

**Letter of the President of the Management Board of
Bank Polska Kasa Opieki S.A.**

On behalf of the Management Board of Bank Polska Kasa Opieki S.A., I hereby present the Consolidated Annual Report for the year 2007 addressed to the Bank's shareholders, its supervisory bodies, the capital market regulators, our customers and the public in general.

The year 2007 was the best year in history for the Polish banking sector, and so the banks' results achieved during that year may be difficult to repeat. Until mid-year, banks benefited from a strong economic growth, but in the second half of the year the economy showed clear indications of a slowdown. However, apart from the stock exchange, the broad economy did not seriously suffer of the turbulence on the international financial markets sparked by the subprime mortgage crisis in the United States.

For the Bank and the Pekao S.A. Group, 2007 was a period of hard work, necessitating a focus on commercial expansion in the highly competitive environment and implementation of many important projects, which had to be pursued hand in hand with effective management of the extremely complex process consisting in the merger with separated part of Bank BPH S.A. within the UniCredit Group. I am pleased to say that we managed to accomplish the set objectives in both areas.

Financial results of the Group of Bank Pekao S.A. achieved in the above conditions are very good. Its net profit rose by more than 20%. We managed to improve our operating efficiency increasing return on equity to 23,7%. The robust financial performance stemmed from intensified business activity, which fuelled a rise in income, tight cost control and a lower cost of risk. The companies of the Pekao Group also delivered very good results.

In 2007 we successfully completed the legal merger between the Bank and part of Bank BPH S.A. spun off following the latter's division. The merged new Bank Pekao S.A. leads the Polish banking market and boasts the largest capitalisation among Central and Eastern Europe's banks. Its customer base is nearly 5 million strong and includes over 250 thousand small- and medium-sized enterprises and more than 15 thousand corporate clients. We have brought together two teams of first-rate professionals, whose joint efforts are contributing to building not only the largest, but also the most competitive bank in Poland and in the region of Central and Eastern Europe. The new Pekao operates through a network comprising over a thousand outlets and uses cutting-edge service delivery and communication tools, which rely on the Internet, fixed telephony and mobile telephony.

In Europe the integration process within the UniCredit Group began in June 2005, when the governing bodies of UniCredito Italiano and HypoVereinsbank (HVB) decided to combine the strengths of the two banking groups in order to form the first truly European bank. The consequence of that decision on the Polish market was the launch of the integration process between Bank Pekao S.A. and Bank BPH S.A., which – following the transaction between UniCredit and HVB executed in late 2005 – became members of the same banking group.

Since mid-2006, teams consisting of top experts from the two banks have been working intensively towards implementation of the integration project. The legal integration was preceded by a number of formal and administrative procedures and it closed on November 29th 2007, when the competent court registered the merger.

The UniCredit Group's debut on the Warsaw Stock Exchange (WSE) which marked the culmination of the legal merger between the two banks belonging to the same financial group, was an important event for the Polish capital market. Market capitalization which as at the debut day, i.e. December 20th 2007, amounted to EUR 80 billion, gives our strategic investor the first place among companies traded on the WSE.

As soon as the legal merger was completed, we proceeded to the operational integration. In the first stage, the operational integration covered the following areas: provision of brokerage services to customers of the taken over outlets who previously obtained such services from Bank BPH, custodial services, treasury operations, capital expenditure and cost management and human resources management. The process of migration of the outlets from Bank BPH's IT platform to Bank Pekao's systems is still underway and is scheduled to be completed in the second quarter of 2008.

The integration project we are implementing is both complex and unprecedented on the Polish financial market. Its complexity derives from the decision to combine Bank Pekao with part of Bank BPH after the latter's division. Due to the specific nature of the process and the legal constraints it entailed, we were not able earlier, i.e. prior to the legal merger date, to obtain access to the database of customers whose accounts we were to take over as a result of the merger. Therefore, until the spin-off date, we had no information about the clients being taken over under the integration process. Consequently, this made it impossible for us to ensure day-to-day communication and exposed us to criticism from some customers and media. We are well aware that our clients, shareholders and investors may have felt a shortage of information. I would like to thank them for their patience and understanding, which have been the prevailing reactions to the above situation.

Looking back on our previous year's achievements, on behalf of the Management Board I would like to thank all our customers, shareholders and investors for their trust. Let me assure you that we will do our utmost to successfully follow through the process of operational integration, which is bound to generate added value for all groups of stakeholders.

I also want to convey our thanks to the Supervisory Board members for very good cooperation. The Supervisory Board's regard for the interests of our Company, which reflected in genuine commitment to the Bank's business and careful supervision over the efficient management of major risk areas, did a lot to strengthen stability and sustainable growth of the Bank and the entire Pekao Group.

We have very difficult year behind us, a year which required a great number of managers and other employees most actively involved in the integration efforts to put in above-average dedication, sometimes even personal sacrifices. In the midst of the ongoing integration, the conduct of ordinary business called for extra effort on the part of all employees. On behalf of the Management Board, I thank everyone for that effort and dedication. I extend my personal thanks to the Management Board members, my closest associates, for their invaluable contribution towards smooth implementation of the integration process and for our good, concerted cooperation.

My special thanks go to former members of the Management Board, Ms Sabina Olton, Ms Irene Grzybowski and Mr Przemysław Figarski who, although they had completed their work on the Management Board upon expiry of their term of office at the end of April, continued to support us over the ensuing months in the challenging work aimed at the integration of the two banks.

I would also like to express satisfaction at the fact that Ms Sabina Olton, who had been associated with Bank Pekao throughout her professional carrier, agreed to remain part of our banking community in the capacity of Ombudsman for the UniCredit Integrity Charter, being a set of our corporate values, and lend us support in its implementation. Effective implementation of the Integrity Charter is an issue of paramount importance across the UniCredit Group, as we believe that commonly shared values reflected in corporate behaviour will contribute to building a strong identity of the first truly European bank, to achieving a sustained long-term development of the Bank and the Pekao Group and to enhancing value for all groups of stakeholders.

We expect that in 2008 the conditions will be conducive to further improvement of the value we create. We will, however, work in a less favorable environment than in the previous year. The economy will develop at a lower pace, which for the banking sector will translate into slower growth of loans. Higher household incomes, on the other hand, should lead to a rise in savings. Even if less optimistic scenario unfolds, i.e. if the impact of the global situation on the prospects of Poland's economy and banking sector proves more significant, Bank Pekao has solid foundations and strengths, such as effective risk and cost management, that will allow it continue growing at a sustained rate. With the completion of the operational integration, we will be able to achieve a clearer focus on the pursuit of our business strategy and strengthening the position of the Bank and the entire Pekao Group within the Polish financial market.

Warsaw, March 2008

*Jan Krzysztof Bielecki
President, CEO*