637**	
XII. Income tax	Income tax	(683,792)	
XIII. NET PROFIT	**NET PROFIT**	**3,345,845**	

1/ In the long form the item "Recovery of administrative expenses" included in the item "Net other operating income/expenses", in short form is recognized as a separate line
2/ In the long form the item "Amortisation on property owned for investment" included in the item "Depreciation and amortisation"
3/ In the long form items "Gains on sale of subordinated entities" and "Write-backs on impairment on subordinated entites" included in the item "Profit (loss) from subordinated entities"

8. Other Information

Post Balance Sheet Events

After the balance sheet date, the composition of the Statutory Bodies of the Bank has been changed. Description of the changes is presented in point 4.3.

The position of the Management Board regarding the possibility of achieving previously published forecasts

On August 1, 2008 Management Board of Bank Pekao S.A. published in the current report no 69/2008 the forecast of Bank Pekao S.A.'s financial results in years 2008-2010.

Given the high volatility of the macroeconomic scenario, influenced by the global financial crisis, the Management Board of Bank Pekao S.A. has decided to refrain from the forecast's evaluation of the Bank's results for years 2008-2010.

Management Board and Supervisory Board Remuneration

The total amount of remuneration and benefits (both cash and payments in kind) paid or payable to Management Board Members in 2009 (PLN thousand)

	2009 BASE SALARY AND BONUS PAID OR PAYABLE IN 2009	OTHER BENEFITS 2009	TOTAL 2009	BONUSES PAID IN 2009 RELATED TO 2008	COMMENTS
Jan Krzysztof Bielecki (1)	1,518	7,262	8,780		
Diego Biondo (2)	926	228	1,154	217	
Marco Iannaccone (3)	1,223	270	1,493	461	
Andrzej Kopyrski	923	79	1,002	500	
Luigi Lovaglio (4)	3,176	337	3,513		
Katarzyna Niezgoda	270	63	333		(remuneration paid till April 17, 2009)
Grzegorz Piwowar	986	86	1,072		
Marian Ważyński	765	19	784	503	
2009 bonus provisions(5)	2,725	0	2,725	0	
Total	**12,512**	**8,344**	**20,856**	**1681**	

1) „Other benefits 2009" includes severance and compensation payments to a departing Management Board Member with respect to the agreement on termination of employment and changes in non – competition contract.
2) The amounts reported for Mr. Diego Biondo include PLN 1.034 thousand, which was paid by UniCredit S.p.A. and was refunded by the Bank.
3) The amounts reported for Mr. Marco Iannaccone include PLN 1.563 thousand, which was paid by UniCredit S.p.A. and was refunded by the Bank.
4) The amounts reported for Mr. Luigi Lovaglio include PLN 2,736 thousand, which was paid by UniCredit S.p.A. and was refunded by the Bank.
5) "The 2009 bonus provisions" include provisions for bonuses in the amount of PLN 2,400 thousand and Long Term Incentive Program in the amount of PLN 325 thousand.

A decision on bonuses for 2009 for Management Board Members has not yet been taken by the Supervisory Board.

In 2009 the expense for the stock option program that may be executed by Management Board Members (subject to fulfillment of given conditions) amounted to PLN 377 thousand.

For description of incentive programs refer to Notes of Unconsolidated Financial Statement of the Bank Pekao S.A. for the year ended on December 31, 2009.

In 2009 Management Board Members did not receive nor are due any compensation from subsidiaries, jointly controlled companies, and associated entities.

The total amount of remuneration (in cash and payments in kind) paid or payable to Supervisory Board Members in 2009 (PLN thousand)

	AMOUNT
Jerzy Woźnicki	137
Paweł Dangel	95
Oliver Greene	95
Enrico Pavoni	95
Leszek Pawłowicz	95
Krzysztof Pawłowski	95
Total	**612**

In 2009, Supervisory Board Members did not receive nor are due any compensation from subsidiaries, jointly controlled companies, and associated entities.

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

According to information available to the Bank as at December 31, 2009, the members of the Bank's management and supervisory bodies held 45,857 shares of Bank Pekao S.A. with face value of PLN 45,857. The table below presents the number of shares held by the Management Board Members:

	AS AT THE DATE OF SUBMITTING THE REPORT	31.12. 2009	31.12.2008
Jan Krzysztof Bielecki	n/a *	5,000	25,000
Diego Biondo	9,500	9,500	9,500
Luigi Lovaglio	31,357	31,357	40,357
Marian Ważyński	0	0	13,089
Total	**40,857**	**45,857**	**87,946**

* Mr. Jan Krzysztof Bielecki, President of the Management Board, resigned from his position effective on January 11, 2010.

Moreover, as at December 31, 2009 UniCredit S.p.A. shares were held by: Mr. Luigi Lovaglio – 145,243 shares with face value EUR 72,621.50, Mr. Diego Biondo – 8,423 shares with face value EUR 4,211.50, Mr. Marco Iannaccone – 4,516 shares with face value EUR 2,258.00, Mr. Federico Ghizzoni – 100,000 shares with face value EUR 50,000.00, Mr. Paolo Fiorentino – 452,664 shares with face value EUR 226,332.00.

Information regarding contracts for post termination benefits

The employment contracts concluded by the Bank with the following Board Members provide for compensation equal to 18 times the base salary for the final month of employment in case of non renewal of contract:
- Andrzej Kopyrski, Vice President of the Management Board,
- Grzegorz Piwowar, Vice President of the Management Board,
- Marian Ważyński, Vice President of the Management Board.

This does not apply in case of dismissal pursuant to Art. 52 or Art. 53 of the Labor Code or improper performance of duties, or breach of the Pekao Charter, or Management Board or Supervisory Board resolutions.

These Management Board Members have also signed a non – competition contract with the Bank which defines rights and obligations of both parties during and after termination of employment with the Bank.

Employment contracts with other Management Board Members do not include such clauses with respect to compensations.

All matters related to the termination of the employment contract of the departing Management Board Member have been made in accordance with an agreement on the termination of employment contract and by the annex to the non-competition contract.

Agreements with companies entitled to auditing of financial reports

On the basis of the agreement concluded on June 16, 2008, KPMG Audyt sp. z o.o. is the company entitled to auditing and reviewing of financial statements of Bank Pekao S.A. and the Bank Pekao S.A. Group for 2008 – 2009.

Audit remuneration for the services on benefit of Bank Pekao S.A.

(PLN thousand)

	2009	2008
Fee for the audit of annual financial statements	3,150	2,970
Fee for other attestation services, including review of financial statements	2,649	1,952

The amounts above do not include value added tax (VAT).

Average interest rates in Bank Pekao S.A. in December 2009

The average nominal interest rates for the basic types of PLN and foreign currency deposits for non-financial sector residents:

PLN retail deposits	1.90% p.a.
PLN corporate clients deposits	2.90% p.a.
Total foreign currency deposits in USD	0.04% p.a.
Total foreign currency deposits in EUR	0.12% p.a.

The average nominal interest rates for the PLN loans for non-financial sector residents:

Total retail loans	8.85% p.a.
mortgage	5.70% p.a.
consumption	16.08% p.a.
other	9.99% p.a.
Corporate loans	5.55% p.a.

Number and value of titles of execution and value of collaterals

Bank Pekao S.A. has established specific policy with regard to collateral accepted to secure loans and guarantees. This policy is reflected under internal rules and regulations in the Bank. The Bank emphasises the importance of this in relation to the effective implementation of Basel II.

The collateral used by the Bank to hedge against risks related to its lending activities includes: bank guarantees, sureties under the Civil Code, blank promissory notes, endorsement on bills, transfer of debts, mortgages, registered pledges, pledges, assignment as collateral, appropriation of assets in bank accounts, deposits.

For corporate clients, the total value of the collateral for impaired transactions as at December 31, 2009 amounted to PLN 2,349.7 million. In 2009, 485 titles of execution were issued on behalf of the Bank in the total amount of PLN 275.5 million.

For retail clients, the total value of the collateral for impaired transactions as at December 31, 2009 amounted to PLN 548.9 million. In 2009, 18,753 titles of execution were issued on behalf of the Bank in the total amount of PLN 266.4 million.

Pending litigations

In 2009 the number of the legal proceedings in courts, appropriate bodies of arbitration or public administration bodies, in respect to the liabilities of the Bank was 520 and the total value amounted to PLN 782.0 million. The number of legal proceedings in respect to receivables was 9,080 with the total value of PLN 975.4 million. The value of legal proceedings relating to the liabilities of the Bank in 2009 does not exceed 10% of the issuer's equity.

In the opinion of the Bank any proceeding that was in progress in courts, appropriate bodies of arbitration or public administration bodies during 2009, as well as all the proceedings taken together do not create any threat to the financial liquidity of the Bank.

Stock option programme

As at the date of submitting this report the incentive program for 2004 includes 24 persons for a total 113,836 shares, 32,678 of which will are eligible for purchase by the management. The Members of the Supervisory Board did not participate in the management stock options program.

The table below presents the number of management stock options held by the Management Board Members:

	AS AT THE DATE OF SUBMITTING THE REPORT		
	FOR THE YEAR 2009	FOR THE THIRD QUARTER OF 2009	FOR THE FOURTH QUARTER OF 2008
Jan Krzysztof Bielecki	n/a *	40,000	40,000
Luigi Lovaglio	32,678	32,678	32,678
Marian Ważyński	0	14,113	14,113
Total	**32,678**	**86,791**	**86,791**

* Mr. Jan Krzysztof Bielecki, President of the Management Board, resigned from his position effective on January 11, 2010.

All the pre-emptive rights to take up F series shares pursuant to the implementation of the right of priority ensuing from the A and B series bonds and all the pre-emptive rights to take up G series shares pursuant to the implementation of the right of priority ensuing from the C series bonds were executed.

The execution of the pre-emptive rights to take up G series shares can be exercised in respect of D series bonds from January 1, 2009 to December 31, 2012.

The issue price of G series shares amounts to PLN 123.06.

Furthermore, as at December 31, 2009, 46 employees of the Bank Pekao S.A. Group, including 4 members of the Management Board, are participating in the Long-Term Incentive Plan 2007 programme. 65 employees of the Bank Pekao S.A. Group, including 4 members of the Management Board, are participating in Long-Term Incentive Plan 2008 programme.

Transactions with related entities

Transactions with related entities are described in the Notes to the Unconsolidated Financial Statements of Bank Pekao S.A. for the year ended on December 31, 2009.

Information on significant agreements

On November 13, 2009, Bank Pekao S.A. signed the agreement with UniCredit CAIB AG based in Vienna (entity from the UniCredit Group) concerning obtaining the right to get funds in the form of loan from CAIB AG for current operating purposes in amount of EUR 500,000,000 for one month from the date of signing the agreement. Under this agreement the Bank on November 13, 2009 has acquired funds amounting to EUR 500,000,000 until December 11, 2009. The conditions for obtaining funds under the agreement do not differ from the market ones. The interest rate of loan has been established on the basis of EURIBOR rate plus a margin. The Bank has acquired mentioned funds under the pledge of securities with limited market liquidity. The agreement does not contain penalty clauses.

On December 11, 2009, Bank signed the agreement with UniCredit Luxembourg S.A. based in Luxembourg (entity from the UniCredit Group) concerning obtaining the right to get funds in the form of loan from UniCredit Luxembourg S.A. for current operating purposes in amount up to EUR 500,000,000 for one year from the date of signing the agreement. The conditions for obtaining funds under the agreement do not differ from the market ones. The interest rate of loan has been established on the basis of EURIBOR rate plus a margin. The agreement does not contain penalty clauses.

Information on the agreement with the Central Bank

Bank Pekao S.A. uses a refinancing loan from the National Bank of Poland for financing a loan contracted for a central state investment, which starting from the beginning of 1999 is being repaid quarterly and the final repayment date of the loan is December 30, 2012. The loan contracted for a central state investment is guaranteed by the State Treasury.

Information on Derivative Financial Instruments and Hedge Accounting

Information on derivative financial instruments and hedge accounting is included in Notes to the Unconsolidated Financial Statements of the Bank Pekao S.A. for the year ended December 31, 2009.

Accounting principles adopted in the preparation of the Financial Statements

Accounting principles adopted in the preparation of the Financial Statements are described in the Notes to the Unconsolidated Financial Statements of Bank Pekao S.A. for the year ended on December 31, 2009.

Issuance, redemption and repayment of debt securities

Issuance of bonds of Bank Pekao S.A.

On the basis of Resolution No. 6 of the Bank's Extraordinary General Meeting dated July 25, 2003 on the issue of registered bonds under an incentive program, the Bank issued registered A and B series bonds with pre-emptive rights to take up the Bank's F series shares as well as registered C and D series bonds with pre-emptive rights to take up the Bank's G series shares.

All the pre-emptive rights to take up F series shares pursuant to the implementation of the right of priority ensuing from the A and B series bonds and all the pre-emptive rights to take up G series shares pursuant to the implementation of the right of priority ensuing from the C series bonds were executed.

The execution of the pre-emptive rights to take up G series shares can be exercised in respect of D series bonds from January 1, 2009 to December 31, 2012.

The issue price of G series share amounts to PLN 123.06.

Structured Certificates of Deposits

Structured Certificates of Deposits are investment products for Bank's clients that are an alternative for traditional banks' deposits. The total value of the Bank's liabilities relating to these products amounted to PLN 1,297.1 million as at December 31, 2009 (principal value). In the Bank's balance sheet there are 25 issues of Structured Certificates of Deposits in PLN, EUR and USD with the maximum maturity date set at December 21, 2012. Those liabilities that mature in 2010, 2011, 2012 account for 47.6%, 27.3% and 25.1% of total liabilities, respectively.

9. Representations of the Bank's Management Board

The Management Board of Bank Pekao S.A. declares to the best of its knowledge that:
- the unconsolidated annual financial statements of Bank Pekao S.A. and comparative figures have been prepared in accordance with the binding accounting policies and that they reflect in a true, fair and clear manner Bank Pekao S.A. financial position and their results,
- the unconsolidated annual report on the activities of Bank Pekao S.A. for 2009 provides the true picture of Bank Pekao S.A. development, achievements and situation, including the main threats and risks.

The Management Board of Bank Pekao S.A. declares that the registered audit company performing the review of the annual consolidated financial statements of Bank Pekao S.A. has been selected in line with the binding legal regulations. The company and the registered auditors performing the review meet the requirements indispensable for issuing an objective and independent report from the review concerning annual consolidated financial statement, in line with the binding provisions of the law and professional standards.

10. Statement of Bank Polska Kasa Opieki Spółka Akcyjna on application of Corporate Governance Standards in 2009

According to the ordinance of the Minister of Finance of 19 February 2009 *regarding current and periodical information provided by security issuers and conditions of recognizing as equivalent information required under the law of a non-member state*[1], as well as pursuant to Par. 29.5 of the Rules of the Warsaw Stock Exchange (WSE), in conjunction with the WSE Management Board's Resolution No. 1013/2007 *on the scope and structure of statements of compliance with corporate governance rules by listed companies,* dated December 11, 2007, Bank Polska Kasa Opieki Spółka Akcyjna (the "Bank") states as follows:

Identification of corporate governance standards, that apply to issuer, that issuer apply voluntarily and any other relevant information on corporate governance practices used by issuer beyond the requirements under national law together with information on corporate governance practices used by issuer[2]

The Bank applies compliance risk standards whose objective is to ensure that no actions taken by the Bank are in conflict with the applicable laws, the Bank's internal regulations, recommendations of the regulators and inspection authorities, good practices or ethical standards.

General corporate governance rules applicable at the Bank and the Bank Pekao S.A. Group form a system of regulations and procedures defining guidelines for the activities of the Bank's governing bodies, including their relations with the Bank's stakeholders. These rules are stipulated in the statutory provisions (including in particular the Commercial Companies Code and the Banking Law), capital market regulations, as well as the rules laid down in Code of Best Practice for WSE Listed Companies.

The Bank applies corporate governance rules laid down in the Code of Best Practice for WSE Listed Companies, that took effect as of January 1, 2008.[3]

Furthermore the Bank applies corporate governance rules resulting from UniCredit Group Integrity Charter.

Scope of the Bank's non-compliance with corporate governance rules listed above[4]

The Bank acted in compliance with corporate governance rules.

[1] Journal of Laws of 2009 no.33 item 259, as amended
[2] Par. 91.5.4.a of the ordinance of the Minister of Finance of 19 February 2009
[3] The document is publicly accessible on the Warsaw Stock Exchange web site
[4] Par. 91.5.4.b of the ordinance of the Minister of Finance of 19 February 2009

Key Features of the Bank's internal control and risk management systems related to the preparation of financial statements and consolidated financial statements[5]

The Bank's Management Board is responsible for designing, implementing and functioning of the internal control system and risk management system with respect to the preparation of financial statements.

The Supervisory Board oversees the functioning of the internal control system by assessing its adequacy and effectiveness through the Audit Committee and the Internal Audit Department.

To the extent it is applied in the preparation of financial statements, the internal control system is aimed at ensuring reliable, complete and correct disclosure of all commercial transactions executed over a given period.

The accounting policies adopted by the Bank, which are compliant with the International Financial Reporting Standards (IFRS), the chart of accounts and reporting databases take into account the format and the extent of detail of the financial data disclosed in the financial statements, in accordance with the requirements and rules applied by the dominant entity (parent company). The Bank maintains its accounting books in the form of separate IT resources in its IT systems, in line with the adopted business structure. The IT systems ensure access to intelligible and centralised data, separately for each system, which confirm the accounting records and make it possible to control records continuity and transfer account activity and balances, as well as draw up financial statements.

The accounting books are reconciled against reporting databases.

The responsibility for preparing financial statements and periodic financial reports and for management information rests with the Financial Division supervised by the Vice-President of the Bank's Management Board.

UniCredit S.p.A. as the parent company of the Bank is subject to the provisions of the Italian "Saving Act 262" (law 262/2005 and Legislative Decree 303/2006), modelled on the US provisions of the "Sarbanes-Oxley Act." Therefore the Bank is subject to verification of its operational and audit procedures applied in the drawing up of the financial statements, in accordance with UniCredit S.p.A. guidelines arising from the above provisions.

Identification of shareholders owning directly or indirectly a significant block of shares together with identification of number of shares owned by those shareholders, percentage of shareholders' share in share capital, number and percentage of votes at the General Meeting resulting from owned shares[6]

Since August 1999, the Bank's principal shareholder has been UniCredit S.p.A. As at December 31, 2009, UniCredit S.p.A. held 59.25% of the Bank's share capital and the same percentage of the total vote at its General Shareholders Meeting. The remaining shareholders' interests amounted to 40.75%. Since none of the remaining shareholders holds more than 5% of the total vote at the Bank's General Shareholders Meeting, they are not required to disclose acquisitions of the Bank's shares.

The shareholders of the Bank owning directly or indirectly through their subsidiaries at least 5% of the total number of voting rights at the General Shareholders Meeting are as follows:

SHAREHOLDER'S NAME	NUMBER OF SHARES AND VOTES AT THE GENERAL MEETING	SHARE IN SHARE CAPITAL AND TOTAL NUMBER OF VOTES AT THE GENERAL MEETING	NUMBER OF SHARES AND VOTES AT THE GENERAL MEETING	SHARE IN SHARE CAPITAL AND TOTAL NUMBER OF VOTES AT THE GENERAL MEETING
	DECEMBER 31, 2009		DECEMBER 31, 2008	
UniCredit S.p.A.	155,433,755	59.25%	155,433,755	59.28%
Other shareholders	106,896,856	40.75%	106,778,874	40.72%
Total	**262,330,611**	**100.00%**	**262,212,629**	**100.00%**

[5] Par. 91.5.4.c of the ordinance of the Minister of Finance of 19 February 2009
[6] Par. 91.5.4.d of the ordinance of the Minister of Finance of 19 February 2009

Identification of holders of any securities with special control rights with description of those rights[7]

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

Securities issued by the Bank do not give their holders any special control rights.

Identification of any restrictions of voting rights, such as restriction of voting rights of holders of given number or percentage of votes, temporary restrictions of voting or provisions according to which, with cooperation of a company, rights resulting from securities are separated from the fact of holding those securities[8]

According to the Bank's Statute there are no restrictions of voting rights.

Identification of any restrictions of ownership transfer of securities issued by the Bank[9]

According to the Bank's Statute all the existing shares are ordinary bearer shares. There are no restrictions of ownership transfer of shares.

There are no restrictions of ownership transfer of securities issued by the Bank.

Description of rules governing appointment and dismissal of members of managerial bodies and their rights, in particular right to decide whether to issue or repurchase shares[10]

Management Board

The Management Board is composed of 5 to 9 members. Members of the Management Board are appointed by the Supervisory Board for the common term, which shall last three years. The Management Board comprises the President of the Management Board of the Bank, Deputy Presidents of the Management Board of the Bank and Members of the Management Board of the Bank. Deputy Presidents and Members of the Management Board are appointed and removed on the motion of the President. Appointment of two Members of the Management Board, including its President of the Management Board, is subject to approval by the Financial Supervision Authority. The body which applies to the Financial Supervision Authority for the approval is the Supervisory Board.

At least half of the Members of the Management Board, including its President, should possess a thorough knowledge of the Polish banking market, i.e. they should meet all of the following criteria:
– they have professional experience gained on the Polish market, relevant for the performance of a managerial function at the Bank,
– they are permanently domiciled in Poland,
– they have command of the Polish language.

Each Member of the Bank's Management Board is obliged to act in such a way as to further the Bank's interests. According to the Code of Professional Ethics effective at the Bank, each Member of the Management Board is expected to be honest and loyal in pursuing the common objectives, and to respect the Bank's resources and use them in a prudent manner. Moreover, Members of the Management Board are prohibited from taking any decisions or actions that would lead to conflicts of interests or that would be incompatible with the Bank's interests or their official duties. A Management Board Member is obliged to notify the Supervisory Board of any situation in which a conflict of interests might occur or has occurred. A Management Board Member who becomes aware of any situation where an employee or a representative of a business partner of the Bank demanded any benefits, regardless of their scope and nature, should promptly notify the Supervisory Board of such demand.

Members of the Management Board shall have rights under the generally applicable law. According to the Bank's Statute they have no right to decide whether to issue or purchase shares.

[7] Par. 91.5.4.e of the ordinance of the Minister of Finance of 19 February 2009
[8] Par. 91.5.4.f of the ordinance of the Minister of Finance of 19 February 2009
[9] Par. 91.5.4.g of the ordinance of the Minister of Finance of 19 February 2009
[10] Par. 91.5.4.h of the ordinance of the Minister of Finance of 19 February 2009

Description of rules governing amendment of the Statute of the Bank[11]

Amendment of the Bank's Statute and drafting its consolidated text is adopted by way of resolution of the General Shareholders Meeting. Procedure of the General Shareholders Meeting of the Bank[12] defines detailed rules of conducting General Shareholders Meetings and adopting resolutions. The Bank applies Par. 415 of the Code of Commercial Partnerships and Companies, according to which resolutions of the General Shareholders Meetings to amend statute shall be adopted by a three-quarter majority as well as Par. 34.2 of the Banking Act, according to which any amendment of the Statute of the Bank shall require the authorization of the Polish Financial Supervision Authority where such amendment relates to:

- the company name,
- the bank's registered office, objects and scope of activity taking into consideration activities defined in par. 69.2.1-7 of the Act on Trading in Financial Instruments of July 29, 2005 that the Bank intents to perform according to Par. 70.2 of this Act,
- the management bodies and their competences, including particularly the competences of the members of the management board referred to in Par. 22b.1 of the Banking Act, and the decision making principles, the basic organizational structure of the bank, the procedures applicable to making legally binding statements regarding property rights and obligations, the procedures for issuing internal regulations and the procedure for making decisions concerning the undertaking of commitments or disposal of assets whose total value with regard to a single entity exceeds 5% of the bank's own funds,
- the principles of functioning of the internal control system,
- the own funds and financial management principles,
- voting preference or limitation attached to shares at a bank.

Functioning of the General Shareholders Meeting and its key powers, as well as description of the rights of shareholders and the manner of exercising these rights, in particular rules resulting from Rules of Procedure for the General Shareholders Meeting, unless these rules result directly from generally applicable law[13]

The operation of the Bank's General Shareholders Meeting is governed by the Rules of Procedure for the Bank's General Shareholders Meeting, adopted by way of Resolution No. 19 of April 8, 2003, which defines detailed rules of conducting General Shareholders Meetings and adopting resolutions.
The Rules of Procedure are available to the public at the Bank's website.

The General Shareholders Meeting has the following powers and authority:

- to review and approve the report on the Bank's operations and the Bank's financial statements for the previous financial year,
- to adopt a resolution on profit distribution or coverage of loss,
- to review and approve the report on the activities of the Supervisory Board,
- to grant discharge to members of the Supervisory Board and Management Board in respect of their duties,
- to review and approve the report on the Bank Pekao S.A. Group's operations and the Group's financial statements,
- to set the dividend record date and dividend payment date,
- to dispose of or lease a business or its organised part, and to encumber it with limited property rights,
- to amend the Bank's Statute and to draft its consolidated text,
- to increase or decrease the Bank's share capital,
- to issue convertible bonds, bonds with pre-emptive rights to acquire shares, and subscription warrants,
- to retire shares and to define the terms of retirement,
- to decide on the Bank's merger, demerger or liquidation,
- to create and release special accounts,
- to appoint and remove from office members of the Supervisory Board,
- to define the remuneration rules for members of the Supervisory Board,
- to conclude an agreement with a subsidiary which provides for the management of the subsidiary or for the transfer of profit by the subsidiary,
- to appoint an external auditor,
- to decide upon other matters falling within the scope of the Bank's activities, which have been submitted to the General Shareholders Meeting for discussion.

[11] Par. 91.5.4.i of the ordinance of the Minister of Finance of 19 February 2009
[12] Adopted by virtue of the Resolution of the General Shareholders Meeting No. 19 of April 8th 2003
[13] Par. 91.5.4.j of the ordinance of the Minister of Finance of 19 February 2009

On August 3, 2009 came into force the amendment of the Code of Commercial Partnerships and Companies relative to conducting General Shareholders Meetings. Due to the fact that during the period between August 3, 2009 and December 31,2009 no Bank's General Shareholders Meeting was held, the one held in 2009 was conducted according to the following rules:

When determining the date of the General Shareholders Meeting, the Management Board seeks to enable as many shareholders as possible to participate in the Meeting.

Draft resolutions to be adopted by the General Shareholders Meeting, along with their justification, are made available to the shareholders not later than 14 days prior to the Meeting date. Official copies of the Bank's Management Board on the Bank's operations and financial statements as well as copies of the Supervisory Board's report and external auditor's opinion are issued to shareholders upon request no later than 15 days prior to the General Meeting date.

The rights of Bank's shareholders include in particular:
- the right of shareholders holding at least a tenth of the share capital to submit a request with the Management Board to convene an Extraordinary General Shareholders Meeting and to demand that specific issues be placed on the agenda of the next General Shareholders Meeting,
- the right of shareholders to participate in the General Shareholders Meeting personally or by proxy,
- the right of shareholders holding a tenth of the share capital represented at the General Shareholders Meeting to demand that the attendance list of the General Shareholders Meeting be checked by a committee appointed for that purpose and composed of at least three persons, including one person appointed by the parties making the demand,
- the right according to which the General Shareholders Meeting is not allowed to adopt a resolution to remove an item from the agenda or not to consider an issue which was placed on the agenda upon request of shareholders unless the shareholders express their consent to the same,
- the right according to which the General Shareholders Meeting may not be adjourned deliberately to obstruct the exercise of the shareholders' rights,
- the right of each individual participant of the General Shareholders Meeting to nominate one or more candidates for membership on the Bank's Supervisory Board,
- the right of shareholders holding at least a fifth of the share capital to demand block voting on the appointment of the Supervisory Board; a relevant request should be submitted to the Management Board in writing at such time as to enable its placement on the agenda of the General Shareholders Meeting,
- the right to inspect the book of minutes and to receive copies of resolutions authenticated by the Management Board,
- the right according to which the Chairperson of the General Shareholders Meeting is obliged to ensure that the rights of minority shareholders are respected,
- the right of shareholders who raise an objection against a resolution to justify the objection in a concise manner,
- the right of a shareholder participating in the General Shareholders Meeting to demand that his/her written statement be included in the minutes.

All issues submitted to the General Shareholders Meeting have the recommendation of the Supervisory Board. According to Par. 9 of the Bank's Statute, the Management Board is obliged to present the issues submitted to the General Shareholders Meeting for consideration by the Supervisory Board.

The General Shareholders Meetings are attended by members of the Supervisory Board and Management Board. An auditor is present at the Annual General Shareholders Meeting or the Extraordinary General Shareholders Meeting if financial matters of the Bank are to be discussed at the Meeting.

If due to important reasons a member of the Management Board or the Supervisory Board is not able to participate in the General Shareholders Meeting, the reasons for such member's absence are notified to the General Shareholders Meeting.

The Bank's Management Board, as a body responsible for providing legal service to the General Shareholders Meeting, exerts every effort to ensure that resolutions are formulated in a clear and unambiguous manner.

The Rules of Procedure for the General Shareholders Meeting contain provisions (Par. 13.10–17) regarding block voting on the appointment of the Supervisory Board.

Any amendments to the Rules of Procedure for the General Shareholders Meeting take effect as of the date of the next General Shareholders Meeting.

In the course of performing their responsibilities, the Bank's governing bodies ensure that the interests of majority shareholders are served in such a way as not to prejudice the interests of the minority shareholders. The above principle finds its practical implementation in the proper composition of the Supervisory Board, which comprises representatives of both majority and minority shareholders. Thus, the interests of all shareholder groups are accounted for in carrying out the supervisory function. The principle of the majority rule is reflected in Par. 10.2 of the Bank's Statute, whereby the General Shareholders Meeting may adopt resolutions if at least 50% of the share capital plus one share is represented at the Meeting. The purpose of this provision is to guarantee that resolutions on matters most important to the Bank and its shareholders are adopted by the General Shareholders Meeting in the presence of shareholders representing jointly an absolute majority of the share capital. However, if a resolution is not adopted for lack of quorum, as defined above, the resolution may be adopted at the next Meeting with the same agenda, in the presence of shareholders representing at least 20% of the share capital.

The Chairperson of the General Shareholders Meeting is responsible for the orderly conduct of the meeting and ensures that the rights and interests of all shareholders are respected, that any abuse of rights by the participants is prevented, and that the rights of minority shareholders are observed.

Within the scope of their competence and to the extent necessary to resolve issues placed under discussion of the General Shareholders Meeting, members of the Supervisory Board, members of the Management Board and the auditor provide the participants with the required explanations and information concerning the Bank.

Voting on procedural matters may be carried out only on issues related to the conduct of the Meeting. This voting procedure cannot be applied to resolutions which may have impact on the exercise by the shareholders of their rights.

Removing an item from the agenda or a decision not to consider an issue placed on the agenda at the request of shareholders requires a resolution of the General Shareholders Meeting, adopted with a three-quarter majority of the votes, following approval by all the present shareholders who submitted such a request.

Composition and its changes that occurred during last financial year as well as rules of procedure of Bank's managerial, supervisory or administrative bodies and it's committees[14]

Management Board

As at January 1, 2009, the Bank's Management Board was composed of the following persons:

- Jan Krzysztof Bielecki – President of the Management Board, CEO,
- Luigi Lovaglio – First Vice-President of the Management Board and General Manager,
- Diego Biondo – Vice-President of the Management Board,
- Marco Iannaccone – Vice-President of the Management Board,
- Paolo Iannone – Vice-President of the Management Board,
- Andrzej Kopyrski – Vice-President of the Management Board,
- Katarzyna Niezgoda-Walczak – Vice-President of the Management Board,
- Grzegorz Piwowar – Vice-President of the Management Board,
- Marian Ważyński – Vice-President of the Management Board.

At the meeting of the Supervisory Board held on December 11, 2008, Mr Paolo Iannone resigned from his posts of Vice-President and Member of the Management Board effective January 1, 2009.

The Supervisory Board has adopted the resolution to recall from posts of Vice-President and Member of the Management Board Mrs Katarzyna Niezgoda-Walczak, effective as of April 17, 2009.

[14] Par. 91.5.4.k of the ordinance of the Minister of Finance of 19 February 2009

As at December 31, 2009, the composition of the Bank's Management Board was as follows:

Jan Krzysztof Bielecki – President of the Management Board, CEO,
Luigi Lovaglio – First Vice-President of the Management Board and General Manager,
Diego Biondo – Vice-President of the Management Board,
Marco Iannaccone – Vice-President of the Management Board,
Andrzej Kopyrski – Vice-President of the Management Board,
Grzegorz Piwowar – Vice-President of the Management Board,
Marian Ważyński – Vice-President of the Management Board.

On November 24, 2009 Mr Jan Krzysztof Bielecki, the President of the Management Board, CEO, has resigned from his posts of President the Management Board, CEO and Member of the Management Board effective January 11, 2010.

The Bank's Management Board acts according to the Rules of procedure adopted by virtue of its Resolution No. 101/VI/03 of June 3, 2003. The Rules of procedure shall in particular define the matters which require joint consideration by the Management Board, as well as the procedure for adopting a resolution in writing. The Rules of Procedure of the Management Board are available at the Bank's website. The members of the Management Board shall coordinate and supervise the activity of the Bank pursuant to the binding division of competence.

According to the Bank's Statute the Management Board shall conduct the matters of the Bank and represent the Bank. All issues not reserved by virtue of the provisions of the law or of the Statute to fall within the scope of competence of other authorities, shall fall within the scope of competence of the Bank's Management Board. The Management Board of the Bank in the framework limited by the rules of the binding Polish law submits to UniCredit S.p.A. as the parent company all required information and data. The Management Board of the Bank, operating through the statutory bodies of the subsidiaries of the Bank, coordinates and affects their activities aimed at ensuring the stability of the group.

Pursuant to the provisions of the Rules of procedure, the Bank's Management Board prepares the development strategy for the Bank and is responsible for the implementation and execution of that strategy. The Supervisory Board issues its opinions on the Bank's long-term development plans and annual financial plans, prepared by the Management Board. The Management Board ensures that the management system at the Bank is transparent and effective, and runs the Bank's affairs in compliance with applicable laws and Best Practices. The core values underlying the management of the Bank are professionalism, credibility and confidentiality, while customer relations are underpinned by reliability and integrity, as well as compliance with applicable laws, including the provisions governing the prevention of money laundering and financing of terrorism. These values are among the principles incorporated in the Code of Professional Ethics implemented at the Bank.

Pursuing the principle of efficient and prudent management, the Management Board is responsible for initiation and implementation of programmes aimed at increasing the Bank's value and rate of return for the shareholders, as well as protection of the employees' long-term interests. In its decisions, the Bank's Management Board makes every effort to ensure, to the maximum extent possible, the promotion of the interests of the shareholders, creditors, employees, as well as other entities and persons cooperating with the Bank in its business activity.

Supervisory Board

As at January 1, 2009, the Bank's Supervisory Board was composed of the following persons:
Jerzy Woźnicki – Chairman of the Supervisory Board,
Paolo Fiorentino – Deputy Chairman and Secretary of the Supervisory Board,
Federico Ghizzoni – Deputy Chairman of the Supervisory Board,
Paweł Dangel – Member of the Supervisory Board,
Fausto Galmarini – Member of the Supervisory Board,
Oliver Greene – Member of the Supervisory Board,
Enrico Pavoni – Member of the Supervisory Board,
Leszek Pawłowicz – Member of the Supervisory Board,
Krzysztof Pawłowski – Member of the Supervisory Board.

On the date of holding the Bank's General Shareholders Meeting on May 5, 2009 expired mandates of the members of the Supervisory Board. The General Shareholders Meeting adopted the resolution to appoint members of the Supervisory Board for the period of their common term of office effective as of May 6, 2009. The following persons have been appointed to the Supervisory Board:
Jerzy Woźnicki – Chairman of the Supervisory Board,
Paolo Fiorentino – Deputy Chairman and Secretary of the Supervisory Board,
Federico Ghizzoni – Deputy Chairman of the Supervisory Board,
Paweł Dangel – Member of the Supervisory Board,
Oliver Greene – Member of the Supervisory Board,
Alicja Kornasiewicz – Member of the Supervisory Board,
Enrico Pavoni – Member of the Supervisory Board,
Leszek Pawłowicz – Member of the Supervisory Board,
Krzysztof Pawłowski – Member of the Supervisory Board.

The above mentioned composition of the Supervisory Board has not changed until December 31, 2009.

The Supervisory Board acts on the basis of the Rules of procedure adopted by virtue of its Resolution No. 17/03 of May 22, 2003, amended by way of Resolution No. 20/05 of June 27, 2005. The Rules of procedure of the Supervisory Board are available at the Bank's website.

The role of the Supervisory Board is to exercise a general and permanent supervision over the Bank's activities, taking into consideration Bank's function of a parent company regarding subsidiaries of the Bank. The Supervisory Board in particular examines every matter submitted to the General Shareholders Meeting.

The Supervisory Board members always act with due regard to the Bank's interests and take all actions necessary to ensure efficient functioning of the Supervisory Board.

Each year, the Supervisory Board prepares and submits to the General Shareholders Meeting an assessment of the Bank's annual statements prepared by the Bank's Management Board and statements of the Supervisory Board's activities accordance with the *Best Practices for WSE Listed Companies*. The assessment and evaluation are prepared by the Supervisory Board and the documents are made available to the shareholders before the General Shareholders Meeting.

The Supervisory Board has set up dedicated committees which deal with specific areas of the Bank's operations, including the Audit Committee, the Remuneration Committee and the Financial Committee. Reports of the committees set up by the Supervisory Board are stored at the Bank's Head Office and made available by the President's Office to the shareholders at the request. Annual reports of committees are annexed to and published with the Supervisory Board statement.

Audit Committee

The Audit Committee was composed in 2009 of the following persons:

Oliver Greene
Paolo Fiorentino
Federico Ghizzoni
Leszek Pawłowicz
Jerzy Woźnicki

The scope of the Audit Committee's remit has been determined by the Supervisory Board's Resolution No. 42/07 of October 2, 2007.

The Audit Committee supports the Supervisory Board in the performance of its duties, therein related to the adequacy and effectiveness of the Bank's internal control mechanisms, including identification, measurement and management of risk, compliance with applicable laws and procedures governing the Bank's operations, correct application of accounting rules in the process of drawing up financial statements, and ensuring independence of external auditors and the resources of the Internal Audit Department.

The Audit Committee is composed of five persons selected from among the members of the Supervisory Board, and includes at least three independent members. The Chairman of the Audit Committee is an independent member of the Supervisory Board.

Meetings of the Audit Committee are held as need arises, but not less frequently than four times a year, and dates of these meetings coincide with key dates in the Bank's quarterly reporting cycle and the review of the annual audit plan presented by the Director of the Internal Audit Department.

Remuneration Committee

The Remuneration Committee was composed in 2009 of the following persons

Paolo Fiorentino
Jerzy Woźnicki
Federico Ghizzoni
Enrico Pavoni

The Remuneration Committee operates on the basis of the Supervisory Board's resolution. The Remuneration Committee makes recommendations to the Supervisory Board regarding: the amount of remuneration to be paid to members of the Management Board, the remuneration policy for the Bank's managerial staff, submission of recommendations to the General Shareholders Meeting regarding the amount of remuneration to be paid to members of the Supervisory Board.

Financial Committee

As at January 1, 2009, the Financial Committee was composed of the following persons:

Paolo Fiorentino
Federico Ghizzoni
Enrico Pavoni

The composition of the Financial Committee has been changed on June 9, 2009.

As at December 31, 2009, the composition of the Financial Committee was as follows:

Federico Ghizzoni
Alicja Kornasiewicz
Enrico Pavoni

The Financial Committee operates on the basis of the Supervisory Board's resolution. Its role is to exercise supervision over the implementation of the Bank's financial objectives. Members of the Committee have the right to use services of advisors (consultants).

Report on the activities of Bank Pekao S.A. for the year 2009

Signatures of all Members of the Bank's Management Board

11.03.2010	**Alicja Kornasiewicz**	**Member of the Management Board** **Acting President of the Management Board**	
Date	First Name / Family Name	Position / Function	Signature
11.03.2010	**Luigi Lovaglio**	**First Vice President of the Management Board,** **General Manager**	
Date	First Name / Family Name	Position / Function	Signature
11.03.2010	**Diego Biondo**	**Vice President of the Management Board**	
Date	First Name / Family Name	Position / Function	Signature
11.03.2010	**Marco Iannaccone**	**Vice President of the Management Board**	
Date	First Name / Family Name	Position / Function	Signature
11.03.2010	**Andrzej Kopyrski**	**Vice President of the Management Board**	
Date	First Name / Family Name	Position / Function	Signature
11.03.2010	**Grzegorz Piwowar**	**Vice President of the Management Board**	
Date	First Name / Family Name	Position / Function	Signature
11.03.2010	**Marian Ważyński**	**Vice President of the Management Board**	
Date	First Name / Family Name	Position / Function	Signature