BANK PEKAO SA

Member of UniCredit Group

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Report on the activities of Bank Pekao S.A. for the year 2011

Warsaw, March, 2012

Contents

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1. Highlights

	2011	2010	2009	2008	2007 COMBINED DATA*	2007	2006
INCOME STATEMENT (PLN MILLION) – SELECTED ITEMS							
Operating income**	7,241	6,764	6,693	7,525	7,855	4,995	4,464
Operating costs**	(3,366)	(3,336)	(3,353)	(3,427)	(3,487)	(2,469)	(2,157)
Operating profit**	3,875	3,428	3,340	4,097	4,368	2,526	2,307
Profit before income tax**	3,450	3,078	2,981	4,030	4,125	2,398	2,100
Net profit	2,826	2,552	2,462	3,346	3,382	2,007	1,729
PROFITABILITY RATIOS							
Return on average equity (ROE)	14.2%	13.5%	14.7%	23.3%	22.8%	22.4%	21.0%
Net interest margin	3.7%	3.5%	3.3%	3.9%	3.7%	3.9%	4.1%
Non-interest income / operating income	37.2%	38.6%	39.8%	36.5%	49.0%	49.7%	48.7%
Cost / income	46.5%	49.3%	50.1%	45.5%	44.4%	49.4%	48.3%
STATEMENT OF FINANCIAL POSITION (PLN MILLION) – SELECTED ITEMS							
Total assets	142,390	130,125	126,918	127,979	119,569	119,569	66,977
Loans and advances to customers ***	92,143	77,059	73,043	75,106	63,956	63,956	32,355
Amounts due to customers	108,005	99,329	96,701	90,458	89,160	89,160	51,811
Equity	20,799	19,834	17,968	15,571	14,378	14,378	8,620
STATEMENT OF FINANCIAL POSITION STRUCTURE RATIOS							
Net loans / total assets	64.7%	59.2%	57.6%	58.7%	53.5%	53.5%	48.3%
Securities / total assets	21.0%	24.1%	21.6%	17.7%	20.3%	20.3%	24.9%
Deposits**** / total assets	75.9%	76.3%	76.2%	70.7%	74.6%	74.6%	77.4%
Net loans / deposits	85.3%	77.6%	75.5%	83.0%	71.7%	71.7%	62.4%
Equity / total assets	14.6%	15.2%	14.2%	12.2%	12.0%	12.0%	12.9%
Capital Adequacy Ratio	**16.6%**	**17.2%**	**15.6%**	**11.6%**	**11.1%**	**11.1%**	**14.7%**
EMPLOYEES AND NETWORK							
Total number of employees	17,921	18,276	18,912	19,718	20,636	20,636	14,362
Number of outlets	1,002	1,014	1,028	1,041	1,058	1,058	782
Number of ATMs	1,817	1,800	1,854	1,891	1,885	1,885	1,262

In order to assure data comparability, selected positions 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 2006 - 2007 are in line with those published for these periods respectively.

* Data 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.

**** Deposits include Amounts due to customers

2. Summary of Performance

Bank Pekao S.A. reported solid financial results for 2011, with net profit amounting to PLN 2,826.4 million, i.e. an increase of PLN 274.4 million (10.8%) in comparison to 2010.

Sound results for 2011 with the operating profit increased by 13.1% in comparison with 2010 were driven mainly by higher operating income with operating costs kept under control, growing only by 0.9%, well below infaltion.

The strength of the capital and liquidity structure of Bank Pekao S.A. is reflected by a capital adequacy ratio of 16.6% and net loans to deposits ratio at the level of 85.3% at the end of December 2011. This enables for further sound and stable development of the Bank's activities.

The Bank continued its policy of offering only PLN mortgage loans. The residual stock of mortgage loans denominated in foreign currencies, almost entirely acquired as a result of the merger of the spun-off part of Bank BPH SA, represents 6.5% of total loans of the Bank.

- In 2011, the Bank's operating income amounted to PLN 7,241.3 million, an increase of PLN 477.4 million (7.1%) in comparison with 2010 with growth in total net interest income and dividend income as well as net non-interest income, in particular net fee and commission income.
- Total net interest income and dividend income in 2011 amounted to PLN 4,550.0 million and increased by PLN 393.7 million (9.5%) in comparison with 2010. The increase was driven mainly by higher volumes as well as efficient management of interest margin.
- The Bank's net non-interest income in 2011 amounted to PLN 2,691.3 million, an increase of PLN 83.7 million (3.2%) in comparison with 2010, mainly as a result of an increase in net fee and commission income as well as an increase in trading result.
- In 2011, the operating costs were kept under control and amounted to PLN 3,366.3 million. They were higher than the operating costs in 2010 only by PLN 29.9 million (0.9%), well below inflation.
- In 2011, net impairment losses on loans and off-balance sheet commitments amounted to PLN 497.9 million, an increase of PLN 48.0 million (10.7%) compared to 2010.
  As at December 31, 2011, the ratio of impaired receivables to total receivables amounted to 6.0% and was better by 0.4 p.p. than that reported as at the end of 2010.
- As at the end of December 2011, the total amounts due to the Bank's customers (including customer deposits, repo and sell-buy-back transactions, structured certificates of deposit, certificates of deposits) amounted to PLN 109,730.2 million, an increase of PLN 10,143.6 million (10.2%) in comparison to the end of 2010.

  The total volume of retail customers deposits and structured certificates of deposit amounted to PLN 48,069.7 million at the end of 2011, an increase of PLN 2,625.3 million (5.8%) in comparison to the end of 2010. The value of net assets of investment funds managed by Pioneer Pekao TFI S.A. amounted to PLN 13,780.9 million at the end of 2011, a decrease of PLN 4,277.9 million (23.7%) in comparison to the end of 2010 as a result of unfavourable situation on capital markets.

  The total volume of corporate customers deposits, repo and sell-buy-back transactions and certificates of deposits amounted to PLN 61,660.5 million at the end of 2011, an increase of PLN 7,518.3 million (13.9%) as compared to the end of 2010.
- As at the end of 2011, the volume of retail loans amounted to PLN 35,730.3 million, an increase of PLN 5,181.7 million (17.0%) in comparison to the end of 2010. The growth of volume of retail loans was achieved thanks to high dynamic in sales of key lending products. Thanks to commercial focus, in 2011 the Bank's sales of consumer loans increased by 18.0% and sales of PLN mortgage loans increased by almost 27% compared with 2010.

  The volume of corporate loans, non quoted securities, reverse repo transactions and securities issued by local governments increased by PLN 10,513.9 million (20.8%) as compared to the end of 2010 and amounted to PLN 61,140.9 million at the end of 2011.

3. External Activity Conditions

GDP growth rate

According to preliminary data of the Polish Central Statistical Office, GDP growth rate in 2011 amounted to 4.3% (higher than achieved in 2010 when it equaled to 3.9%) with an increase in individual consumption by 3.1%. Despite of the fact that in 2011 the GDP growth rate remained at the similar level to the previous year, change in the growth structure can be noted. Investment expenditures have become a significant component of the domestic demand. It was mainly due to the public sector investments, however the revival of investment activity was also evident in the private sector. In the second half of 2011, the domestic demand started to deteriorate and its impact on the GDP growth was lower. Data for the fourth quarter indicate significant downturn in private consumption that might have resulted from deterioration on labour market. In the second half of the year the GDP growth rate was strongly stimulated by net exports. In 2010 net exports negatively affected the GDP growth rate whereas in 2011 it had a positive impact. It's also worth noting, that an increase in price competitiveness of Polish exporters, due to depreciation of the Polish currency in the second half of 2011, was an important factor accelerating net exports.

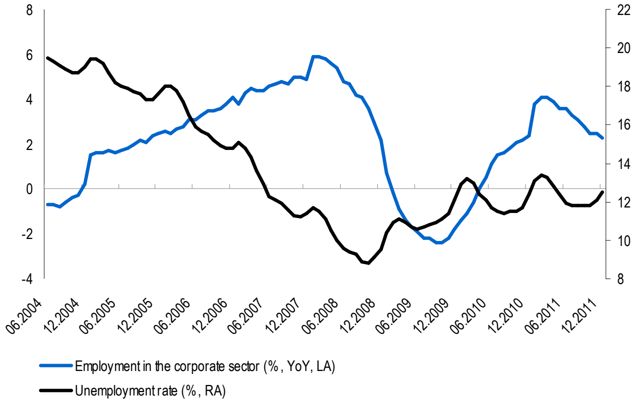
As forecasted, the GDP growth rate in 2012 will equal 3.1% year on year. When compared to the previous year, a slowdown in investment growth rate is expected, mainly due to the deterioration of economic prospects abroad. Similarly to the second half of 2011, net exports will be a substantial factor influencing the GDP growth.

Labor market

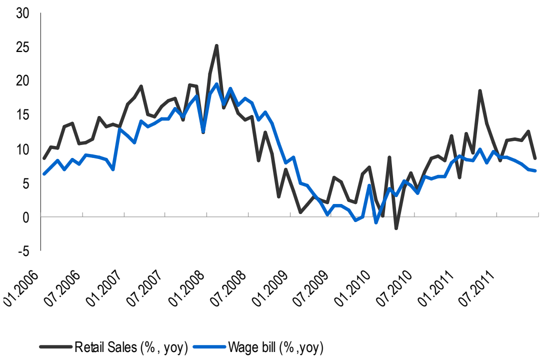
The average number of employees hired in the Polish companies amounted to 5,503.2 thousand in December 2011, i.e. 123.8 thousand more than in December 2010. Nevertheless, it must be noted, that an update of the Polish Central Statistical Office's statistical sample performed at the beginning of 2011 was the main contributor to the employment growth (number of companies employing more than 9 persons has increased) and resulted in employment level growth of 121.6 thousand. The first half of 2011 brought a further improvement on the Polish labor market and the employment increase with a peak in July at the level of 5,528.1 thousand. The second half of the year brought a gradual reduction of the number of workplaces. The decrease in the employment rate took place mainly in the processing industry due to a slump in foreign orders.

The decline in employment was accompanied by a reduction in job offers, resulting primarily from a slump in workplace subsidies. The unemployment rate slightly increased in 2011 reaching the level of 12.5% as at the end of December from the level of 12.4% as at the end of 2010.

The increasing unemployment trend is expected to continue in 2012.



Due to the worsening situation on the labor market, the salary pressure in the Polish enterprises' sector remained in 2011 at the moderate level, although the inflation expectations of households have significantly increased. The average salary in the enterprises' sector grew by 5.0% year on year compared with 3.3% in the previous year. As a result, the nominal wages in the enterprises' sector increased by 8.4% year on year vs. 4.1% in 2010, which due to the high inflation level had a positive impact on growth in real terms that amounted to 3.9% (in comparison to 1.5% in 2010).



Inflation and monetary policy

The CPI inflation rate in 2011 remained significantly above the inflation target set by the National Bank of Poland (NBP). According to estimates by the Polish Central Statistical Office, the average CPI inflation rate amounted to 4.3% year on year, reaching the level of 4.6% in December 2011. When price categories are considered, the most significant impact on keeping CPI index at the higher level had food prices, energy and housing costs together with substantial influence of transportation costs, mainly fuel prices. The influence of these categories was strengthened by non-recurrent events such as an increase in VAT, rise in excise tax at the beginning of the year, changes of administered and regulated prices and a modification of seasonal goods price monitoring system introduced by the Polish Central Statistical Office. In addition, the variation of Polish złoty exchange rate, especially its depreciation had impact on the prices of raw materials imported to Poland. The decrease in consumer inflation in the second half of 2011 was slower than expected mainly due to changes in law concerning, i.a., kindergarten fees and implementation of new regulations of the Ministry of Health applying to reimbursed medicines prices.

Lingering inflationary pressures, including rise in the prices of services, have permanently influenced net core inflation, which at the end of 2011 reached the level of 3.1% with an average rate of 2.4%, which is slightly below the inflation target.

Year 2012 is expected to bring a gradual decrease in CPI inflation heading for the inflation target. However, the timeframe in which this goal will be achieved depends on the magnitude of Polish złoty appreciation within the year. The pace of core inflation decline will be slower. The average CPI growth and core inflation will remain above the inflation target.

The appraisal of inflation prospects at the beginning of 2011 and a relatively stable path of economic growth in Poland, prompted the Monetary Policy Council to begin the cycle of monetary tightening. Overall, the Monetary Policy Council raised interest rates in the first half of 2011 by 100 b.p. in four steps, ending the series of increases with the reference rate at the level of 4.5%.The second half of the year was marked by the intensification of risk factors for the Polish economy, arising mainly from external conditions. The economic situation on foreign markets, especially the debt crisis in Europe increased uncertainty about the scale of the economic slowdown in the region and around the world. Financial markets uncertainty had an impact on easing monetary conditions in Poland through a substantial weakening of Polish złoty, which was the result of an increased risk aversion on the market. Taking into account the impact of weakening the Polish currency on the expected path of inflation in Poland, the National Bank of Poland decided to conduct a series of interventions on the currency market in order to stabilize the exchange rate.

Uncertainty about the development of the situation in the euro zone and in the global economy together with the elevated path of CPI inflation increase the probability of interest rate stabilization in Poland in first months of 2012. Signs of economic slowdown in Poland and a gradual drop in CPI inflation may encourage the Monetary Policy Council to loosen monetary conditions.

Fiscal policy
A lower than expected budget deficit resulted from higher than forecasted non–tax income (mainly thanks to excise duties and profit transfer from the National Bank of Poland) as well as better than predicted tax revenue on PIT, CIT and VAT (including the impact of increases in VAT tax rates and higher than expected inflation and growth rate in 2011). Another contributor was lower spending, which was mainly driven by the reduction of money transfer to open-end pension funds.

The parliamentary elections in Poland in October 2011 caused uncertainty about the continuation of fiscal consolidation plans. Winning the election by the current coalition government guaranteed implementation of the fiscal convergence program objectives in Poland. Facing the deteriorating economic perspectives, the Ministry of Finance has prepared the December's alteration of the Draft Budget Act for the year 2012, which incorporates revised macroeconomic assumptions and additional reforms aiming at updating the public finance consolidation plan.

There are the following government initiatives assumed in the plan of the Budgetary Act for 2012 leading to decrease the deficit of public sector to the level below 3% of GDP:

- introduction of temporary expenditure rule,
- rise in disability pension contribution by 2 p.p.,
- changes in excise duties - increase in excise duty on tobacco and fuel as well as removal of preferential excise duty on bio-fuels,
- introduction of expenditure rule for local government units,
- changes in capital gains tax and increase in dividends,
- introduction of silver and copper mining fees.

Plans of the Ministry of Finance concerning the long-term planning of public finances include raising the retirement age, removal of selected tax abatements, changes in farmers' social insurance and introduction of permanent expenditure rule.

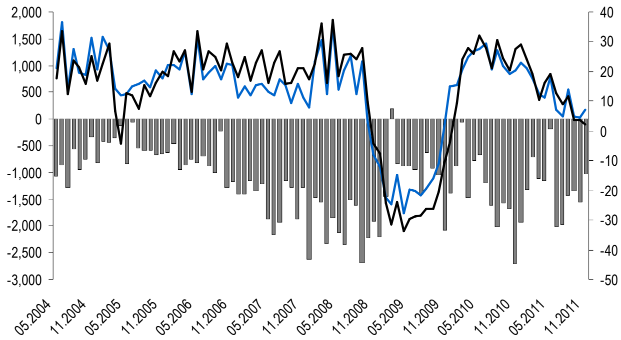
The gross borrowing needs of Poland will increase to the level of PLN 176.1 billion in 2012 compared to PLN 144.9 billion in 2011 (when taking into account a better realization of central government budget balance in the September's Draft Budget Act for the year 2012). Consistent completion of fiscal consolidation plans by the Polish government reinforced the perception of Poland on the financial markets and by the rating agencies what in turn allows to cover borrowing needs at the beginning of 2012.

Foreign sector
According to initial estimates by the National Bank of Poland, in 2011 the current account deficit amounted to EUR 15.2 billion vs. EUR 16.5 billion in 2010 which translates into a downturn in relation to GDP to 4.1% from 4.7% in 2010. The lower current account deficit resulted from improvement in services account surplus to EUR 4.9 billion from EUR 2.3 billion in 2010 and rise in current transfers account balance surplus due to increased absorption of funds from the EU from the level of EUR 2.8 billion in 2010 to EUR 4.1 billion.

Higher trade deficit and net income account deficit affected the current account balance. Goods trade account deficit increased from EUR 8.9 billion in 2010 to the level of EUR 10.3 billion in 2011 as a result of a more significant slowdown in exports' (from 23.0% in 2010 to 10.3%) than imports' dynamics (from 25.1% in 2010 to 10.7%). Whereas higher net income account deficit was connected with increased dividend payments by Polish enterprises due to improving financial results, the net income account deficit rose to EUR 13.9 billion from EUR 12.8 billion in 2010.

Year 2011 brought a significant decline in foreign portfolio investments – to EUR 11.0 billion from EUR 19.9 billion in the previous year. This phenomenon referred to both engagements in treasury securities and equity securities, which was a consequence of an increase in risk aversion on the global financial markets. The inflow of foreign direct investments proved to be significantly higher than in 2010 and accounted for ca. EUR 9.9 billion in comparison to EUR 6.7 billion in 2010. Foreign direct investments financed ca. 65% of current account deficit in 2011 which is acceptable level and much higher than in 2010 (ca. 41%).

In 2011, there was a further increase in the State Treasury's foreign debt. According to the data of the Ministry of Finance, as at the end of December 2011, the indebtedness amounted to PLN 246.4 billion, which translates into ca. PLN 51.6 billion growth (26.5%) in comparison to the end of December 2010. The growth was mainly the result of the weakening of the Polish złoty against other currencies, in which the State Treasury's foreign debt is measured.



Capital market

Year 2010 proved to be successful for the Polish stock market while year 2011 characterized by much more variability and as a result ended with a significant decrease of indices. Stock prices continued an upward trend during the first half of the year and consequently there were no signs of significant changes that originated in July and August. Among the major factors shaping market trend were events and changes in sentiments on global financial markets. Intensified weakness of the Warsaw Stock Exchange (WSE), in comparison to more mature markets, was a result of local institutions' demand restriction (mainly open-end pension funds, which felt the decrease in transferred contributions).

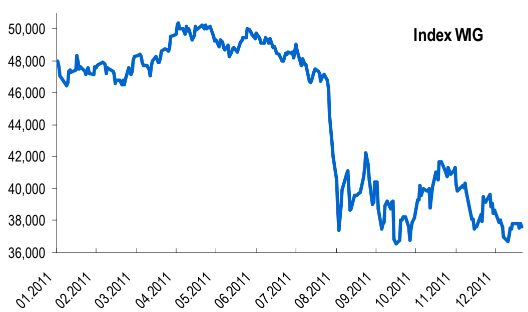
Main factors determining financial markets behavior all over the world, including stock markets, were as follows: political tensions in Arabic countries, earthquake in Japan, long-lasting dispute over the US public debt ceiling, downgrade of the US credit rating, a series of credit downgrades in the euro zone, increased concerns over the crises spreading to Spain and Italy as well as the lack of solid anti-crisis measures in Europe, despite of a series of EU summits. Especially Standard & Poors' decision to downgrade the United States' credit rating from the highest level surprised investors and led to double-digit decline in major stock market indices within a few days. During the rest of the year, stock markets strived to make up for losses. Unfortunately, the Warsaw Stock Exchange was among these that did not succeed, although the economic outlook (prognosis of a lower slowdown of the Polish economy growth rate in comparison to other countries on the continent) would indicate a completely different scenario.

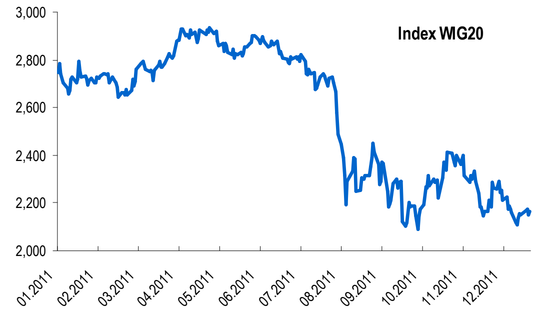
Surrounded by growing risk aversion and quest for safer investment opportunities investors reacted responsively, which repeatedly led to double-digit drops in the prices of less liquid equities. The vast majority of companies listed on the WSE are quoted at a discount and in situation of not so worst perspective of increase it can translate into appreciation of their shares in 2012.

The worst result was achieved by WIG-Plus index (40.77% decline in value), which represents the behavior of the smallest companies quoted on the WSE, that do not qualify for WIG20, mWIG40 and sWIG80 indices. WIG20, the index representing the biggest and the most liquid companies noted a substantially smaller drop in value (21.85% decrease). Relatively best performance showed the wide market index – WIG (20.83% drop in value).

Despite the harsh sentiment, the WSE steadily kept on attracting new issuers. In 2011, WSE was on the first place among European stock exchanges as far as number of IPOs' is taken into account, including 172 stock market launches on the alternative investment market – NewConnect. There have been 38 IPOs' on the WSE main market over the year, slightly more than in 2010 (34 companies). The total number of companies listed on the WSE main market and parallel market (without NewConnect) amounted to 426 at the end of 2011, of which 39 are foreign companies. The market capitalization of stock market companies decreased by 19.3% in 2011 and amounted for PLN 642.9 billion.

Variations in asset prices throughout the year were not without significance for individual investors. Therefore, more aggressive forms of investments did not fare well. According to data of the Analizy Online service, the assets of investment funds deteriorated in 2011 by PLN 5.7 billion (4.8% decline). The negative net sales amounted to PLN 3.3 billion. Similarly to 2010, the major beneficiaries were money market funds and bond funds (positive balance PLN 4.2 billion). The statistics for equity and mixed funds indicated worse results (PLN -2.9 billion and PLN -5.8 billion respectively). The equity funds' and mixed funds' net assets decreased by above 32% and 29% respectively. On the other hand, non-public assets funds' net assets increased by 44.3%, bond funds' net assets increased by 17.1% and finally market funds' net assets grew by 20.2%.





Banking sector

The condition and results of the banking sector in 2011 were mainly determined by the overall macroeconomic situation. Preservation of a relatively high pace of economic growth was of a particular importance. This in turn led to improvement in corporations' and households' financial standings and thus reduction of costs of risk. Simultaneously, increased financial markets' volatility – due to escalation of the euro zone problems – did not affect banking sector's results and changes in interest rates by the NBP remained minor and therefore did not have a major impact on banking activity.

The growth rate of banks' assets accelerated. It reached the level of 11.7% year on year at the end of 2011 (compared with 9.6% year on year as of December 2010). Relating to main categories of deposits[1], 2011 brought:

– the growth of household deposits by 13.5% year on year (9.8% year on year in 2010). The major factors influencing the growth acceleration of this category were households' income growth and changes in the savings' structure (moving savings towards lower risk profile assets),

– an increase of corporate deposits by 12.1% year on year, i.e. to the higher level compared to 2010 (9.9% year on year). Solid corporate deposits' growth is mainly a consequence of good financial results as well as one-off transactions (significant amounts of funds made by a few companies on sales of financial assets at the end of the year[2]),

– the growth of other deposits by 1.6% year on year (vs. 3.9% growth year on year in 2010). The low growth rate in this category is due to the significant fall of deposits of the Social Security Fund.

As a result of the growth of particular deposit categories described above, households deposits constituted 62.7% of all deposits (61.8% at the end of 2010), corporate deposits 26.7% (26.6% at the end of 2010) and other deposits 10.6% (11.6% at the end of 2010).

[1] Data based on aggregates published by the NBP for all monetary institutions, including deposits and other liabilities as well as loans and other receivables.
[2] Mainly sale of shares transaction in Polkomtel

In case of major categories of loans, 2011 brought:

- the increase in households loans by 11.9% year on year (14.0% year on year in 2010). This growth was achieved thanks to increase in the value of mortgage loans as compared with stagnation in consumer lending. It is also worth noting that the result achieved in 2011 is overstated due to depreciation of the Polish currency. It influenced the growth of the loans portfolio denominated in foreign currencies (mainly in Swiss franc). It is estimated that the pace of loans growth for households excluding impact of exchange rate effects amounted to ca. 7-8% year on year,
- the increase in corporate loans by 19.1% year on year (-0.2% year on year in 2010) was connected with higher investment spending among corporates and intensified activity in mergers and acquisitions. Also in the corporate loans area, depreciation of the Polish złoty, contributed to overestimation of the loans portfolio growth in comparison to 2010 (according to estimations by ca. 5 p.p.),
- the growth of other loans by 16.5% year on year (10.3% year on year in 2010). This growth was mainly driven by the growth of the loans portfolio of municipal units (+23.1% year on year). At the same time, a slight increase in loans granted to non–banking financial institutions was observed (2.9% year on year).

At the end of 2011, households' loans constituted 61.0% of the whole loan portfolio (62.3% at the end of 2010). Corporate loans constituted 29.7% (28.5% at the end of 2010) and the other loans 9.3% (9.2% at the end of 2010) of the whole loans portfolio.

Gross loans to deposits ratio reached the level of 115.6% at the end of 2011, compared with 112.9% as of December 2010 (104.7% and 102.1% respectively when estimated based on net receivables).

The quality of the loans portfolio remains an important issue. In this case, 2011 brought:

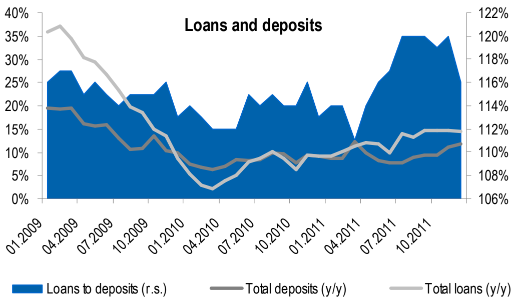
- NPLs' share in corporate loans portfolio has substantially decreased from 12.3% as of December 2010 to the level of 10.5% in December 2011. Such a significant drop of the ratio was prompted by both stabilization of NPLs' nominal value and high total portfolio growth rate,
- steady NPLs' share in household loans portfolio at the level of above 7% (7.2% in December 2011 i.e. unchanged in comparison with December 2010). A stable and slow increase in NPLs' share in mortgage loans can be noted (2.3% as of December 2011 vs. 1.8% as of December 2010). The NPLs' share in non-housing loans amounted to 14.6% in December 2011 compared with 14.0% in December 2010.

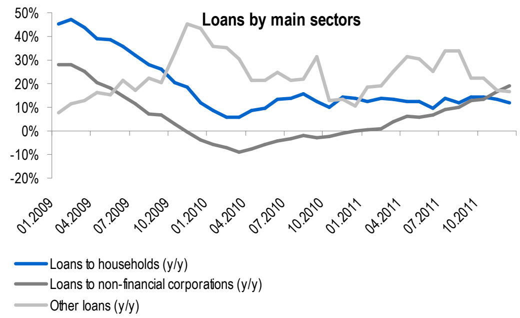
From the perspective of the banking sector' financial results, 2011 brought visible improvement. According to the Polish Financial Supervision Authority's data, net profit of the banking sector for 2011 amounted to PLN 15.7 billion and was 37.5% higher than net profit for 2010. The better result was due to a significant increase in the banks' interest result and reduction of net impairment losses on loans accompanied by a moderate growth in banks' operating costs.

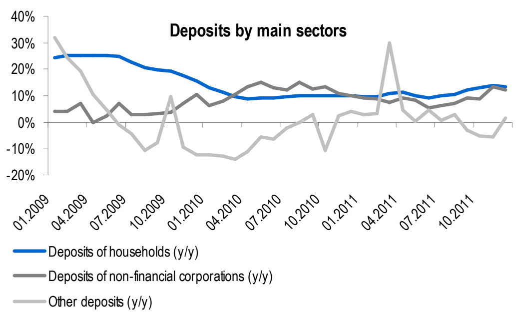
The most important regulatory events in 2011 were:

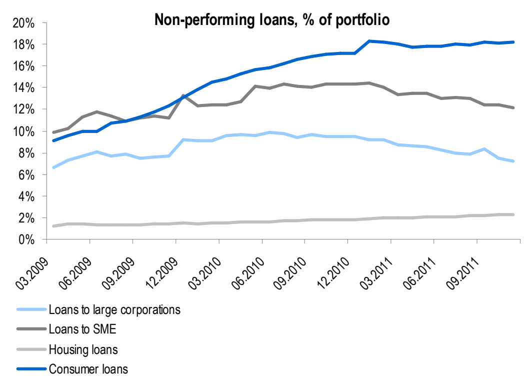
- further changes aiming at restricting customers' access to foreign currency loans,
- changes in "Family on their own" program limiting the scale of mortgage subsidies,
- implementing changes to the tax code that will eliminate possibilities of capital gains tax avoidance as far as daily compounding term deposits are concerned.

Total effects of all changes enumerated above will be observable in 2012.









Ukraine
In 2011, the Ukrainian economy sustained its economic growth from 2010. The International Monetary Fund estimates, that the GDP of Ukraine grew by 4.7% in 2011 compared with 4.2% growth in 2010 and a 14.5% decline in 2009. According to the National Bank of Ukraine forecasts, the economic growth rate could have exceeded 5% in 2011. Domestic demand was the main driver of economic growth, which in turn was influenced by strong employment and real wages growth as well as high growth rate of investment in inventories.

The main economic sectors that contributed to the growth were agriculture, construction industry and domestic trade. Substantial agriculture sector growth was due to a record-high harvest. According to estimates whole grain crop were a record-high and amounted to over 55 million tons in 2011. Also certain vegetables and oilseed crops were at the record level. The main driver in the construction industry was completion of infrastructure projects connected with organization of European Football Championship – UEFA EURO 2012. A slowdown in economic activity in the industrial sector, mainly due to weaker foreign demand, was noted at the end of 2011.

The inflation rate in Ukraine fell to the level of 4.6% as at the end of 2011 in comparison to 9.1% at the end of 2010. A huge slump in inflation rate began in September and was mainly driven by a decline in food prices thanks to a record high harvest. Another major factor lowering the inflation rate in 2011 was keeping the tariffs on natural gas for household consumers at the same level. Although the inflation dropped, the Central Bank of Ukraine tightened the monetary policy in the second half of the year by reducing liquidity in the banking sector. Second half of the year brought an increase in interest rates on the money market. The National Bank of Ukraine intervened on the foreign exchange market throughout the year, which helped to stabilize the exchange rate of Ukrainian Hryvnia against US Dollar at around UAH 8/USD 1.

Thanks to a high rate of economic growth, which translated into improved corporate financial performance, budgetary revenues grew substantially. According to forecasts budget deficit to GDP ratio amounted to ca. 1.7% in 2011. However, optimistic conclusions for the future should not be based on good budget results, because an increase in tax income was mainly caused by changes of accounting principles retained losses are recognized. Taking into consideration the above, it is estimated that Ukraine did not manage to reduce the public sector deficit to the level of 3.5% in 2011. From the perspective of Ukraine’s public finance, essential is a gas conflict with Russia, which does not agree to reduce its gas prices. Under these circumstances, the main IMF requirement is the gas prices increase for the Ukrainian customers but so far the Ukrainian government did not make a decision on it.

Negotiations between Ukraine and Russia on gas prices and further cooperation with the International Monetary Fund remain fundamental for Ukraine’s economic situation in 2012.

4. Important Events and Achievements

4.1 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 period ended on December 31, 2011.

The most significant developments concerning the Group are presented below.

Change of name, legal form and business place of the company
On February 8, 2011, the legal form of OJSC UniCredit Bank Ukraine was changed from Open Joint Stock Company into Public Joint Stock Company and currently the bank’s full name is Public Joint Stock Company UniCredit Bank. The seat of the bank was moved from Luck to Kiev.

Liquidation of the company
On October 20, 2010, the Extraordinary General Meeting of the company Holding Sp. z o.o. in liquidation took the resolution to commence the process of liquidation of the company, business activity of which has been already discontinued. The process of liquidation will be continued in 2012.

4.2 Changes in the Statutory Bodies of the Bank

Supervisory Board
Mr. Sergio Ermotti, Member of the Supervisory Board of the Bank, resigned from position held in the Supervisory Board effective from February 23, 2011.

On April 14, 2011, Mr. Federico Ghizzoni, Deputy Chairman, Secretary of the Supervisory Board of the Bank has submitted a resignation from his positions in the Supervisory Board,effective from April 30, 2011.

The Ordinary General Meeting of the Bank held on April 19, 2011, has appointed into the composition of the Supervisory Board of the Bank Mrs. Alicja Kornasiewicz effective from May 1, 2011 and Mr. Alessandro Decio effective from April 19, 2011.

The Supervisory Board of the Bank at the meeting held on June 1, 2011 appointed Mrs. Alicja Kornasiewicz as Chairwoman of the Supervisory Board upon her resignation from the position of the President of the Management Board of the Bank, Mr. Jerzy Woźnicki, who has submitted his resignation from the position of the Chairman of the Supervisory Board, as Deputy Chairman of the Supervisory Board and Mr. Alessandro Decio as Secretary of the Supervisory Board.

Composition of the Supervisory Board of Bank Pekao S.A.:

DECEMBER 31, 2011	DECEMBER 31, 2010
Alicja Kornasiewicz Chairwoman of the Supervisory Board	Jerzy Woźnicki Chairman of the Supervisory Board
Roberto Nicastro Deputy Chairman of the Supervisory Board	Federico Ghizzoni Deputy Chairman, Secretary of the Supervisory Board
Jerzy Woźnicki Deputy Chairman of the Supervisory Board	Roberto Nicastro Deputy Chairman of the Supervisory Board
Alessandro Decio Secretary of the Supervisory Board	Paweł Dangel Member of the Supervisory Board
Paweł Dangel Member of the Supervisory Board	Sergio Ermotti Member of the Supervisory Board
Oliver Greene 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

Management Board of the Bank

On April 14, 2011, Mrs. Alicja Kornasiewicz, President of the Management Board of the Bank has resigned from her position, effective on April 30, 2011.

On April 14, 2011, according to the Supervisory Board unanimous decision, which entered into force on May 1, 2011, Mr. Luigi Lovaglio has been appointed the President of the Management Board of the Bank, CEO for the current common term of office of the Bank's Management Board. The appointment was effective as of the date of obtaining the approval of the Polish Financial Supervision Authority.

On July 19, 2011, the Polish Financial Supervision Authority unanimously gave its consent to appoint Mr. Luigi Lovaglio as President of the Management Board of the Bank.

Composition of the Management Board of Bank Pekao S.A.:

DECEMBER 31, 2011	DECEMBER 31, 2010
Luigi Lovaglio President of the Management Board, CEO	Alicja Kornasiewicz President of the Management Board
Diego Biondo Vice President of the Management Board	Luigi Lovaglio First Vice President of the Management Board General Manager
Marco Iannaccone Vice President of the Management Board	Diego Biondo Vice President of the Management Board
Andrzej Kopyrski Vice President of the Management Board	Marco Iannaccone 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	Grzegorz Piwowar Vice President of the Management Board
	Marian Ważyński Vice President of the Management Board

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

Members of the Management Board are appointed and removed from office by the Supervisory Board. Vice Presidents and Members of the Management Board of the Bank are appointed and removed from office upon the request of the President of the Management Board of the Bank. Appointment of two members of the Management Board, including the President of the Management Board, is subject to approval by the Polish Financial Supervision Authority. The body which applies for the approval is the Supervisory Board.

The Management Board of the Bank runs the Bank's affairs and represents the Bank. The scope of activities of the Management Board of the Bank includes all matters which, pursuant to the provisions of law or the Bank's Statute do not fall within the scope of competence of other bodies. The rules and procedures governing the activities of the Bank's Management Board are stipulated in the Rules of Procedure for the Management Board of the Bank.

Members of the Management Board of the Bank coordinate and supervise the activity of the Bank in accordance with the division of powers enacted by the Management Board of the Bank and approved by the Supervisory Board.

Mr. Luigi Lovaglio, President of the Management Board of the Bank, coordinated the activities of the members of the Management Board of the Bank, supervising also, in particular the following areas of the Bank's activity: internal audit, compliance, and corporate communication, including investor relations.

Mr. Luigi Lovaglio headed the Management Board, convened and presided over the Board meetings, presented its stance to other governing bodies of the Bank and in relations with third parties, in particular with the State authorities, and issued internal regulations.

Mr. Diego Biondo, Vice President of the Management Board of the Bank supervised the activity of the Risk Management Division.

Mr. Marco Iannaccone, Vice President of the Management Board of the Bank supervised the activity of the Finance Division.

Mr. Andrzej Kopyrski, Vice President of the Management Board of the Bank supervised the activity of the Corporate Banking and MIB Division.

Mr. Grzegorz Piwowar, Vice President of the Management Board of the Bank supervised the activity of the Retail Banking Division.

Mr. Marian Ważyński, Vice President of the Management Board of the Bank supervised the activity of the Logistics and Procurement Division.

4.3 Organizational changes

In 2011, there were changes in organizational structure of Bank Pekao S.A.'s Head Office.

The most significant included establishment of Global Banking Services Area grouping activities of Organization Division, IT Division, HR Shared Service Centre Department and Cost Management Department and newly created GBS Support Office.

Establishment of Global Banking Services Area was aimed at rationalization of the Bank's activities in the area of operations and support services offered to business divisions, increasing capabilities to utilize economies of scale as well as improvements in terms of quality / efficiency of operational processes and technical solutions including optimization potential in terms of material costs.

4.4 Awards and distinctions

The activities of Bank Pekao S.A. in 2011 gained wide recognition, as evidenced by numerous awards and distinctions granted by Polish and foreign institutions. The most relevant honors are presented below.

Besides awards and distinctions for the banking services development and consumer relations, in the past year the awards received for commitment to the realization of Corporate Social Responsibility (CSR) strategy: The Patron of the Year 2011 and Top Employer Poland 2011 titles were of special importance to the Bank.

Bank Pekao S.A. – Patron of The Year 2011

The Minister of Culture and the National Heritage honored Bank Pekao S.A. with Patron of the Year 2011 title. This distinction is granted annually to only one institution for commitment to supporting and promoting culture and art.

The award of the Minister of Culture is of special importance as the Bank was nominated by 21 cultural institutions from Poland that gives a sense of pride and satisfaction.

Among events that received support from the Bank, there were the most prestigious cultural events in Poland: International Wratislavia Cantans Festival in Wrocław, XX Mozart Festival in Warsaw and XIV Shakespeare Festival in Gdańsk.

In Poland, there is a number of institutions and cultural events that are worth to be supported. It is an important role to play for the Bank – a leading financial institution, which prioritizes supporting high culture within the scope of CSR. The Bank is convinced that the culture patronage is one of the most important duties of socially responsible corporations. The Bank strives to preserve the artistic heritage for future generations.

Bank Pekao S.A. has been involved in a lot of events. For years the Bank has been cooperating with numerous cultural institutions: reputable theaters, museums, musical festivals organizers. Since 2007 the Bank has funded awards granted by Polski PEN Club to writers, editors and translators. For four years, the Bank has been the sponsor of the prestigious plebiscite Paszporty POLITYKI – awards granted to young, outstanding artists.

Bank Pekao S.A. among the best employers in Poland

top EMPLOYERS 2011 POLSKA AWARDED BY THE CRF INSTITUTE

Bank Pekao S.A. was once again awarded with "Top Employers Poland" certificate by the International Institute CRF (Corporate Research Foundation), one of the leading institutions that assesses the human resources management policies on the world.

The Certificate "Top Employers" is granted to companies and organizations whose employees have outstanding working conditions and developments prospects. The result that exceeds the set standards of human resources management is a condition of this Certificate to be granted.

The Certificate is granted on the basis of results of research that scrutinizes the key areas of HR policies and practices such as salaries, perquisites and working conditions, training and development opportunities, career path development and corporate culture.

In 2011, 20 companies from 360 organizations qualified in Poland to the survey obtained the Certificate “Top Employers”.

Bank Pekao S.A. accomplished the best grades in areas: salaries, training and development opportunities and career path development.

Promotional Emblem “Teraz Polska” for Pekao24

The electronic banking system Pekao24 was awarded Promotional Emblem ”Teraz Polska” in the XXI edition of the competition for the best products and services. The distinction is a confirmation of high quality and modern attitude towards services offered to Bank Pekao S.A. clients through e-channels.

”Teraz Polska” competition is organized by the Polish Promotional Emblem Foundation under the auspices of the Polish President. The Emblem is granted products and services of the highest quality. It is one of the most highly-valued prizes in Poland. The competition has been organized for 20 years.

Global Finance: Bank Pekao S.A. among the TOP 10 safest banks in CEE

Bank Pekao S.A. was on the TOP 10 list of the safest banks in CEE securing the fourth position and the first position among the Polish financial institutions in the World’s Safest Banks 2011 ranking announced by the Global Finance magazine in August 2011.

Laureates of the ranking were chosen on basis of the long-term credit rating score assigned by leading rating agencies. The value of assets was also taken into consideration.

The high position in the ranking is evidence of solid capital position and superior risk management capabilities.

Global Finance: Award for Corporate Banking Services of Bank Pekao S.A.

Bank Pekao S.A. has been awarded for the fourth consecutive year two recognized awards granted by Global Finance magazine, unlike any other Polish bank:

- Best Trade Finance Bank 2011 – the best trade financing provider,
- Best Foreign Exchange Provider 2011 – the best foreign exchange services provider in the category Polish złoty.

The Best Foreign Exchange Provider 2011 is a recognition for specialized institutions of FX operations effectively supporting the activities of their clients.

Global Finance: PekaoBIZNES24 the Best integrated Corporate Bank Site in CEE

The Bank was awarded the title of Best Intergrated Corporated Bank Site for electronic banking service PekaoBIZNES24 which was recognized as the best integrated Internet banking platform for corporate clients in CEE in the World's Best Internet Banks 2011 contest organized by the international financial magazine Global Finance.

The international jury appreciated the Bank platform for effective strategy on gaining clients and providing them with services online, wide range of online banking products and services and comprehensive approach to corporate clients.

It is another prestigious distinction granted to PekaoBIZNES24 system, which obtained previously among others Europrodukt 2009, "Złoty Bankier 2010" and "Innovation of the Year 2010" awards.

Gold Emblem of Najwyższa Jakość Quality International 2011 for the Pekao Integrated Agreement Packages for corporate clients and for Pekao24

The Bank was announced double winner of "Najwyższa Jakość Quality International 2011" competition receiving Gold Emblem in "service" category for the Pekao Integrated Agreement Packages for corporate clients and for electronic banking service Pekao24 for individual clients.

The judging panel appreciated the Pekao Integrated Agreement Packages for comprehensive solutions, which enable clients to choose the Bank's products and services individually and use them effectively with simplified procedures, what influences favourably a long-term relations with the Bank.

The Golden Emblem QI 2011 is a next distinction for the Pekao Integrated Agreement, which received earlier the Europrodukt 2009 title.

Gold Emblem for electronic banking service Pekao24 for individual clients is a recognition for the Bank's activities related to implementing the best quality solutions in electronic banking and development of the Internet service for clients while ensuring the highest standard of services in other forms of contact with the Bank.

"Najwyższa Jakość Quality International" competition is organized by editorial board of Forum Biznesu - supplement to the Dziennik Gazeta Prawna newspaper, under the auspices of the Regional Development Ministry, the Polish Agency for Enterprise Development and the Polish Forum ISO 9000. The goal of the competition is to recognize and award entities, which distinguish themselves with quality of offered products and services.

EUROPRODUKT distinction for the electronic banking Pekao24

The electronic banking Pekao24 won a distinction – EUROPRODUKT in the XVI edition of competition under the auspices of the Ministry of Economy and Polish Agency for Enterprise Development. The jury especially appreciated modern, intuitive and comprehensive service.

EUROPRODUKT is a prestigious nationwide competition recognizing products and services, which because of high quality, cutting-edge technology, interesting offering and endeavors to provide comprehensive and professional services are able to compete on the European market.

Mobile Trends Awards

Mobile application Pekao24 was awarded as the best application in category "Mobile Banking" by the judging panel comprises of IT and mobile technology experts in the first edition of competition Mobile Trends Awards.

The mobile application of Bank Pekao S.A. is a modern way of access to account and banking services through electronic banking service Pekao 24. The application operates on all popular operating systems of mobile phones and tablets and the range of available services is one of the most comprehensive among banking applications on the Polish market.

Euromoney: Bank Pekao S.A. the Best Bank in Poland in the field of transaction banking

The clients chose in the Euromoney magazine's survey Bank Pekao S.A. as the Best Bank in Poland in 2011 in the area of the transactional banking services. The Euromoney award is another proof of Bank Pekao S.A.'s strengthening position in the Polish corporate banking sector.

The first place in the ranking of banks providing cash management services in Poland proves that the Bank's clients appreciated the highest quality and innovative solutions, created for clients' convenience with care about the highest standard of services and maximum transaction safety.

GPW: Bank Pekao S.A. Treasury BondSpot Market Leader

In February 2011, Bank Pekao S.A. received an award "Treasury BondSpot Poland Market Leader" and was acknowledged an indisputable market leader after concluding the summary of participants' activities on the Treasury BondSpot Poland by the Warsaw Stock Exchange. The Bank earned 11% of share in turnover on the Treasury BondSpot market, comprising 30 domestic and foreign banks.

Activities of market participants on the treasury bond market were assessed globally and in categories: turnover in the spot segment, turnover in conditional transactions segment and activity during fixing sessions.

The most significant honorouble for the Bank is the statue of "Treasury BondSpot Poland Market Leader in 2011". Apart from the first place on the general level, Bank Pekao S.A. was ranked as second bank in category "The highest turnover in foreign currency transactions segment on the Treasury BondSpot Poland Market in 2010".

Bank Pekao S.A. the Bank of the Year 2011 in Commercial Real Estate Financing

Bank Pekao S.A. was named "Financing Provider of the Year Poland 2011" by the jury of the contest organized by magazine Eurobild - one of the most important professional magazines of Commercial Real Estate in CEE.

The Jury consists of representatives of many significant companies from commercial real estate sector: real estate developers, investors, consultants, law firms and banks. In the final of the contest, the Bank has beaten 5 other financial institutions.

The Innovation of the Year 2011 title for Loro Module for correspondent banks

The Loro Module for correspondent banks in the PekaoBIZNES24 online platform was awarded "The Innovation of the Year 2011" title in the contest organized by Business Forum- supplement to the Dziennik Gazeta Prawna newspaper. The jury appreciated the solution that integrates innovative technology with simple interface and gains interest among correspondent banks.

In comparison with other banks, the Loro Module distinguishes itself with a rich functionality and unique solutions among others balance estimations calculated on demand, access to original financial announcements from all settlement systems and communication module, which enables transferring to the Bank authorized and recorded requests (requests and orders concerning financial transfers) and to archive correspondence between the correspondent and the Bank.

The Innovation of the Year is a contest that promotes modern and original solutions, products and services of Polish corporations, institutions and organizations in different industry sectors.

4.5 Bank Pekao S.A. as National Sponsor of the UEFA European Football Championship UEFA EURO 2012 ™ and the Official Bank of the Championships in Poland.

On November 14, 2011, the Bank announced the signing of sponsorship of the European Football Championship UEFA EURO 2012 ™. Under this agreement, the Bank has become the Official Bank of the Championships as well as the National Sponsor. The agreement, in addition to granting privileges of National Sponsor, provides that the Bank will conduct for the UEFA all banking operations related to UEFA EURO 2012 ™ in Poland.

European Football Championship UEFA EURO 2012 ™ is one of the two largest events of its kind in Europe and the largest mass event in the history of Poland. According to conservative estimates, event will gather approximately half a million of football fans and tourists visiting Poland at that time. This event will take place also thanks to the commitment and active role of the Bank, which has become a key strategic partner for financing infrastructure projects related to UEFA EURO 2012 ™, involving funds amounting to ca. 4 billion PLN.

The Bank has financed and conducted banking services for projects including:

- stadium construction in Gdansk,
- construction of National Stadium in Warsaw
- five regional airports modernization,
- modernization of the urban public transport
- road and highway construction in preparations for UEFA EURO 2012 ™.

Appointment of Bank Pekao S.A. as the Official Bank of European Championship confirms the strong position of the Bank and opens up new opportunities for business development and strengthening of the Bank's image as an institution of public trust.

The Bank ensures the comprehensive transactional support for the UEFA EURO 2012 ™ Championship, covering settlements with suppliers, handling ticket sales as well as supporting the sale of corporate packages. Moreover, leveraging on this opportunity a special offer of new products has been developed , including cards labeled with the UEFA EURO 2012 ™, dedicated savings products, etc. The sale of those products will be promoted by a number of promotional campaigns, including the contests giving a chance to win free tickets for matches of the championship.

5. Information for the Investors

The Bank's share capital and share ownership structure
As at December 31, 2011, the share capital of Bank Pekao S.A. amounted to PLN 262,382,129 and it was divided into 262,382,129 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
515,472	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

As at December 31, 2011, the share capital of the Bank amounts to PLN 262,382,129 and remained unchanged until the date of submitting the report. In 2011, the share capital of the Bank increased by the total amount of PLN 17,803 as a result of issue of 17,803 series G ordinary bearer shares which have been taken up by participants of the Incentive Program realized in the Bank Pekao S.A. Group.

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.

The shareholders of Bank Pekao S.A., who held 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	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, 2011		DECEMBER 31, 2010	
UniCredit S.p.A.	155,433,755	59.24%	155,433,755	59.24%
Other shareholders	106,948,374	40.76%	106,930,571	40.76%
Total	**262,382,129**	**100.00%**	**262,364,326**	**100.00%**

UniCredit S.p.A. has been the Bank's major shareholder since August 1999. As at December 31, 2011, UniCredit S.p.A. held 59.24% 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 40.76%. 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.

On January 11, 2012, Aberdeen Asset Management PLC (and/or acting on its own and behalf of subsidiaries) based in Aberdeen, acquired 215,000 shares of the Bank and exceeded the 5 per cent of the total number of voting rights on the General Shareholders' Meeting and this information was published by the Bank in the current report released on January 17, 2012 (current report 3/2012). Currently the entity holds 13,194,683 shares of the Bank, which account for 5.03% of all outstanding shares of the Bank with the same number and percentage share in voting rights.

The Polish open-end pension funds (OFE) constitute the group of financial investors holding significant equity position in the Bank. Based on their publicly available financial statements, as at December 31, 2011 OFE held in aggregate 11.8% of Bank Pekao S.A. shares.

The Polish 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, 2011		DECEMBER 31, 2010	
Aviva OFE Aviva BZ WBK	7,409,785	2.82%	7,286,512	2.78%
ING OFE	5,216,783	1.99%	7,007,925	2.67%
OFE PZU "Złota Jesień"	4,859,005	1.85%	4,848,129	1.85%
Amplico OFE	2,928,048	1.12%	2,694,960	1.03%
AXA OFE	2,564,607	0.98%	2,284,347	0.87%
Generali OFE	1,737,638	0.66%	1,739,058	0.66%
Aegon OFE	1,514,571	0.58%	1,360,182	0.52%
Nordea OFE	1,429,360	0.54%	1,426,725	0.54%
PKO BP Bankowy OFE	1,123,915	0.43%	909,599	0.35%
Allianz Polska OFE	967,384	0.37%	973,783	0.37%
OFE Pocztylion	505,271	0.19%	786,198	0.30%
OFE Warta	410,063	0.16%	506,093	0.19%
OFE Polsat	194,150	0.07%	149,116	0.06%
Total	**30,860,580**	**11.76%**	**31,972,627**	**12.19%**

Source: Prospectuses and annual reports published by the open-end pension funds; closing share price of Bank Pekao S.A. as at the end of period.

Performance of market valuation of Bank Pekao S.A.'s stock

The shares of Bank Pekao S.A. are one of the most liquid share instruments in Poland and Central and Eastern Europe.

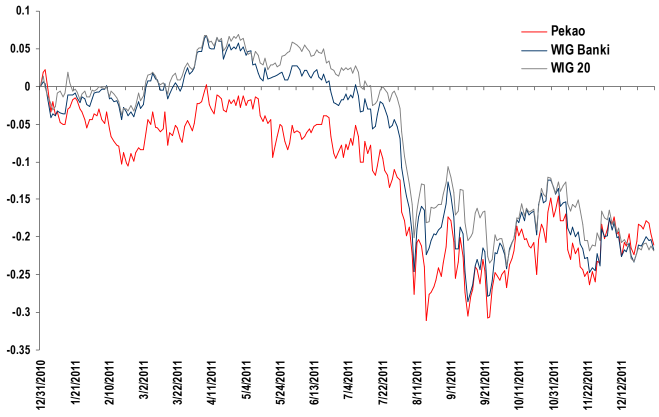
The Bank's market capitalization as at December 31, 2011 amounted to PLN 37.05 billion and it was by 21.1% lower in comparison to the previous year. Thanks to liquidity and its high capitalization the Bank's shares are part of many important stock indices maintained by domestic and foreign institutions including, inter alia, Polish 'blue chips' index – WIG20.

With the Bank's average shares' daily turnover volume at the level of 504 thousand and the worth of the Bank's annual turnover value at the level of PLN 19.6 billion in 2011, the share of the Bank' shares' turnover in the WSE's turnover amounted to 7.78%.

The Bank's share's price decreased by 21.1% in 2011 (from PLN 179.0 as at December 31, 2010 to PLN 141.2 as at December 31, 2011), similarly with decline of WIG20 index, which decreased by 21.9% in that period.

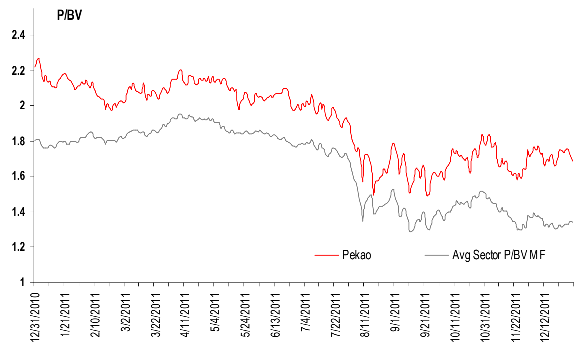
In 2011, the Bank's share's price fluctuated in a range from PLN 115.1 to PLN 184.5. Such volatility stemmed mainly from a sentiment dominating on global markets. The CEE region was one of the weakest emerging markets and the banking sector was one of the least popular among investors.

Stock quotation of Bank Pekao S.A.'s shares in 2011:

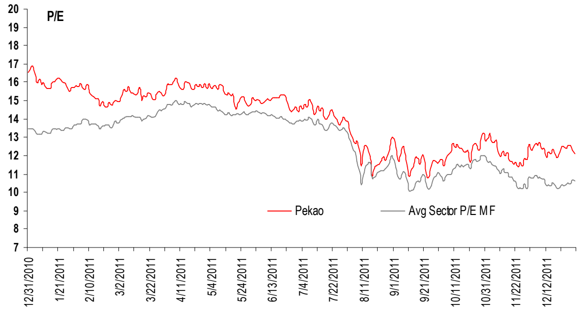


Source: WSE

Market valuation of Bank Pekao S.A. in 2011:



Source: Bloomberg; average for the sector calculated based on 9 of the largest Polish banks listed on the WSE



Source: Bloomberg; average for the sector calculated based on 9 of the largest Polish banks listed on the WSE

Bank Pekao S.A. maintained its market premium in comparison with an average of the Polish banking sector. As at 31 December 2011, the Bank's P/BV and P/E ratios were respectively 1.8 and 13.4.

Dividend payment history

In 2011, the Bank has paid out a 2010 dividend of PLN 6.8 per share. Dividend yield amounted to 4.8%.

The dividend payments for the year 2002 to 2010 are presented below:

Date	2002	2003	2004	2005	2006	2007	2008	2009	2010
Dividend for the year (million PLN)	693	748	1,065	1,234	1,504	2,517	-	761	1,785
Dividend per 1 share (PLN)	4.18	4.50	6.40	7.40	9.00	9.60	-	2.90	6.80

Investor Relations

The Bank's activity in areas concerning investor relations is focused on providing transparent and active communication with the market through active cooperation with investors, analysts and rating agencies as well as fulfilling disclosure requirements within applicable law regulations.

The Bank's representatives regularly hold a lot of meetings with investors in Poland and abroad, they take part in most of the regional and sector dedicated investors conferences and answer current questions from the market. Financial results of the Bank Pekao S.A. Group are quarterly presented on conferences that are simultaneously transmitted via the internet. In 2011, four conferences were held for financial results' presentation and over 500 meetings with investors and analysts from ca. 300 investment companies took place.

The main goal of the Bank's activities concerning contacts with investors is to enable the market to make a reliable assessment of the financial situation of the Bank, its market position and business model effectiveness in the context of financial condition of the banking sector and macroeconomic situation of domestic economy as well as international markets.

All necessary investor information is available on the Bank's website: http://www.pekao.com.pl/information_for_investors/.

Bank Pekao S.A. financial credibility ratings

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

The Bank's ratings in 2011 proved to be strongly resistant to changes in financial markets' conditions and remained at a high level.

As at December 31, 2011, Bank Pekao S.A.'s ratings were as follows:

FITCH RATINGS	BANK PEKAO S.A.	POLAND
Long-term rating (IDR)	A-	A-
Short-term rating	F2	F2
Individual rating*	B/C	-
Viability rating**	a-	-
Support rating	2	-
Outlook	Stable	Stable
STANDARD AND POOR'S	**BANK PEKAO S.A.**	**POLAND**
Long-term rating	A-	A-
Short-term rating	A-2	A-2
Stand-alone credit profile	bbb+	bbb-***
Outlook	Watch****	Stable
MOODY'S INVESTORS SERVICE LTD. (UNSOLICITED RATING)	**BANK PEKAO S.A.**	**POLAND**
Long-term foreign-currency deposit rating	A2	A2
Short-term deposit rating	Prime-1	Prime-1
Financial strength	C-	-
Outlook	Watch****	Stable/Negative*****

* On January 25, 2012, Fitch Ratings withdrew "Individual rating" category.

** On July 20, 2011, Fitch Ratings added "Viability rating" to ratings of all financial institutions rated by them. This "Viability rating", similar to "Individual rating", constitutes assessment of the quality of financial institution management, what determines its intrinsic viability and financial credibility. These ratings are assigned within similar to the 19-point long-term rating scale, starting from "aaa" as the highest up to "f" as the lowest with the possibility to add "+" or "-". „Individual rating" and "Viability rating" were run in parallel in year 2011.

*** Banking Industry Country Risk Assessment (BICRA).

**** Rating Watch Negative indication.

***** Stable for Poland and Negative for the Polish banking sector.

Bank Pekao S.A. has the highest Individual rating and Viability rating assigned by the Fitch Ratings to the Polish banks.

On February 14, 2012, Standard & Poor's rating agency ("Standard & Poor's") confirmed the Bank's short-term rating at the level "A-2" and the stand-alone rating at the level "bbb+", the highest one in the country of the banks rated by Standard & Poor's. The outlook for the ratings was upgraded from negative to stable. The long-term rating of the Bank has been downgraded by one notch from "A-" to "BBB+" following prior downgrading ratings of Republic of Italy and in consequence the downgrade of the rating of parent company UniCredit S.p.A.

In the result, the Bank's ratings assigned by Standard & Poor's are as follows: long-term credit rating –"BBB+", short-term rating –"A-2", outlook – stable and stand-alone rating – "bbb+".

6. Activity of Bank Pekao S.A.

6.1 Important factors influencing the Bank's activities and results

Bank Pekao S.A. activity in 2011 was determined by the economic situation in Poland and processes occurring in the banking sector as well as global trends.

The Polish economy continued its upward trend and was one of the fastest growing economy in Europe. The GDP growth rate was higher than in 2010 and amounted to 4.3%. The main drivers of growth were private consumption and gross fixed capital formation (investment). Investments increased significantly due to higher capacity utilization and realisation of postponed in previous years investments, mostly connected with EURO 2012 infrastructure projects and residential investment. The foreign trade recorded turnover growth and positive net exports dynamic. The depreciation of the Polish złoty supported exporters, increasing the competitive position of their goods. Retail sales and industrial production reported an increase. Situation on the labour market in the first half of the year was good, especially in the corporate sector where there had been a further increase in employment and earnings, while the second half of the year resulted in a gradual slowdown in growth. The difficult fiscal situation of certain euro zone countries did not hamper the development of the Polish economy.

The economic processes mentioned above supported further development of the Polish banking sector. Lending and deposits growth accelerated. Assets quality of the sector had gradually improved, resulting in lowering non-performing loans ratio (NPL).

Sales of mortgages maintained through the first eight months of the year at a record high level despite a gradual tightening of credit conditions by the Financial Supervision Authority (Recommendation T, revision of Recommendation S). The growth dynamics significantly decreased in the following months because of the restrictions introduced in Government's subsidized program "Family on his own" and the gradual implementation of tighter credit conditions imposed by the Financial Supervisory Commission (T Recommendation, an amendment to Recommendation S), but still maintaining its momentum.

The ongoing economic recovery and realisation of the infrastructure projects increased the demand for corporate loans, both working capital and investment loans, which resulted in a significant acceleration of the volumes growth.

The cyclical upturn also boosted significantly savings of individuals and corporates.

The Monetary Policy Council raised interest rates four times in 2011, each time by 0.25 percent, as a result of concerns about the impact of persistent inflationary pressures.

The good economic situation translated into a significant improvement in asset quality in the corporate segment and stabilization in the individuals' segment.

6.2 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, 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.

The rules and instruments of managing each of the risks are described below. Information on the risk exposure is included in Notes to the Unconsolidated Financial Statements of Bank Pekao S.A. for the period ended on December 31, 2011.

Credit risk
Managing credit risk and maintaining it at a safe level is vital for the Bank's financial performance. In order to minimize credit risk, special procedures have been established, pertaining in particular to the rules of assessing transaction risk, collateralization 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 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 rationalization of the credit process with an aim to obtaining better efficiency and security, including in particular enhancement of the procedures and tools for risk measurement and monitoring.

Credit risk concentration limits
According to the Banking Law the total exposure of a Bank to the risks associated with the single borrower or a group of borrowers in which entities are related by capital or management may not exceed 25% of a bank's equity. In 2011 the maximum exposure limits set forth in the Banking Law were not exceeded.

Sector exposure concentration
In order to mitigate credit risk associated with excessive sector concentration the Bank employs a system for monitoring the sector structure of its credit exposure. The system involves setting concentration ratios for particular sectors, monitoring the loan portfolio and procedures for exchanging information. The system is based on the lending exposure in particular types of business activity according to the classification applied by the Polish Classification of Economic Activities (Polska Klasyfikacja Działalności – PKD).

Concentration ratios are determined on the basis of the Bank's current lending exposure to the particular sector and risk assessment of each sector. Periodic comparison of the Bank's exposure to particular sectors with the current concentration ratio allows for timely identification of the sectors in which the concentration of sector risk may become excessive. In case such situation occurs, an analysis of the economic situation of the sector is performed considering the current and forecasted trends and the quality of the current exposure to that sector. These measures enable the Bank to develop policies that reduce sector risk and allow for a timely reaction to a changing environment.

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

Credit risk management in the subsidiaries located outside Republic of Poland
The process of credit risk management in PJSC UniCredit Bank is consistent with the Credit Policy of the Bank Pekao S.A. Group and considers also local Ukrainian requirements. Since 2003 such a credit policy is annually approved by the statutory bodies of PJSC UniCredit Bank and issued in the form of internal regulation binding within PJSC UniCredit Bank.

Bank Pekao S.A. exercises strict supervision and control over the underwriting process in PJSC UniCredit Bank. All credit decisions are taken by the Management Board of PJSC UniCredit Bank, however for credits or total exposures above EUR 5 million (or its equivalent in other currencies), only upon positive opinion of Bank Pekao S.A. The credit underwriting scheme is compliant with the standards of credit risk management that are currently in force in Bank Pekao S.A.

The majority of the loan portfolio relates to corporate clients which include the largest companies in Ukraine. Corporate lending activity is driven by working capital loans and investment loans.

Liquidity and market risks
The management of liquidity and market risks is a vital element of the Bank's risk management policy, which aims at optimizing the structure of assets and liabilities and off-balance sheet items, taking into account the assumed relation of risk to income and a comprehensive approach to all types of risk taken 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 statement of financial position resulting from the liquidity gap between assets and liabilities, exchange rate and interest rate gap, market risk management, financial investment risk, as well as Pillar II (Basel II) risks. The Asset, Liability and Risk Committee decides on the process of assets and liabilities management, interest rates 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 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 characterized by high liquidity. Being highly liquid instruments or instruments to be pledged, they constitute a regularly monitored liquidity reserve for the Bank, which should allow the Bank to overcome potential 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 on monthly basis.

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 calculated for both the Polish złoty and the main foreign currencies, as well as on an 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 of up to one month and up to one year. The Bank has introduced coverage ratios determining ratios of adjusted maturing liabilities to adjusted maturing assets over 1, 2, 3, 4 and 5 years 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 contingent liquidity management policy 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 level of early-warning indicators, the Bank's situation as well as overall market situation. Additionally, it defines the procedures for monitoring the liquidity levels, the procedures for emergency measures, the organizational 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.

An integral part of the liquidity monitoring process at Bank Pekao S.A. for situations relating to a financial market crisis or a crisis triggered by internal factors that are specific for the Bank, is the stress test scenario analysis, conducted on a weekly and 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 2011, the Bank's regulatory liquidity measures were above the required levels.

Market risk

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

Market risk is the risk that the Bank's net profit or economic capital will decrease due to changes in market conditions. The 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 organizational and methodological procedural framework designed to shape the statement of financial position structure and off-balance-sheet items in agreement with the strategic objectives. The main objective behind the market risk management strategy is to optimize the financial results and the value of economic capital so that its financial targets are attained and provision of high quality services to the Bank's clients is ensured while the exposure to market risk remains within the limits approved by the Management and Supervisory Boards.

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 regulators. The market risk management process and procedures reflect the division into the trading book and the banking book.

Trading book market risk

In the process of trading book market risk management the Bank seeks to optimize its financial results as well as quality of services within the limits approved by the Management Board and the Supervisory Board.

The key tool for assessing the market risk of the trading book is the Value at Risk (VaR) model. VaR represents the value of a one-day loss that might be realized with a probability not exceeding 1%. VaR is determined using historical simulation method based on two years observation of dynamics of market risk factors. The model is subject to statistical verification on an ongoing basis, which involves comparing the VaR value with the actual and revaluation results. The analyses for 2011 and 2010 have confirmed the model's adequacy.

Sensitivity measures, ongoing monitoring of the economic performance and stress tests are additional tools of trading book market risk measurement.

Banking book interest rate risk

In managing the trading book interest rate risk, the Bank aims to maximize the economic value of capital employed and achieve 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 currency risk is managed jointly for the trading and banking book. The objective of currency risk management is to create a currency profile of assets and liabilities and off-balance sheet 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 realized financial result from the level assumed in the financial plan. In compliance with the approach assumed by the Bank, 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 estate owned by the Bank. The risk does not cover real estate constituting collateral.

Real estate risk is calculated in one-year time horizon using the Value at Risk model at 99,97% confidence level and standard method of determining capital requirements as stated in the first pillar of the Basel II.

Financial investment risk

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

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 is the risk of loss due to mistakes, infringements, interruptions or damage resulting from internal processes, persons, systems or from external events. Within operational risk there is also legal risk. Strategic risk, business risk and reputation risk are different from operational risk.

Operational risk management is based on internal procedures which are in compliance with the Banking Law, the Polish Financial Supervision Authority Resolution 76/2010 (with amendments) and 258/2011, the Recommendation M and also UniCredit Group standards. Operational risk management encompasses: identification and assessment, monitoring, mitigation and reporting system. Identification and assessment is carried out by analysis of internal and external data, scenarios analysis, operational risk indicators and operational risk self-assessment. Monitoring actions are carried out on three control levels: operational control (all employees), risk management control (Operational Risk Management Department) and internal audit (Internal Audit Department). Operational risk mitigation includes internal control system, mitigation actions, business continuity plans and also insurance policies.

Organizational structure

The Supervisory Board approves the operational risk management strategy of the Bank, which defines operational risk, principles of operational risk management and internal control system with regard to operational risk. The Supervisory Board is also responsible for supervision of operational risk management system control and evaluation of its adequacy and efficiency i.a. on the basis of the annual report on operational risk control.

The Management Board is in charge of preparation, implementation and functioning of the adequate operational risk management process by means of introduction of adequate regulations. Moreover, the Management Board is responsible for effectiveness of the operational risk management system, internal control system and capital requirement calculation process as well as for supervision over effectiveness of these process by introducing necessary corrections or improvements in case there is a change in the Bank's activity risk level, external economical factors or irregularities in the systems and processes functioning.

The Operational Risk Committee supports the Management Board in creating a proper operational risk management process through the application of principles included in the strategy of operational risk management. The Operational Risk Committee is responsible for the: monitoring of the Bank's operational risk, assessment of operational risk management strategy, guidelines, policies, procedures and instructions as well as operational risk measurement model, assessment of reports on validation of operational risk management system and other materials on operational risk, assessment of operational risk limits proposals and also approving the list of key risk indicators and its limits.

The Operational Risk Management Department monitors the operational risks exposure of the Bank and of its subsidiaries. It is responsible, i.a. for: organization of a collection and registration process of operational events in the operational events database, monitoring key risk indicators, assessment of scenario analysis, cooperating in the analysis of the operational risk impact in case of significant new products introduction and important changes in business or the Bank's organizational structure, verifying whether the Bank's business continuity plans are regularly updated and tested, monitoring mitigation actions and control of outsourcing risk management.

Reporting

A reporting system has been developed to inform senior management and relevant control bodies about Bank's risk exposure and the risk mitigation actions. In particular, annual and quarterly operational reports include data concerning operational losses, key operational risk indicators, significant operational events, amount of the capital requirement, the main mitigation actions, trend analysis relating to fraud and operational losses suffered in the credit linked processes ("cross-credit" losses). Annual reports are presented to the Operational Risk Committee, the Management Board and next they are submitted to the Supervisory Board, whereas the quarterly reports are presented to the Operational Risk Committee and the Management Board. Reports on key risk indicators monitoring are prepared each month and are distributed to the Operational Risk Coordinators, i.e. employees who are responsible for operational risk coordination in individual Divisions, whereas the results of the scenario analyses are presented to the Operational Risk Committee and the Management Board. Moreover, the weekly information on significant internal and external operational events is distributed to the Operational Risk Coordinators.

Local validation process

Operational risk management system validation is performed once a year and aims at examination of compliance of the operational risk management system with the regulatory requirements and UniCredit Group standards. The local validation bases on the operational risk management and control system self-assessment performed by the Operational Risk Management Department, which results are presented in the Local Validation Report. Local validation is independently reviewed by the UniCredit Group Internal Validation Department. Next, local validation and results of independent review are audited by Internal Audit Department. Validation of operational risk management and control system in Bank Pekao S.A. is approved by the Management Board.

Capital requirement and allocation mechanism

In the first half 2011, Bank Pekao S.A. received from Italian and Polish regulators the decision concerning the permission to apply the AMA for the purpose of calculation of the operational risk capital requirement at the consolidated and stand-alone level, in the part related to Bank Pekao S.A.

The Advanced Measurement Approach (AMA) is based on internal loss data, external loss data, scenario analysis data as well as key risk indicators. The calculated overall AMA capital requirement is allocated to UniCredit Group legal entities. The capital requirement allocated by means of the allocation mechanism reflects the entities' risk exposures.

In connection with the above-mentioned decision, the Bank applied its provisions to the calculation of the operational risk capital requirement as at December 31, 2011.

Compliance risk

The purpose of the compliance risk management is to ensure the compliance of activities of the Bank and its employees with the applicable norms, including in particular provisions of the law, the Bank's internal regulations, recommendations issued by supervisory and control bodies, best practices and ethical standards as well as the standards of the UniCredit Group.

Compliance risk management applies to, inter alia, the areas of banking, financial and investment services. Implementation and application 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 its standing.

The responsibility for co-ordination of the Bank's activities in the scope of compliance risk management lies with the Compliance Department. The tasks of the Department include in particular monitoring, identifying, eliminating and preventing the compliance risk.

The Bank uses the CAMP methodology for the compliance risk assessment, which enables assessment of the existing Bank's procedures and processes in terms of compliance with the key regulations concerning the banking business identified based on commonly binding regulations. The methodology acting on the rule of early-warning system includes immediate implementation of mitigation actions in case of detecting of irregularities. All the Bank's divisions are involved in the process and thanks to that the whole transparency of business and control processes is maintained enabling efficient monitoring of all key areas of the Bank's activity.

The assessment of compliance risk contributes to improvement of internal control system in the Bank and as a consequence to minimization of the compliance risk.

6.3 New Capital Accord – Basel II

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 since 2008. The guidelines were introduced in EU Member States by virtue of Directives 2006/48/EC relating to the taking up and pursuit of the business of credit institutions and 2006/49/EC on the capital adequacy of investment firms and credit institutions , 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 the Polish financial supervisory authorities.

Given regulatory requirements and the strategic nature of the changes to risk management and the methods of estimating the Bank's 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 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 risk purposes under the Standardized Approach and for operational risk purposes under Advanced Measurement 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.

The Master Plan was prepared in close cooperation with banking supervisory 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.

The process of achieving compliance with the New Capital Accord also involves meeting stringent organizational 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 the Standardized 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 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 organizational 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 were also approved.

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

6.4 Capital adequacy

A basic measure of capital adequacy is the capital adequacy ratio (CAR). The minimum capital adequacy ratio required by law is 8%. At the end of December 2011, CAR for the Bank amounted to 16.64%, which is more than doubled compared with the minimum value required by the law.

The table below presents the basic data concerning the Bank capital adequacy as at December 31, 2011 and December 31, 2010.

(PLN thousand)

CAPITAL REQUIREMENT	31.12.2011	31.12.2010
Credit risk	6, 583,448	5,926,090
Exceeding large exposure limits	0	0
Market risk	141,896	117,521
Delivery and contractor risk	125,810	87,558
Exceeding exposure concentration limit	0	0
Operational risk	833,696	976,978
Total capital requirement	**7,684,850**	**7,108,147**
Capital for capital adequacy ratio calculation		
Tier 1 capital	15,985,247	15,258,199
Tier 2 capital	0	0
Capital for capital adequacy ratio calculation	**15,985,247**	**15,258,199**
Capital adequacy ratio (%)	**16.64%**	**17.17%**

The capital requirements calculation is based on the regulation of supervisory authorities.

The capital adequacy ratio in December 2011 is lower by 0.53 p.p. than reported as at December 31, 2010 due to an increase of total capital requirement by ca. 8%. in this period, with simultaneous increase in own funds by 4.8%.

The increase of total capital requirement as at the end of December 2011 was mainly influenced by an increase of capital requirement for credit risk driven by an increase of the Bank's loans portfolio.

The decrease of capital requirement for operational risk was possible following the implementation of advanced method (AMA) for calculation of capital requirement for this risk.

In 2011, Tier 1 capital of Bank Pekao S.A. increased by 4.8% mainly thanks to appropriation of the net profit of the Bank for 2010 in the amount of PLN 767.4 million for the own funds of the Bank based on a decision of the Ordinary General Meeting of Bank Pekao S.A.

6.5 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.

	31.12.2011	31.12.2010
Total number of outlets	1,002	1,014
Total number of own ATMs	1,817	1,800

The Bank's clients can also make commission-free cash withdrawals from more than 2.9 thousand of domestic network of Euronet ATMs as well as European network of the UniCredit Group ATM's.

As at the end of December 2011, the Bank maintained 4,833.9 thousand PLN-denominated current accounts, 223.0 thousand mortgage loan accounts, and 685.0 thousand consumer loan accounts.

(in thousand)

	31.12.2011	31.12.2010
Total number of PLN current accounts*	4,833.9	4,743.0
of which packages	3,577.5	3,489.2
Number of mortgage loans accounts**	223.0	201.9
of which PLN mortgage loans accounts	176.7	152.0
Number of consumer loan accounts ***	685.0	703.3

* Number of accounts including accounts of pre-paid cards.
** Retail customers accounts.
*** "Pożyczka Ekspresowa"(Express Loan).

6.5.1 Individual clients

Retail banking
In 2011 Bank was focused on the consequent strengthening of the position on consumer goods financing market and mortgage loans market. At the same time the bank continued the activities in the area of extending the savings products and cards offer as well as further development of the electronic banking Pekao 24.

The Bank added the new type of the current account Eurokonto Mobilne to its offer of personal accounts. Eurokonto Mobile is a modern package of mobile solutions equipped with the special application, which operates on the majority of mobile devices and supports most operating systems. The application has a clear and intuitive interface, what distinguishes it from other similar solutions on the market.

Moreover, the Bank continued activities promoting use of the electronic bank statements, implementing a strategy of limiting paper correspondence and supporting environment saving activities. The ratio of the number of current accounts using electronic bank statements to the total number of current accounts increased from 55.4% in 2010 to 63.6% at the end 2011 (8.2 p.p.). The number of accounts with electronic statements embedded increased by 243.5 thousand.

Affluent customers
Affluent clients, who expect an individualized approach and non-standard solutions, are served through the Advisory Centers model.

The model, under which client relations are largely handled by a dedicated adviser, helps to build personal relationship and intensify cooperation. This model allows to gain ever-better understanding of the clients' needs and to fit optimal financial solutions based on the wide product offer into these needs.

The basic element of the Bank's product offer is Eurokonto Premium Plus that provides clients with the following services:

- personal Adviser services at the Advisory Center,
- free of charge Assistance insurance containing additional personal assistant (Concierge) service,
- competitive interest rates on the related Dobry Zysk savings account,
- free of charge online transfers and standing orders,
- an option to open additional free of charge accounts for children and foreign-currency accounts,
- free of charge debit card enabling making commission-free transactions in stores and service points as well as commission-free cash withdrawals from ATMs belonging to the Bank, domestic network of ATMs belonging to Euronet and European network of the UniCredit Group ATMs.

In the middle of 2011, Bank Pekao S.A. finalized the implementation of the New Service Model for affluent clients and provided all personal advisers with tool that enables them to offer affluent clients unique solutions. The Model is focused on investments and relies on clients' individual financial situation analysis using professional tool - the Investment Navigator. During the meeting with a client adviser uses the features of the Investment Navigator and helps him to go through particular investing process stages, from the financial situation analysis up to the selection of optimal investment products for the model customized portfolio.

In 2011, the Bank's activities were concentrated also on strengthening the image of personal advisers through facilitating the access to them, also via the electronic banking platform Pekao24 and providing them with trainings enhancing their competence.

Private Banking

In the area of private banking, 2011 was a year of the sales and marketing activities intensification aimed at providing the most wealthy clients of the Bank with the highest standards services and access to the best solutions based on the professional care of dedicated advisers.

In 2011, the subscriptions for structured deposit accounts Indeks na Zysk were continued. Clients were offered new subscriptions: a 3-month Indeks na Zysk deposit linked to CHF/PLN exchange rate, 18-month Indeks na Zysk deposit linked to cooper, sugar and crude oil prices, 3-month Indeks na Zysk linked to USD/PLN exchange rate and two 3-month Indeks na Zysk deposits linked to EUR/PLN exchange rate. Attractive investment conditions of structured deposit accounts, which were settled in 2011 with rate of return exceeding an average interest rate of deposit accounts, encouraged clients to deposit substantial funds in new subscriptions of these products.

Pursuing the highest quality of services and processes effectiveness, Certified Financial Consultant training program based on the best practices of UniCredit Group was continued. Private Banking Advisers obtained certificates of prestigious European training institutions such as European Planning Association and Austrian Financial Planners thereby they joined the group of the best trained banking advisers in Poland.

The sales of investment funds' units were supported by workshops and meetings that were held for Private Banking Division employees by representatives of selected asset management companies. In the largest cities several investment meetings were organized, during which the discussion about the current market situation was connected with presentation of investment solutions proposals. In 2011, Private Banking clients were offered an opportunity to subscribe for selected close-end funds units through Centralny Dom Maklerski.

Within the activities aiming at the customer service quality improvement, the application supporting customer relationship CRM (UniSales) was supplemented by new functionalities dedicated to the Private Banking. It allowed to rationalize the information flow process and respond to clients' needs and thereby to increase customer satisfaction.

Savings products

In 2011, the Bank continued activities aimed at popularizing the idea of regular savings by implementation to its offer the Regular Savings Program My Perspective (Program Systematycznego Oszczędzania Moja Perspektywa), prepared in cooperation with Pioneer Pekao TFI. These activities were supported by campaigns in the press and on the Internet.

As a result of the clients' high interest in safe financial instruments, the Bank introduced further mutual funds to it's offer applying portfolio hedging strategies:

– Pioneer Zmiennej Alokacji – Rynki Wschodzące SFIO,
– Pioneer Zmiennej Alokacji – Rynki Europy Wschodniej SFIO.

In 2011, the Bank offered to its clients nine issues of structured certificates of deposit with capital protection:

– Certyfikat Skarby Natury,
– Certyfikat Blask Złota 1, 2 and 3,
– Certyfikat Siła Orientu 1 and 2,
– Certyfikat Rynku Rolnego,
– Certyfikat Walutowy EUR/PLN i EUR/PLN 2.

In 2011, within the range of structured certificates of deposit the Bank,for the first time, made available to the customers certificates with short 6-month maturity.

The Bank's offer was additionally extended by the Pioneer Akcji – Aktywna Selekcja fund, which is a subfund of Pioneer FIO whose assets are invested in carefully selected shares of companies listed on the Polish stock exchange and in other types of equity.

In September 2011, the first absolute return fund - Pioneer Elastycznego Inwestowania SFIO was introduced into the Bank's offer. It is distinctive investment strategy that assumes achieving positive nominal return irrespective of the situtation on the capital market.

Moreover, in 2011, in cooperation with the Pioneer TFI the Super Basket Program was extended by new portfolio – Portfel Zrównoważony Europy Środkowej that concists of:

– 50% - Pioneer Obligacji Dynamiczna Alokacja FIO,
– 30% - Pioneer FIO subfundusz Pioneer Akcji Aktywna Selekcja,
– 20% - Pioneer Funduszy Globalnych SFIO subfundusz Akcji Europy Wschodniej.

Clients, who expect high returns and safety of their funds, had a possiblitily to invest their savings on term deposits and Dobry Zysk savings accounts. In the second half of 2011, clients may have taken advantage of Lokata Progresywa with the attractive interest rates up to 8% in the last month of the deposit.

Bancassurance
In 2011, the Bank intensified the activities aiming at a development of the bancassurance products. The offer was extended by the following new insurance products:

– Payment Protection Insurance – payable insurance of the credit card outstanding balance repayments. The product was designed in cooperation with Ergo Hestia.

– Creditor Protection Insurance – payable, pioneering insurance on the banking market dedicated to business customers who apply for investment loan. The product was designed in cooperation with Allianz.

– Allianz Direct Insurance – payable insurance offered directly via the Internet website and telephone.

– New, extended Tourist Insurance Packages added free of charge to platinum, gold and silver credit cards.

Loans

Consumer lending
Bank Pekao S.A. is consistently implementing the strategy focused on increasing its share on the consumer goods financing market and developing its activities in areas of product offer, marketing communication and distribution while maintaining careful credit risk policy.

Business activities were supported by the active promotion of the Express Loan in advertising campaigns launched on local markets as well as country-wide and resulted in considerable 18% growth in sales in comparison with 2010, which led to a substantial volume increase in amounts due from clients. Thanks to very good sales results of Express Loan in 2011, the Bank's cash loans portfolio grew at a faster pace than market, which led to a significant increase in the Bank's market share in that area.

In 2011, the Express Loan offer was enriched by recurrent special seasonal offers designed for current as well as prospective clients of the Bank. The Bank launched also a promotional loan offer for the selected client groups and extended the range of borrowers' insurance with additional services. The sales activities were supported by advertising campaigns promoting Express Loan in the press, on TV and on the Internet. The enriched offer of Express Loan was also actively promoted within the framework of the local marketing.

Moreover, the new website dedicated to the Express Loan was launched. This website distinguishes itself from web pages of the competitors by an innovative graphic design and modern solutions, which facilitates access to information and contact with adviser. The special version of Express Loan website is also available on mobile devices such as smart phones and tablets.

The Bank concentrated not only on improving the efficiency of the customer base use through increasing frequency of contacts, but also on strengthening relations with clients through electronic distribution of individual loan offers and on communicating with prospective clients through address-less mailing. At a time of increased clients' interest in loan offers, the Bank organized actions of extending opening hours of the Bank's branches.

In 2011, the existing Bank's regulations on consumer lending were adapted to the amended Consumer Loan Act.

Mortgage loans
In 2011, the Bank was consistently strengthening its marketing activities through promotional actions including advertising campaigns on the Internet, in press and radio, participation in Housing Trade Fairs organized all over the country and intensification of cooperation with Sales Partners and real estate developers.

The mortgage loans offer was systematically updated and adjusted to changing conditions and market needs as well as to legal regulations, in particular, to banking supervision authorities' recommendations.

In 2011, a new mobile version of mortgage loans website was launched – m.kredyty-hipoteczne.pekao.com.pl. In a convenient and intuitive way the website dedicated to mobile devices provides the clients with information on mortgage loans and facilitates the contact with the Bank.

These actions contributed to increase in sales of PLN mortgage loans by almost 27% in 2011 in comparison with 2010 while increasing market share in sales of PLN mortgage loans to the level of ca. 18% in 2011. It strengthened Bank Pekao S.A.'s image as the bank with strong position on housing loans market.

The Bank was still actively involved in the sale of preferential loans subsidized within the framework of the governmental program "Family on their own". The share of sales of such loans in the Bank's total sales remained substantial, as they accounted for nearly half of all housing loans issued by Bank Pekao S.A. in 2011.

Payment cards

In 2011, the process of the renewal of payment cards added to current accounts was conducted. The reissued Maestro cards were equipped with microprocessors compatible with EMV standard and pay-pass functionalities enabling fast and safe low-value payments. Within the project of contactless payments implementation the Bank offers a complete range of contactless debit and credit cards provided by MasterCard, Maestro and VISA. The Bank launched also the new payment card Debit MasterCard PayPass WOŚP(The Great Orchestra of Christmas Charity) added to selected Eurokonto accounts, through which clients can support this charity Foundation all the year. Contactless cards issued by the Bank, which are modern and convenient payment methods, are getting more popular among clients.

The Bank promoted also utilization of the payment cards by introducing attractive discounts programs. Within the development of the Discounts Program "Płać kartą, bo warto!" clients gained access to the modern website and to the mobile service through Mobilny Planer Zakupów mobile application. These modern tools, which use Google Maps and GPS, facilitate clients searching for attractive discounts and planning optimal shopping with the Bank's cards.

The Bank also continued sales of Silver and Gold credit cards with the image of UEFA Champions League, whose official sponsor is the UniCredit Group.

Brokerage services – Dom Maklerski Pekao (Dom Maklerski)

In 2011, Dom Maklerski concentrated its activity on effective retail clients service on the secondary market and sales activation in the range of winning and serving individual investors interested in public offers operated by Dom Maklerski.

As far as IPOs addressed to retail clients are considered, Dom Maklerski participated in six syndicates that conducted public offerings, among others, BGŻ SA and JSW SA. The total value of subscriptions was more than PLN 158 million. Dom Maklerski conducted also subscriptions for the Structured Certificate of Deposit (SCD) issued by Bank Pekao S.A. with nominal value of PLN 803 million. The Dom Maklerski's offer addressed to institutional investors comprises conducting subscriptions and collecting payments for PLN 400 million mortgage bonds issued by Pekao Bank Hipoteczny S.A.

At the end of 2011, Dom Maklerski maintained 189.5 thousand investment accounts, by 14 thousand more in comparison with the end of 2010.

As at December 31, 2011, the value of assets deposited in accounts, including SCD, amounted to PLN 4.5 billion compared to PLN 5.4 billion at the end of 2010. The decrease in value of assets was a result of a decrease in securities prices traded on WSE in whole year 2011. In comparison, the WIG index dropped in 2011 more than 20%.

In 2011, turnover on the stock market generated by Dom Maklerski amounted to PLN 4.4 billion and increased by 11.0% in relation to 2010.

In 2011, turnover on the bonds market of WSE generated by Dom Maklerski amounted to PLN 17 million and decreased by 24.7% in relation to 2010.

In 2011, turnover on the futures market generated by Dom Maklerski amounted to PLN 433.1 thousand and increased by 1.8% in relation to 2010.

In 2011, Dom Maklerski achieved the following shares on the WSE:

- 1.48% share in futures trading volume,
- 1.02% share in bond trading volume,
- 0.82% share in stock trading volume.

In 2011, estimated share of Dom Maklerski in stock trading turnover on the WSE in retail segment was 4.8% and estimated share in the volume of futures trading turnover in this segment was 3.3%.

In 2011 the projects of Dom Maklerski were concentrated on launching new brokerage services, improving consumer service and enhancing firm's reputation. Taking into consideration changes on the market and rising importance of the Internet in consumer relations the majority of the conducted projects concerned the online distribution channel.

The services range was widen by enabling an access to 17 new markets in the framework of transactions executed in foreign markets.

In the online Pekao24Makler system, all functions and features connected with an access channels (online, mobile platform, phone) and client's customization were integrated. In addition, clients got opportunity to set a home page that opens after log in the online system as well as improvements concerning functionality and visual design of interface of the Stock Exchange Information Distribution System (SDIG) have been made.

According to the development of communication tools in the Pekao24Makler system and in the mobile channel, users were enabled to submit electronic contact requests within the scope of brokerage services including automatic forwarding these request to the Contract Center of Dom Maklerski. The tools of the marketing communication were expanded. The functionality of phone service was extended by implementation of outbound service that allows the Dom Maklerski's Contact Center consultant to log in an account and accept the client order in outbound call.

The client service in branches of Dom Maklerski was improved and the module Emisja was introduced, which ensures that all events at the primary market are processed in one system. As far as financial services are concerned, the possibility to place 24h transfer orders was implemented and the range of transfer orders types was broadened.

Within the framework of operational changes new rules of the derivatives margin clearance were implemented adjusting them to new rules of the Central Counterparty Clearing House KDPW_CCP and new risk management system, using the SPAN risk estimating model and the conception of the uncovered risk to calculation of payment to the clearing fund, was introduced.

Alternative distribution channels

The number of retail and business clients using alternative distribution channels such as internet banking platform and Contact Center is growing systematically. Pekao24 service (for the retail clients), PekaoFIRMA24 (for SME clients) and PekaoBIZNES24 (for corporate clients) facilitate the management of financial assets and the range of services is being steadily extended.

Pekao24

The Pekao24 electronic banking system provides with convenient and safe access to the accounts in the Bank, Dom Maklerski Pekao and in Centralny Dom Maklerski Pekao S.A. The system enables to manage the funds accumulated on the accounts through Internet, fixed-line or mobile phone and through Contact Center.

At the end of December 2011 the number of Pekao24 clients was 1,963.0 thousand. In 2011, 1,215.0 thousand of clients logged into the electronic banking service. Online transactions in 2011 accounted for 92% of all transactions executed through the Pekao24 electronic banking system.

(in thousand)

	31.12.2011	31.12.2010
Number of individuals with an access to electronic banking Pekao24 as at the end of period	1,963.0	1,711.3
Number of individuals actively using electronic banking Pekao24*	1,120.3	1,021.0
Number of individuals using mobile banking	68.8	27.0

* A customer actively using electronic banking is a customer who logged in to the system at least once during the last quarter.

The most important projects in scope of the Pekao24 electronic banking system realized in 2011:

- launch of the Pekao24 mobile banking application. The mobile application can be downloaded to mobile phone or another mobile device. It enables to access in a fast and easy way the accounts and other products in the Bank and to place banking orders anytime and anywhere. The application also provides access to additional functionalities such as the geo-localization of ATMs, the Bank's branches and stores granting the Bank's clients discounts. The mobile application is compatible with mobile devices with operating systems: iOS, Blackberry, Android, Windows Mobile, Symbian and Java.
- preparation and launch of microservice www.impekao24.pl, which includes multimedia presentations and animations showing clients how to use the Pekao24 mobile and online banking service,
- introduction of a new functionalities of the online service, allowing clients to send and receive Western Union cash transfers in PLN and USD, to check the transaction status and the amount of points accumulated on GOLD loyalty card and to import data of recipient in case of the next transfer,
- allowing clients to make transfers in SEPA standard,
- providing access to information concerning the register in Pekao Otwarty Fundusz Emerytalny including account balance and summary of transactions,
- launch of the new version of the PekaoToken application for Android mobile phones users. The PekaoToken is a safe, convenient and modern mobile application designed for transaction authorizations in Internet service Pekao24,
- introduction of a token – tool for generating codes for authorization of transactions executed through the Internet and telephone service of Pekao24 system. It is an additional method of transaction authorization, alternative to PekaoToken application, SMSs codes and cards of disposable codes used by the clients,
- implementation of a new functionality, allowing clients to control their accounts' balances through the summary of all client's assets and liabilities,
- providing with the contact data of banking advisor in Pekao24 Internet service,
- facilitating management of standing orders,
- extension of Internet shops list, where client can pay with an e-transfer. Pekao24Przelew is a quick money transfer method directly from client's to recipient's account without any commission, irrespective of bank account type owned,
- continuation of educational campaign of end users of Pekao24 service, related to the safe Internet usage. This project is also supported by a publication of Safe Internet bulletin,
- simplification and grouping of new functionalities in the menu of Internet service.

Contact Center

Contact Center is a professional consumer service center that supports the realization of the Bank's projects and business goals through launching telemarketing campaigns, serving the incoming clients' calls, e-mails and SMS.

The number of all serviced calls in 2011 totaled 12,721.2 thousand. The number of outbound calls initiated by Contact Center amounted to 10,021.8 thousand including 3,368.3 thousand of commercial outbound calls initiated by the consultants supporting telemarketing campaigns (17% increase in comparison with 2010). The growth in the number of outbound calls was a result of higher involvement of Contact Center in sales activities, mainly in telemarketing campaigns and in dealing with contact applications submitted through the Bank's website.

The number of inbound calls handled by Contact Center in 2011 amounted to 2,699.4 thousand, a decrease by 7.5% in comparison with 2010. The decline in the number of inbound calls is a result of growth in customers' activity in Internet within the scope of conducting transactions and looking for information about the Bank's services.

(in thousand)

	2011	2010
Total number of outbound calls initiated by Contact Center	10,021.8	9,535.6
of which number of commercial outbound calls initiated by Contact Center supporting sales activities of the Bank	3,368.3	2,878.4
Number of inbound calls served by Contact Center	2,699.4	2,918.9
Total number of inbound and outbound calls served by Contact Center	12,721.2	12,454.5

6.5.2 Small and micro enterprises (SME)

Bank offers modern and comprehensive product range for micro and small enterprises.

In the SME segment Bank continued its growth path in the lending activity. Visible growth of the new sales of loans allowed to increase the volume of the loans portfolio by ca. PLN 800 million (17%) in comparison to the end of 2010.

The credit offer was extended by new products for the self-employed professionals and by comprehensive solutions of short term loans refinancing taken initially in other banks. The Bank's offer was supplemented by rationalization of procedures: simplification of short term loan renewal, automatization and centralization of the Zaliczka loan, designed for the advance funding of invoices issued by companies.

In 2011, the product range was extended by debit card dedicated to the account denominated in EUR. The Bank was also actively selling atractive products launched in previous years. In 2011, ca. 14 thousand MOTO Biznes credit cards and ca. 14 thousand Mój Biznes Net packages were sold.

In 2011, the Bank started implementation of the agreement with the European Investment Bank (EIB) and the European Investment Fund (EIF). In 2011, 500 SME clients took advantage of the investment credits refinanced by the EIB. Entrepreneurs used also the guarantees of the EIF within the scope of the European Union's Competition and Innovation program. In 2011, 1,040 investment loans and 460 operating loans guaranteed by EIF were granted to start-ups.

Moreover, the Bank consistently continued to improve and further develop customer service model and improve the sales competences of the employees servicing SME customers. In 2011, a new edition of training was launched in order to develop the business competence within the scope of establishing and maintaining relations as the one of the substantial sources of SME clients' satisfaction.

PekaoFIRMA24

PekaoFIRMA24 is a system dedicated to small and medium enterprises. A wide range of system functionalities and flexible methods of management of authorizations and modules in PekaoFIRMA24 meet clients' expectations and allow to adjust the system to individual specific needs.

At the end of December 2011, the number of firms using PekaoFIRMA24 was 179.3 thousand, 109.7 thousand of which companies were active users. In comparison with the end of 2010 this number increased by 23.7 thousand.

(in thousand)

	31.12.2011	31.12.2010
Number of business clients (SME) with an access to electronic banking PekaoFIRMA24 as at the end of period	179.3	155.6
Number of business clients (SME) actively using electronic banking PekaoFIRMA24*	109.7	97.9

* A customer actively using electronic banking is a customer who logged in to the system at least once during the last quarter.

The improvements introduced into PekaoFIRMA24 in 2011 translated positively on the number of transactions processed through the system. The number of transactions orders in 2011 exceeded 23.9 million, while the value of PLN transactions amounted to PLN 112.9 billion, an increase by 25.8% and 37.7% respectively in comparison with 2010.

In 2011, the further improvements were introduced into the PekaoFIRMA24 system related to system functionality, interface and system optimization following clients' expectations and changes in law.

The most relevant changes introduced in the PakaoFIRMA24 system were:

- introduction of dealing module, which facilitates processing of FX transactions by clients without the need to contact the Bank,
- providing access to POS module, which enables clients to review, sort and download the reports from transactions processed through POS. It is supplement to the Mój Biznes płatniczy packages, which allow clients to use POS terminals of the Bank and other providers,
- allowing business clients to make transfers in SEPA standard,
- launch of the SMS starter kit that allows to send SMS with initial passwords to the mobile phones of trusted users,
- the enhancement of PekaoFIRMA24 communication module that presents the most important information and marketing advertisements graphically,
- implementation of optimalization changes, among others, providing clients with possibility of granting authorizations in packages, which makes use of Pekao FIRMA24 easier and faster.

6.5.3 Corporate customers

Bank Pekao S.A., as a leader in servicing large and medium-sized companies, offers one of the widest range of products on corporate customers' market. Corporate Banking, Markets and Investment Banking Division is responsible for overall service for companies, institutions and public sector entities.

The corporate customers service model is based on the primary role of dedicated Relationship Manager, responsible for identification of customer's needs and selection – in cooperation with product specialists – of adequate banking products and services.

Large companies servicing is conducted on the individually set principles by Relationship Managers working in the Large Companies Department in the Bank's headquarters, divided into service offices dedicated to different business sectors.

Financial institutions and public finance sector entities services are provided by a specialized entity at the Bank's headquarters, tailoring Bank's offer to individual needs of those customers.

In order to provide comprehensive banking services and advisory for middle-sized companies, those companies are serviced in Regional Corporate Centers, organized in macro-regions structures.

The corporate clients have access to the Pekao BusinessLine call service center, which supports transaction services, processes complaints and conducts information actions. Moreover, each client has a dedicated Adviser with assured direct contact after passing identification procedure.

The services provided by the Bank include the range of standard credit products, deposit products and other financial services such as: granting guarantees in domestic and foreign transactions, as well as services provided by leasing and factoring subsidiaries. The Bank is a leading organizer in financing investment projects, mergers and acquisitions and debt securities issuance. The Bank's customers benefit from the full range of transactional products and services. The Bank offers a wide range of money market products and currency exchange market products, both in current operations and long-term structures securing customers exposures such as exchange rate risk or interest rate risk.

Transactional services

The Bank is still extending and improving its transactional service offer which is ranked at the top of the market.

In 2011, in area of cash management the Bank implemented a number of new functionalities and improvements using international solutions:

- implementation of new functionality AutoDealing in the electronic PekaoBIZNES24 system enabling immediate FX transactions and deposit transaction in PLN and foreign currencies. AutoDealing module significantly enhanced the process of settlement of FX transactions and deposits placements and eliminated the necessity of phone contact of a client with the Bank,
- introduction of unique solution enabling to process standard transfers to EEA countries as fast ones,
- time of foreign transfer orders acceptance was extended,
- implementation of a new service Pekao Collect FX enabling to identify the payer and to report single foreign currency payments, both foreign and domestic,
- extension of orders execution within the Autowypłata service by new currencies; USD, EUR, CHF and GBP and introduction of cash withdrawals for foreign beneficiaries in any of the Bank's branches on the basis of orders placed in PekaoBIZNES24 system.

In 2011, the most relevant solutions concerning domestic settlements implemented by the Bank were extension of salary payments service Pekao Płace by possiblity to order cash withdrawal and postal order from remuneration account apart from classic bank transfer as well as immediate entering the clearing in SORBNET system in the books, enabling clients to manage cash from high-volume settlements faster and to manage liquidity more effectively.

In 2011, the Bank gained new issuers in eFakura24 service. The Bank successfully implemented new service eFaktura24 (EBPP Electronic Bill Presentment and Payment solution) which was introduced in 2010 and enables a large telecomunication company to distribute and collect payments from electronic invoices.Gaining one of the main mobile carriers was an important stage to popularize this service, which provides companies with possiblity to collect receivables effectively and the banks' clients provides with a convenient way of paying bills through the electronic banking system.

An increase in foreign transfers volume by over 12% and in the number of domestic transactions by 10% and it's volume by PLN 350 billion as well as 22% growth in the number of incoming transactions within the massive payment identification service Pekao Collect in comparison with 2010 confirm the competitiveness of the Bank's transactional products and services and effectiveness of sales policy as well as usefulness of implemented improvements.

In 2011, the Bank's corporate payment card offer was extended by:

- prepaid cards, which are substitutes for cash, cash transfer and vouchers. Thanks to wide application of cards and advanced technology they are one of the most attractive prepaid products on the market,
- MasterCard EURO Corporate Debit Pekao – debit cads denominated in EUR and linked with account in EUR.

Investment banking and structured finance
In 2011, Bank Pekao S.A. maintained the leading position concerning structured and syndicated debt products, participating in financing clients operating in virtually all industry sectors including large volume funding to energy and telecommunication companies. It contributes to the higher level of risk diversification.

The Bank was active in the area of the advisory in structuring and raising debt financing for investment projects as well as in acquisitions, participating in structuring and organizing financing for the majority of significant syndicated transactions on the Polish market.

Among transactions realized in 2011, corporate debt refinancing and acquisitions' financing transactions dominated with respect to number as well as value.

The significant recovery of the M&A market in 2011 contributed to further strengthening of the Bank's leading position in the leverage buyouts.

The Bank reported also a growth in the investment project financing and participated in innovative transactions on the Polish market of commodity financing for large Polish companies.

Financial markets and commercial debt instruments of the capital market

In the area of organization and servicing of commercial debt securities issuance, Bank Pekao S.A., as at the end of 2011, maintained its leading position with market share of more than 20% (based on the Rating & Market Bulletin published by Fitch Poland).

The market position of the Bank in each category was as follows:

- 1st place on corporate bonds market and corporate revenue bonds market (with maturities over 365 days) with a share of nearly 27%,
- 2nd place in the area of mortgage bonds with over 28% market share,
- 2nd place on municipal bonds market (with maturities over 365 days) with share almost 25%,
- 2nd place in the segment of short-term debt securities with 20% market share.

In 2011, the Bank signed 45 contracts concerning organization and servicing debt securities issuances for corporations and municipalities:

- 12 new contracts of bond issuance, both short- and mid-term, for companies in, among others, energy, petroleum and transport sectors, in the capital market industry and in the real estate developers' market,
- 32 contracts of municipal bonds issuance for local government units,
- 1 contract of debt securities issuance (CDs and bonds) for the commercial bank.

In the area of commercial debt securities the most significant transactions were the followings:

- extension of the corporate bond issue program to PLN 7 billion for a petrochemical company. The Bank participated in the syndication and acted as an organizer, an underwriter and a document agent.
- signed "best efforts" contract for PLN 5 billion worth of bond issue of one of the largest companies on the Polish energy sector. Bank Pekao S.A. acted as an organizer, an issue agent and a dealer.

- extension of the corporate bond issue program to PLN 4.3 billion for the energy company. Within the program, bonds were issued in order to finance an acquisition of the other energy company's assets. Bank Pekao S.A. participated in the syndication and acted as an organizer and an underwriter acquiring bonds on the primary market.
- issuance of 5-year corporate bonds at total amount of PLN 170 million for a client representing capital market sector. The Bank acted as a co-dealer. The bond issuance was conducted as a public offer exclusively in Poland among qualified investors.

In the third quarter of 2011, Bank Pekao S.A. obtained the status of Treasury Securities Dealer in 2012 as a result of the closing of the next edition of tender for Treasury Securities Dealer organized by Ministry of Finance. The Bank ranks at the top places in tender and is one of the key participants of the treasury securities market.

Custodial services
In the area of the custodial services the Bank's clients are domestic and foreign financial institutions, banks providing custodial and investing services, insurance companies, investment and pension funds as well as non-financial institutions.

The Bank provides services including, among others, the settlement of transactions on domestic and foreign markets, the custody of client assets, the management of securities and cash accounts, the assets valuation, servicing dividend and interest payments. The Bank acts also as a depository for investment funds and pension funds.

In 2011, the Bank maintained its leader position servicing more than 50% programs concerning depository receipts.

Comprehensive services for the public finance sector
In 2011, Bank Pekao S.A. maintained its leading position on the market of financial services for municipalities. The Bank perceives the potential on this market and specific needs of clients from the public sector.

The Bank participated in the capital extensive urban investment projects also within the framework of realized preparation of the Polish infrastructure for the EURO 2012 European Championship.

The Bank granted financing to the 5 regional airports in Poland (including Wrocław, Poznań, Łódź and Modlin) and to urban public transportation and sports projects. Moreover, the Bank organized the bond issuance program, which financed the construction of sports hall in Torun. This is an innovative solution taking into consideration the type of facility and the legal mechanism used to reduce the risk of the transaction.

Direct financing of the public sector's budgets through bond issues and loans is one of the strengths of the Bank.
The Bank conducted 25 significant bond issuance programs for local governments. The total Bank's exposure to municipal bonds increased from PLN 1.6 billion at the end of 2010 to PLN 4.9 billion at the end of 2011. The Bank took the first place in the ranking of municipal bonds underwriters in Poland in 2011 in terms of the total value of issues.

In the area of the current financing of local governments, the Bank maintained its leader position serving 6 of 12 major Polish metropolises. In 2011, Gdansk joined the group of cities served by the Bank.

Bank Pekao S.A.'s participation in financing EU projects and cooperation with European financial institutions
Bank Pekao S.A. has a leading position on the market of EU funding for companies thanks to the active participation in the use of EU aid funds.

The Bank introduced the amended technological credit designed for clients, implementing innovative technologies. This product has been adopted to the new market conditions associated with changes in Acts on certain forms of support for innovative activities. Introduction of facilitations in the technological premium payments and broadening the range of expenses co-financed with EU funds had influenced on constraining the risk and improving the availability of loans for the Bank's clients.

Bank Pekao S.A. launched also loans refinanced by European Investment Bank (EIB) aimed at financing municipal projects. The Bank is beneficiary of grants from the European Commission within Municipal Finance Facility and Municipal Infrastructure Facility programs.

The Bank still offers loans for middle and large-sized corporate customers refinanced by EIB.

Cooperation with international and domestic financial institutions
The Bank maintains correspondent relations with over 2.6 thousand foreign and domestic banks (by number of swift keys).

At the end of 2011, the Bank maintained 81 nostro accounts, kept 300 loro accounts for 250 foreign customers – banks and financial institutions.

In 2011, the Bank established cooperation within scope of PLN clearing with 14 foreign banks from different regions of the world. The Bank expanded significantly its existing cooperation in handling of interbank settlements and commercial transfers with two foreign banks, which are the global leading financial institutions.

Bank Pekao S.A. intermediates in execution of transactions for customers of other domestic banks, keeping 40 loro foreign currency accounts for 13 Polish banks and maintaining 5 nostro foreign currency accounts in 2 Polish banks used for the ZUS pension benefits clearing and custodial services. The Bank renders also services for the Polish banks and branches of foreign banks in Poland in the transactions on foreign and domestic currencies.

In 2011, the Bank has been improving the transaction products offer designed for correspondent banks, among others, in the area of wide online loro account access, introduction of PSD (Payment Service Directive – European directive on payment services no 2007/64/EU) settlements execution before there were formally introduced in Poland and access Target2- Pan-European interbank EUR settlement system in real-time. The Bank reached a very high level of STP rate (straight through processing) – 98-99% of the executed interbank and customers transactions.

6.6 Investing in human capital

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

The Bank invests in training, professional development of employees (in line with their preferences and abilities), creation of a friendly work environment and conducts questionnaire surveys on employees opinion and satisfaction.

Significant area of the Bank's personnel policy is outstanding talents spotting within the organization and investing in development of their skills.

In 2011, these priorities were accompanied by a particular emphasis on promoting preferential values of corporate culture shared across UniCredit Group as defined in the Integrity Charter which was accepted in 2006. The ethical fundamentals promoted by the UniCredit Integrity Charter and the rules of conduct recommended by that document have come to be considered as universal standards of behaviour required of all employees of the Bank regardless of their position.

Trainings and professional development
The Bank's training policy assumed investment in ongoing development of its employees through ensuring access to training as well as implementing people management systems based on a culture of feedback. The Bank supported its employees in building and managing long-term career within the organization providing them with various forms of training, competencies development and internal promotions opportunities.

The Bank constantly extends its internal training programs tailored to the needs of the employees and ensuring professional services to customers. Training programs include class-room trainings, on-the-job trainings, coaching and other forms of competences development.

In 2011, the Bank delivered 18.5 classroom training hours per employee. Almost 13 thousand people, which is 74% of the total Bank's employees participated in the classroom trainings.

The total number of training days in 2011 amounted to 40 thousand classroom training days, which translated into 2.3 classroom training days per employee on average.

In 2011, the main training priorities of Bank Pekao S.A. were focused on:

- professional skills development,
- managerial training,
- developing employees' language skills.

Professional skills development
In 2011, the Bank continued the process of developing professional knowledge of its employees. Approximately 12.5 thousand employees took part in the training and over 70% of trainings was conducted by internal experts.

The Bank launched three major training projects aimed at customer satisfaction increase as well as sales and managerial skills development.

In 2011, the Bank initiated training program co-financed by the European Union named "Complex Training Program, as the way to quality changes in Bank Pekao S.A." The project covers language courses, MS Office workshops and implementation of age management strategy accompanied by managerial training in this area.

Managerial training
The goal of one of the main internal training programs is to improve managerial skills and competencies and support the Bank's business strategy implementation. When implementing this goal the Bank took also advantage of the expertise of UniManagement – UniCredit Group leadership development centre recognized for using innovative approach to professional development. Co-operation with UniManagement enabled employees the possibility to share knowledge and develop their skills at the international level.

In 2011, 1.2 thousand employees participated in the managerial training.

Developing employees' language skills
The Bank invests in the development of employees' language skills by organizing individual and group classes, on-line courses and by partial cost reimbursement of self-financed courses. Support in this area is provided for those employees who use English in their everyday work. In 2011, 330 employees participated in language courses.

Development programs and initiatives
One of the key element of employees' professional development is the Bank's support in long-term career management within the Bank's structure. In 2011, the Career Management Project was launched for employees of all Bank's units. Under this project, Career Paths have been designed. These include standard, recommended transition paths between group positions, position descriptions comprising, inter alia, formal requirements, key competencies as well as technical and process skills required to take and hold specific position. Career Paths are included in custom software combined with Internal Job Market.

The Career Management Project covers implementation of overall rules aiming at ensuring transparency and equal chances for all Bank's employees in the process of internal recruitment.

Development processes
One of the key priorities of the Bank's development process is identification, review, verification and development of current and future leaders of the Bank.

In order to achieve this goal, the Bank currently operates four main processes:

- Executive Development Plan (EDP) - annual appraisal process for managers which consists of the following stages: effectiveness, competencies and potential appraisal step, development activities planning and realization step. 499 persons took part in EDP in 2011.
- Talent Management Review (TMR) - annual appraisal process of potential and professional achievements aimed at managing and development of talents in the Bank and UniCredit Group. The process is based on the Leadership

Competency Model composes of four key stages: identification, review, development and verification. 365 persons took part in the process n 2011.

Key outcomes of EDP and TMR processes are succession plans which are crucial for ensuring continuous employment of strategic positions, continuity of long-term projects and minimizing operational risk. The Bank designed succession plans for all key positions.

- Pekao Talents (PT) – two year program dedicated to the Bank's network employees with the highest potential aimed at talents' management and development. 81 persons have been nominated to take part in the Pekao Talents process in 2011.
- Annual Employee Appraisal System – process of evaluation of the Bank's employees which comprises appraisal of competencies, potential, personal development planning and business goals appraisal. 16,194 employees took part in the process in 2011.

Furthermore, the Bank offers the following development initiatives focused on supporting the employees in their professional career development and improvement of their skills, knowledge and competencies:

- Assessment Centre/Development Centre session, personality tests and 180/360 Feedback - diagnostic tools for identification of strengths and development areas of the employee.
- Job Rotation, Mentoring and Coaching – dedicated for selected employees to give them broader business perspectives and an opportunity to gain new experience.
- UniQuest, UniFuture and MBA in Banking – initiatives held at the UniCredit Group level enabling employees to get an international experience.
- Career Navigator - a tool supports career development planning and Internal Job Market dedicated to all Bank's employees.

Internship and trainee programs
The Bank offers students and graduates the following development programs:

- UniChallenge – a two year-long internship program, addressed to talented last-year MA students and graduates. It provides opportunities for its participants to gain work experience and professional knowledge in a certain field. The UniChallenge Program is used to spot high-potential candidates for employees. In 2011, 15 participants attained the program.
- UniStart/UniSummerStart - an apprenticeship program addressed to students who are offered placements for the period ranging from 1 to 3 months. These programs are an opportunity to gain experience in different areas of banking, in all of the Bank's divisions. In 2011, 454 participants took part in the UniStart and UniSummerStart programs.

Remuneration policy
On July 26, 2011, the Supervisory Board of Bank Pekao S.A. approved the Group Compensation Policy which describes the general framework and rules of development, monitoring and controlling of the remuneration systems and practices applied by the Bank and constitutes framework for detailed internal regulations of the Bank. The Policy combines short and long-term incentive systems in one system. It supports consistent approach to risk management and long term business sustainability.

Effective management of the employees' remuneration maintains a high level of competitiveness of the benefits offered by the Bank.

The main remuneration policy tools include:

- Retention Plans,
- Incentive systems: Management by Objectives (MBO) and quarterly bonuses,
- additional benefits for employees.

Retention Plans
In 2011, there were four main retention schemes existing in the Bank:

- Long-Term Incentive Plans edition 2007-2011, 2008-2012 and 2011-2013 addressed to top management,
- Five-Year Loyalty Plan addressed to employees of key significance for achieving the Bank's business goals and to the most promising employees selected under the Talent Management scheme,
- UniCredit Group Long Term Incentive Cash Plan edition 2010-2012 addressed to top management,
- Retention Program 2010-2013 of the Bank a local retention program dedicated to the key employees.

Incentive systems
The main incentive tool applied by the Bank is a system based on Management by Objectives (MBO). The system covers employees in the front-office sales jobs and in jobs which play a vital role in achieving the Bank's commercial goals. The employees covered by the MBO system receive individual goals, which successful completion determines the amount of annual bonus.

Corporate Collective Labour Agreement defines the rules of quarterly incentives program and applies to all employees covered by the Agreement. Quarterly bonuses are granted on a discretionary basis and depend on employee's performance, quality and level of commitment to work within the specific timeframe.

Additional benefits for employees
Additional benefits available to the employees vary according to the positions and responsibilities.

Employee Share Ownership Plan is the Bank's offer for all employees to invest in shares of UniCredit S.p.A. on preferential terms. In 2011, the third edition of the Plan was introduced at the Bank.

The Bank provides all employees with access to basic medical services. The medical packages offered to the employees can be further expanded at a favourable conditions, also to family members.

The Bank offers a wide range of life insurance for its employees and their family members.

The Bank contributes to the Social Benefit Fund which is spent on financial assistance to the Bank's current and former employees. The financial assistance from the Social Benefit Fund cover, i.a.:

- funding to purchase sport, recreation, cultural, and educational services,
- funding for recreation,
- financial assistance to employees who find themselves in a difficult life situation,
- loans for housing purposes.

Internal-Communication
Constant improvement of the quality and effectiveness of mutual relations between the employer and the employees is a priority for the Bank.

The Bank use in internal communication a comprehensive range of tools and channels, including intranet portal, corporate magazine Życie Żubra, brochures and newsletters distributed by e-mail, Internal Discussion Forum and online chats with the Bank's Management Board members, managers and project leaders.

Since 2007, the Bank runs People Survey on a regular basis. The purpose of this anonymous survey is to gauge the employees' opinion on many aspects of the organization's functioning, including clarity of goals and objectives, quality of leadership and management, internal communication effectiveness, the Bank's image, internal relations, effectiveness of training and sense of affiliation with the organization. The response rate in 2011 People Survey was very high, it amounted to 81%. The survey results are used as a basis for preparation of specific action plans aimed at improvement of the employees' satisfaction.

Corporate values as a basis of working relations
The basis of the Bank's corporate culture and identity is the Integrity Charter. The Restorative Justice System, an initiative implemented in the Bank in 2008 ensures practical application of the Integrity Charter into everyday relations and in the work environment.

The Integrity Charter Ombudsmen positions are taken by independent and experienced managers of the Bank who went retirement. The employees can report to them any misconduct behavior inconsistent with the Bank's corporate values.

The Ombudsmen actions focus on restoration of positive relationships using available tools such as meeting, mediation, noticing as well as promotion of their activity in internal publications, newsletters and during direct meetings with the employees.

Relations with Trade Unions
In 2011, the co-operation with Trade Unions of the Bank in the scope of consultation, negotiations and agreements was conducted under Labour law with respect to interests of both sides and principle of social dialog.

Relations with Works Council
On May 11, 2011, the Works Council of Bank Pekao S.A. was elected for 2011–2015 term. The election was conducted under the Act on information and consultation dated on April 7, 2006. On June 7, 2011, the Bank organized first meeting of Works Council and the President of the Management Board of the Bank. The Bank pays strong attention to the role of Works Council in social dialog. By the end of the 2011, the Works Council held 6 meetings, whereof 3 with the employer. All issues agreed with the employer are publish on the intranet websites and are available for each Bank's employee.

Workforce in number
The Bank employed 17,921 people (a reduction by 355 in comparison with 2010) who are on average 43 years of age. 60% of the employees are university graduates (59% in 2010). Women represent 80% of the total workforce.

7. Statement of Financial Position and Financial Results

The Bank Pekao S.A. Group plans to concentrate its activities on local market and in connection with this a process aiming at disposal of the whole exposure of Bank Pekao S.A. in PJSC UniCredit has been started.

Unconsolidated income statement containing cumulated items for the period from January 1 to December 31, 2011 and 2010 respectively was presented in the Unconsolidated Financial Statements of Bank Pekao S.A. for the period ended on December 31, 2011.

The Report on activities of Bank Pekao S.A. includes statement of financial situation in a short form and income statement in a presentation form as well as the key, selected items from these statements were discussed. Additionally, in order to ensure comparability, quarterly unconsolidated income statement containing 4 quarters of 2011 and 4 quarters of 2010 was present.

In the Unconsolidated Financial Statements of Bank Pekao S.A. for the period ended on December 31, 2011 and in the Unconsolidated Financial Statements of Bank Pekao S.A. for the period ended on December 31, 2010, the entire engagement in PJSC UniCredit Bank, which includes subsidiary's assets and liabilities was classified as held for sale.

7.1 Structure of the Statement of Financial Position – short form

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

ASSETS	31.12.2011		31.12.2010		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Cash and due from Central Bank	4,886.1	3.4%	5,968.7	4.6%	(18.1%)
Loans and advances to banks	5,648.9	4.0%	6,609.9	5.1%	(14.5%)
Loans and advances to customers*	92,143.2	64.7%	77,059.4	59.2%	19.6%
Securities**	29,868.6	21.0%	31,412.2	24.1%	(4.9%)
Investments in associates	832.6	0.6%	832.6	0.6%	0.0%
Property, plant and equipment and intangible assets	2,411.9	1.7%	2,449.8	1.9%	(1.5%)
Other assets***	6,598.7	4.6%	5,792.5	4.5%	13.9%
Total assets	**142,390.0**	**100.0%**	**130,125.1**	**100.0%**	**9.4%**

* Including debt securities eligible for rediscounting at Central Bank.

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

*** Other assets include the Bank's exposure in subordinated entity – PJSC UniCredit Bank in Ukraine qualified as held for sale. The detailed information concerning assets and liabilities held for sale is presented in the Note 29 Assets and liabilities held for sale and discontinued operations to the Unconsolidated Financial Statements of Bank Pekao S.A. for the period ended on December 31, 2011.

LIABILITIES	31.12.2011		31.12.2010		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Amounts due to Central Bank	356.4	0.3%	728.0	0.6%	(51.0%)
Amounts due to other banks	4,072.4	2.9%	5,392.2	4.1%	(24.5%)
Amounts due to customers	108,004.7	75.9%	99,328.8	76.3%	8.7%
Debt securities issued	2,402.6	1.7%	737.8	0.6%	225.6%
Other liabilities	6,755.2	4.6%	4,104.6	3.2%	64.6%
Equity	20,798.7	14.6%	19,833.7	15.2%	4.9%
Total equity and liabilities	**142,390.0**	**100.0%**	**130,125.1**	**100.0%**	**9.4%**

7.1.1 Assets

Changes in the structure of assets
Loans and advances to customers and securities represent items of the largest value under assets. As at the end of 2011, they accounted for 64.7% and 21.0% of the balance-sheet total, respectively, while as at the end of 2010, the respective figures were 59.2% and 24.1%.

Cash and due from Central Bank

(PLN million)

	31.12.2011	31.12.2010	CHANGE
Cash and due from Central Bank, including:	**4,886.1**	**5,968.7**	**(18.1%)**
Cash	2,236.2	2,471.9	(9.5%)
Current account at Central Bank	2,005.7	3,495.1	(42.6%)
Other	644.2	1.7	37,794.1%

Customers' Financing
Customer structure of loans and advances

(PLN million)

	31.12.2011	31.12.2010	CHANGE
Loans and advances at nominal value	**96,249.9**	**81,091.4**	**18.7%**
Loans*	88,785.3	77,100.7	15.2%
Retail	35,730.3	30,548.6	17.0%
Corporate	53,055.0	46,552.1	14.0%
Non quoted securities	5,681.7	2,579.1	120.3%
Reverse repo transactions	1,782.9	1,411.6	26.3%
Other**	329.3	210.7	56.3%
Nominal value adjustment	(68.0)	(252.6)	(73.1%)
Impairment losses	(4,368.0)	(3,990.1)	9.5%
Total net receivables	**92,143.2**	**77,059.4**	**19.6%**
Securities issued by local governments***	621.3	84.2	637.9%
Total customers' financing****	**96,871.2**	**81,175.6**	**19.3%**

* Including debt securities eligible for rediscounting at Central Bank.
** Including interest and receivables in transit.
*** Securities issued by local governments classified as securities available for sale.
**** Total customers' financing includes Loans and advances at nominal value and Securities issued by local governments.

As at the end of 2011, the volume of retail loans amounted to PLN 35,730.3 million, an increase of PLN 5,181.7 million (17.0%) in comparison to the end of 2010. The growth of volume of retail loans was achieved thanks to high dynamic in sales of key lending products. Thanks to commercial focus, in 2011 the Bank's sales of consumer loans increased by 18.0% and sales of PLN mortgage loans increased by almost 27% compared with 2010.

The Bank continued its policy of offering only PLN mortgage loans. The residual stock of mortgage loans denominated in foreign currencies, almost entirely acquired as a result of the merger of the spun-off part of Bank BPH SA, represents 6.5% of total loans of the Bank.

The volume of corporate loans, non quoted securities, reverse repo transactions and securities issued by local governments increased by PLN 10,513.9 million (20.8%) as compared to the end of 2010 and amounted to PLN 61,140.9 million at the end of 2011.

Receivables and impairment losses

(PLN million)

	31.12.2011	31.12.2010	CHANGE
Gross receivables*	**96,191.2**	**80,844.0**	**19.0%**
not impaired	90,392.7	75,705.4	19.4%
impaired	5,798.5	5,138.6	12.8%
Impairment losses	(4,368.0)	(3,990.1)	9.5%
Interest	320.0	205.5	55.7%
Total net receivables	**92,143.2**	**77,059.4**	**19.6%**

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

As at December 31, 2011, the ratio of impaired receivables to total receivables amounted to 6.0% as compared with 6.4% at the end of 2010.

Impairment loss provisions as at the end of December 2011 amounted to PLN 4,368.0 million.

Loans and advances to customers by currency*

	31.12.2011		31.12.2010		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
denominated in PLN	74,981.8	77.7%	63,380.3	78.2%	18.3%
denominated in foreign currencies**	21,529.4	22.3%	17,669.2	21.8%	21.8%
Total	**96,511.2**	**100.0%**	**81,049.5**	**100.0%**	**19.1%**
Impairment losses	(4,368.0)	x	(3,990.1)	x	9.5%
Total net	**92,143.2**	**x**	**77,059.4**	**x**	**19.6%**

* Including interest and receivables in transit.

** Including indexed loans.

The currency structure of loans and advances to customers is dominated by amounts expressed in Polish złoty; as at the end of December 2011, their share was 77.7%. The largest portion of foreign currency loans and advances to customers were represented by those denominated in EUR (57.3%), CHF (29.2%) and USD (13.2%).

Loans and advances to customers by contractual maturities

	31.12.2011		31.12.2010		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Current and up to 1 month	15,392.2	15.9%	14,262.5	17.6%	7.9%
1 to 3 months	3,301.2	3.4%	2,921.1	3.6%	13.0%
3 months to 1 year	9,296.7	9.6%	11,429.6	14.1%	(18.7%)
1 to 5 years	31,438.6	32.7%	25,067.1	30.9%	25.4%
Over 5 years	36,753.2	38.1%	27,158.5	33.5%	35.3%
Other*	329.3	0.3%	210.7	0.3%	56.3%
Total	**96,511.2**	**100.0%**	**81,049.5**	**100.0%**	**19.1%**
Impairment losses	(4,368.0)	x	(3,990.1)	x	9.5%
Total net	**92,143.2**	**x**	**77,059.4**	**x**	**19.6%**

* Including interest and receivables in transit.

Loans and advances to customers with maturity over 5 years represents 38.1% of total receivables (mainly attributed to mortgage loans and receivables for which the maturity date already passed).

Information on loan concentration is included in Notes to the Unconsolidated Financial Statements of Bank Pekao S.A. for the period ended on December 31, 2011.

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 2011, amounts due to customers totaled PLN 108,004.7 million, and their share in the total assets was 75.9%, compared with 76.3% as at the end of 2010. The share of total Shareholder's equity in the total assets was 14.6% as at the end of 2011, compared with 15.2% as at the end of 2010.

External sources of financing

(PLN million)

	31.12.2011	31.12.2010	CHANGE
Amounts due to Central Bank	356.4	728.0	(51.0%)
Amounts due to other banks	4,072.4	5,392.2	(24.5%)
Amounts due to customers	108,004.7	99,328.8	8.7%
Debt securities issued	2,402.6	737.8	225.6%
Total external sources of financing	**114,836.1**	**106,186.8**	**8.1%**

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 2011, the geographical structure of deposits acquired through the Bank's domestic branches was as follows:

REGION	% OF TOTAL DEPOSITS
Warszawski	31.0%
Centralny	20.9%
Małopolski	9.7%
Mazowiecki	9.0%
Południowo-Wschodni	7.5%
Dolnośląski	5.4%
Zachodni	4.3%
Wielkopolski	4.2%
Śląski	4.1%
Pomorski	3.7%
Total	**100.0%**

The Bank's deposit base is widely diversified, with the majority of the deposits sourced from retail and corporate customers. The Bank is not dependent on any single customer nor group of customers.

Total customer savings

(PLN million)

	31.12.2011	31.12.2010	CHANGE
Amounts due to corporate	**55,779.7**	**53,492.3**	**4.3%**
non-financial entities	40,784.5	39,089.3	4.3%
non-banking financial entities	9,617.8	9,312.1	3.3%
budget entities	5,377.4	5,090.9	5.6%
Retail deposits	**46,950.7**	**44,707.1**	**5.0%**
Repo and sell-buy-back transactions	**4,609.7**	**649.9**	**609.3%**
Other	664.6	479.5	38.6%
Amounts due to customers	**108,004.7**	**99,328.8**	**8.7%**
Structured certificates of deposit (SCD)	**1,119.0**	**737.3**	**51.8%**
Certificates of deposits	**1,271.1**	**-**	**x**
Total amounts due to customers (including repo and sell-buy-back transactions, SCD, certificates of deposits)*	**109,730.2**	**99,586.6**	**10.2%**
Investment funds of Pioneer Pekao TFI	**13,780.9**	**18,058.8**	**(23.7%)**
including distributed through the Bank's network	11,634.1	15,125.9	(23.1%)

* Excluding Other liabilities (interest and funds in transit).

As at the end of December 2011, the total amounts due to the Bank's customers (including customer deposits, repo and sell-buy-back transactions, structured certificates of deposit, certificates of deposits) amounted to PLN 109,730.2 million, an increase of PLN 10,143.6 million (10.2%) in comparison to the end of 2010.

The total volume of retail customers deposits and structured certificates of deposit amounted to PLN 48,069.7 million at the end of 2011, an increase of PLN 2,625.3 million (5.8%) in comparison to the end of 2010. The value of net assets of investment funds managed by Pioneer Pekao TFI S.A. amounted to PLN 13,780.9 million at the end of 2011, a decrease of PLN 4,277.9 million (23.7%) in comparison to the end of 2010 as a result of unfavourable situation on capital markets.

The total volume of corporate customers deposits, repo and sell-buy-back transactions and certificates of deposits amounted to PLN 61,660.5 million at the end of 2011, an increase of PLN 7,518.3 million (13.9%) as compared to the end of 2010.

*Amount due to customers by currency**

	31.12.2011		31.12.2010		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
denominated in PLN	89,248.2	82.6%	84,555.8	85.1%	5.5%
denominated in foreign currencies	18,756.5	17.4%	14,773.0	14.9%	27.0%
Total	**108,004.7**	**100.0%**	**99,328.8**	**100.0%**	**8.7%**

* Including interest and amounts due in transit.

The bulk of the amounts due to customers are denominated in the Polish currency. Their share as at the end of December 2011 amounted to 82.6%. The majority of amounts due to customers denominated in foreign currencies were in EUR (47.8%) and USD (43.8%).

Amount due to customers by contractual maturity

	31.12.2011		31.12.2010		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Current accounts and overnight deposits	48,765.0	45.4%	51,743.0	52.3%	(5.8%)
Term deposits	58,575.1	54.6%	47,106.4	47.7%	24.3%
Total deposits	**107,340.1**	**100.0%**	**98,849.4**	**100.0%**	**8.6%**
Interest accrued	306.9	x	232.4	x	32.1%
Funds in transit	357.7	x	247.0	x	44.8%
Total	**108,004.7**	**x**	**99,328.8**	**x**	**8.7%**

7.1.3 Off–balance sheet items

Statement of off-balance sheet items

(PLN million)

	31.12.2011	31.12.2010	CHANGE
Contingent liabilities granted and received	48,023.7	45,139.7	6.4%
Liabilities granted:	36,236.1	34,251.5	5.8%
financial	26,964.4	24,559.6	9.8%
guarantees	9,271.7	9,691.9	(4.3%)
Liabilities received:	11,787.6	10,888.2	8.3%
financial	2,768.3	2,760.2	0.3%
guarantees	9,019.3	8,128.0	11.0%
Derivative financial instruments	217,707.2	165,741.3	31.4%
currency transactions	95,085.4	71,992.7	32.1%
interest rate transactions	120,641.2	91,197.5	32.3%
securities transactions	1,980.6	2,551.1	(22.4%)
Other	25,762.6	24,915.2	3.4%
Total off-balance sheet items	**291,493.5**	**235,796.2**	**23.6%**

More detailed information on off-balance-sheet items is included in Notes to the Unconsolidated Financial Statements of Bank Pekao S.A. for the period ended on December 31, 2011.

7.2 Unconsolidated income statement – presentation form

Bank Pekao S.A. reported solid financial results for 2011, with net profit amounting to PLN 2,826.4 million, i.e. an increase of PLN 274.4 million (10.8%) in comparison to 2010.

Sound results for 2011 with the operating profit increased by 13.1% in comparison with 2010 were driven mainly by higher operating income with operating costs kept under control, growing only by 0.9%, well below infaltion.

The strength of the capital and liquidity structure of Bank Pekao S.A. is reflected by a capital adequacy ratio of 16.6% and net loans to deposits ratio at the level of 85.3% at the end of December 2011. This enables for further sound and stable development of the Bank's activities.

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

(PLN million)

	2011	2010	CHANGE
Net interest income*	4,354.3	3,900.9	11.6%
Dividend income	195.7	255.4	(23.4%)
Total net interest income and dividend income	**4,550.0**	**4,156.3**	**9.5%**
Net fee and commission income	2,193.1	2,112.8	3.8%
Trading result	457.6	433.9	5.5%
Net other operating income and expenses	40.6	60.9	(33.3%)
Net non-interest income	**2,691.3**	**2,607.6**	**3.2%**
Operating income	**7,241.3**	**6,763.9**	**7.1%**
Operating costs	**(3,366.3)**	**(3,336.4)**	**0.9%**
Operating profit	**3,875.0**	**3,427.5**	**13.1%**
Net result on other provisions	(5.1)	(27.7)	(81.6%)
Net impairment losses on loans and off-balance sheet commitments	(497.9)	(449.9)	10.7%
Net result on investment activities	77.5	128.4	(39.6%)
Profit before tax	**3,449.5**	**3,078.3**	**12.1%**
Income tax expense	(623.1)	(526.3)	18.4%
Net profit for the period	**2,826.4**	**2,552.0**	**10.8%**

* Including income from SWAP transactions.

Operating income

In 2011, the Bank's operating income amounted to PLN 7,241.3 million, an increase of PLN 477.4 million (7.1%) in comparison with 2010 with growth in total net interest income and dividend income as well as net non-interest income, in particular net fee and commission income.

Total net interest income and dividend income

(PLN million)

	2011	2010	CHANGE
Interest income	7,002.4	6,118.1	14.5%
Interest expense	(2,734.2)	(2,340.4)	16.8%
Income from SWAP transactions	86.1	123.2	(30.1%)
Net interest income	**4,354.3**	**3,900.9**	**11.6%**
Dividend income	195.7	255.4	(23.4%)
Total net interest income and dividend income	**4,550.0**	**4,156.3**	**9.5%**

Total net interest income and dividend income in 2011 amounted to PLN 4,550.0 million and increased by PLN 393.7 million (9.5%) in comparison with 2010. The increase was driven mainly by higher volumes as well as efficient management of interest margin.

Net non-interest income

(PLN million)

	2011	2010	CHANGE
Fee and commission income	2,656.8	2,516.7	5.6%
Fee and commission expense	(463.7)	(403.9)	14.8%
Net fee and commission income	**2,193.1**	**2,112.8**	**3.8%**
Trading result*	457.6	433.9	5.5%
Net other operating income and expense	40.6	60.9	(33.3%)
Net non-interest income	**2,691.3**	**2,607.6**	**3.2%**

* Excluding income from SWAP transactions.

The Bank's net non-interest income in 2011 amounted to PLN 2,691.3 million, an increase of PLN 83.7 million (3.2%) in comparison with 2010, mainly as a result of an increase in net fee and commission income as well as an increase in trading result.

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

(PLN million)

	2011	2010	CHANGE
Net fee and commission income	**2,193.1**	**2,112.8**	**3.8%**
loans related	612.8	471.4	30.0%
cards related	418.2	439.1	(4.8%)
capital market related	228.9	246.6	(7.2%)
other	933.2	955.7	(2.4%)

The Bank's net fee and commission income in 2011 amounted to PLN 2,193.1 million and was higher by PLN 80.3 million (3.8%) in comparison with 2010, mainly thanks to high dynamic of increase in loans related commission.

Operating costs

In 2011, the operating costs were kept under control and amounted to PLN 3,366.3 million. They were higher than the operating costs in 2010 only by PLN 29.9 million (0.9%), well below inflation. Operating costs excluding Banking Guarantee Fund (BGF) fee and Financial Supervision Authority (KNF) fee were lower by PLN 19.4 million (0.6%) as compared to 2010.

(PLN million)

	2011	2010	CHANGE
Personnel expenses	(1,728.9)	(1,731.1)	(0.1%)
Other administrative expenses (excl. BGF and KNF)	(1,181.2)	(1,187.9)	(0.6%)
Depreciation and amortisation	(347.9)	(358.4)	(2.9%)
Operating costs (excl. BGF and KNF)	**(3,258.0)**	**(3,277.4)**	(0.6%)
BGF fee and KNF fee	(108.3)	(59.0)	83.6%
Operating costs	**(3,366.3)**	**(3,336.4)**	**0.9%**

In 2011, cost / income ratio amounted to 46.5% and was better by 2.8 p.p. than that reported in 2010 thanks to higher income and lower costs.

As at the end of December 2011, the Bank employed 17,921 people, 355 less than at the end of 2010.

Net impairment losses

In 2011, net impairment losses on loans and off-balance sheet commitments amounted to PLN 497.9 million, an increase of PLN 48.0 million (10.7%) compared to 2010.

(PLN million)

	2011	2010	CHANGE
Impairment losses on loans	(515.7)	(457.2)	12.8%
Impairment losses on off-balance sheet commitments	17.8	7.3	143.8%
Total	**(497.9)**	**(449.9)**	**10.7%**

Provisions, deferred tax assets and liabilities

(PLN million)

	31.12.2011	31.12.2010	CHANGE
Total provisions	**345.4**	**331.9**	**4.1%**
of which:			
provisions for off-balance sheet commitments	117.8	128.5	(8.3%)
provisions for liabilities to employees	181.1	161.4	12.2%
other provisions	46.5	42.0	10.7%
Deferred tax liabilities	**-**	**-**	**x**
Deferred tax assets	**656.0**	**505.4**	**29.8%**

7.3 Quarterly unconsolidated income statement

7.3.1 Unconsolidated income statement – long form

Unconsolidated income statement for 2011 and 2010 - *Provided for comparability purposes - not reviewed / audited by the independent auditor.*

(PLN thousand)

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2010	Q2 2010	Q3 2010	Q4 2010
Interest income	1,571,128	1,691,762	1,804,917	1,934,577	1,460,061	1,496,114	1,542,886	1,619,032
Interest expense	(583,565)	(633,073)	(710,217)	(807,310)	(547,602)	(577,653)	(590,967)	(624,177)
Net interest income	**987,563**	**1,058,689**	**1,094,700**	**1,127,267**	**912,459**	**918,461**	**951,919**	**994,855**
Fee and commission income	627,112	692,205	675,444	662,025	615,927	623,232	619,253	658,265
Fee and commission expense	(96,681)	(112,444)	(127,594)	(126,982)	(101,686)	(97,509)	(96,067)	(108,666)
Net fee and commission income	**530,431**	**579,761**	**547,850**	**535,043**	**514,241**	**525,723**	**523,186**	**549,599**
Dividend income	**118,260**	**77,395**	**-**	**18**	**32,287**	**222,951**	**181**	**-**
Result on financial assets and liabilities held for trading	**140,373**	**121,341**	**147,571**	**152,004**	**114,773**	**137,263**	**130,156**	**155,218**
Result on fair value hedge accounting	**(4,244)**	**(3,345)**	**(526)**	**(7,642)**	**1,951**	**(8,795)**	**12,476**	**1,169**
Net result on other financial instruments at fair value through profit and loss	**14**	**(153)**	**(191)**	**(171)**	**12,160**	**(351)**	**1,757**	**386**
Gains (losses) on disposal of:	**1,459**	**3,385**	**42,606**	**28,000**	**35,134**	**25,346**	**46,350**	**19,038**
loans and other financial receivables	-	(153)	-	122	-	-	-	5,664
available for sale financial assets and held to maturity investments	1,877	3,863	42,894	28,128	35,153	25,553	46,632	13,934
financial liabilities	(418)	(325)	(288)	(250)	(19)	(207)	(282)	(560)
Operating income	**1,773,856**	**1,837,073**	**1,832,010**	**1,834,519**	**1,623,005**	**1,820,598**	**1,666,025**	**1,720,265**
Net impairment losses on financial assets and off-balance sheet commitments	**(116,914)**	**(120,933)**	**(121,496)**	**(138,529)**	**(118,118)**	**(112,278)**	**(105,946)**	**(113,536)**
loans and other financial receivables	(149,426)	(112,107)	(115,118)	(139,026)	(121,047)	(118,002)	(104,074)	(114,112)
Off-balance sheet commitments	32,512	(8,826)	(6,378)	497	2,929	5,724	(1,872)	576
Net result on financial activity	**1,656,942**	**1,716,140**	**1,710,514**	**1,695,990**	**1,504,887**	**1,708,320**	**1,560,079**	**1,606,729**

Unconsolidated income statement for 2011 and 2010 - cont.

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2010	Q2 2010	Q3 2010	Q4 2010
Administrative expenses	**(736,530)**	**(766,391)**	**(769,237)**	**(755,676)**	**(731,297)**	**(732,903)**	**(750,999)**	**(771,845)**
personnel expenses	(434,348)	(447,217)	(440,010)	(407,354)	(415,343)	(419,631)	(426,780)	(469,319)
other administrative expenses	(302,182)	(319,174)	(329,227)	(348,322)	(315,954)	(313,272)	(324,219)	(302,526)
Depreciation and amortization	**(88,098)**	**(86,535)**	**(86,547)**	**(86,728)**	**(99,787)**	**(89,909)**	**(89,568)**	**(79,184)**
Net result on other provisions	**(1,477)**	**390**	**157**	**(4,176)**	**179**	**101**	**413**	**(28,382)**
Net other operating income and expenses	**8,622**	**11,538**	**15,933**	**13,961**	**13,007**	**9,627**	**22,650**	**19,092**
Operating costs	**(817,483)**	**(840,998)**	**(839,694)**	**(832,619)**	**(817,898)**	**(813,084)**	**(817,504)**	**(860,319)**
Gains (losses) from subordinated entities	**-**	**-**	**-**	**-**	**6,002**	**1,627**	**-**	**-**
Gains (losses) on disposal of property, plant and equipment and intangible assets	**349**	**246**	**22**	**43**	**(90)**	**97**	**61**	**(560)**
Profit before income tax	**839,808**	**875,388**	**870,842**	**863,414**	**692,901**	**896,960**	**742,636**	**745,850**
Income tax expense	(136,378)	(153,427)	(168,943)	(164,331)	(122,821)	(129,671)	(145,156)	(128,677)
Net profit for the period	**703,430**	**721,961**	**701,899**	**699,083**	**570,080**	**767,289**	**597,480**	**617,173**

7.3.2 Unconsolidated statement of comprehensive income

Unconsolidated statement of comprehensive income for 2011 and 2010

Provided for comparability purposes - Not reviewed / audited by the independent auditor.

(PLN thousand)

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2010	Q2 2010	Q3 2010	Q4 2010
Net profit	**703,430**	**721,961**	**701,899**	**699,083**	**570,080**	**767,289**	**597,480**	**617,173**
Other comprehensive income								
Foreign currency translation differences	(2)	(1)	(68)	(1,371)	(91)	45	5	(40)
Change in fair value of available-for-sale financial assets	(93,133)	197,115	(116,578)	(45,186)	195,781	(168,797)	119,983	(130,941)
Change in fair value of cash flow hedges	(46,167)	18,395	9,505	(31,003)	53,329	47,808	3,548	(37,116)
Income tax expense on other comprehensive income	26,468	(40,948)	20,344	14,476	(47,250)	23,217	(23,778)	32,070
Other comprehensive income (net)	**(112,834)**	**174,561**	**(86,797)**	**(63,084)**	**201,769**	**(97,727)**	**99,758**	**(136,027)**
Total comprehensive income	**590,596**	**896,522**	**615,102**	**635,999**	**771,849**	**669,562**	**697,238**	**481,146**

7.3.3 Unconsolidated income statement – presentation form

Unconsolidated income statement for 2011

(PLN thousand)

	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Net interest income*	1,008,368	1,063,127	1,120,127	1,162,703
Dividend income	118,260	77,395	-	18
Total net interest income and dividend income	**1,126,628**	**1,140,522**	**1,120,127**	**1,162,721**
Net fee and commission income	530,431	579,761	547,850	535,043
Trading result	114,920	113,080	121,139	108,505
Net other operating income and expenses	6,386	9,328	12,716	12,154
Net non-interest income	**651,737**	**702,169**	**681,705**	**655,702**
Operating income	**1,778,365**	**1,842,691**	**1,801,832**	**1,818,423**
Operating costs	**(822,392)**	**(850,869)**	**(852,567)**	**(840,475)**
Operating profit	**955,973**	**991,822**	**949,265**	**977,948**
Net result on other provisions	(1,477)	390	157	(4,176)
Net impairment losses on loans and off-balance sheet commitments	(116,914)	(120,933)	(121,496)	(138,529)
Net result on investment activities	2,226	4,109	42,916	28,171
Profit before tax	**839,808**	**875,388**	**870,842**	**863,414**
Income tax expense	(136,378)	(153,427)	(168,943)	(164,331)
Net profit for the period	**703,430**	**721,961**	**701,899**	**699,083**

* Including income from SWAP transactions.

Unconsolidated income statement for 2010

(PLN thousand)

	Q1 2010	Q2 2010	Q3 2010	Q4 2010
Net interest income*	946,596	954,977	983,469	1,015,860
Dividend income	32,287	222,951	181	-
Total net interest income and dividend income	**978,883**	**1,177,928**	**983,650**	**1,015,860**
Net fee and commission income	514,241	525,723	523,186	549,599
Trading result	94,728	91,394	112,557	135,208
Net other operating income and expenses	10,659	7,342	21,137	21,774
Net non-interest income	**619,628**	**624,459**	**656,880**	**706,581**
Operating income	**1,598,511**	**1,802,387**	**1,640,530**	**1,722,441**
Operating costs	**(828,142)**	**(821,121)**	**(839,054)**	**(848,047)**
Operating profit	**770,369**	**981,266**	**801,476**	**874,394**
Net result on other provisions	179	101	413	(28,382)
Net impairment losses on loans and off-balance sheet commitments	(118,118)	(112,278)	(105,946)	(113,536)
Net result on investment activities	40,471	27,871	46,693	13,374
Profit before tax	**692,901**	**896,960**	**742,636**	**745,850**
Income tax expense	(122,821)	(129,671)	(145,156)	(128,677)
Net profit for the period	**570,080**	**767,289**	**597,480**	**617,173**

* Including income from SWAP transactions.

7.3.4 Reconciliation of unconsolidated income statement – presentation and long form

Unconsolidated income statement for 2011

(PLN thousand)

INCOME STATEMENT – PRESENTATION FORM'S ITEMS	LONG FORM'S ITEMS RECLASSIFFIED TO PRESENTATION FORM	2011	COMMENTS
Net interest income		4,354,325	
	Net interest income	4,268,219	
	Income from SWAP transactions	86,106	1/
Dividend income	Dividend income	195,673	
Total net interest income and dividend income		**4,549,998**	
Net fee and commission income	Net fee and commission income	2,193,085	
Trading result		457,644	
	Result on financial assets and liabilities held for trading	561,289	
	less - Income from SWAP transactions	(86,106)	1/
	Result on fair value hedge accounting	(15,757)	
	Net result on other financial instruments at fair value through profit and loss	(501)	
	(Gains) losses on disposal of financial liabilities	(1,281)	
Net other operating income and expenses		40,584	
	Net other operating income and expenses	50,054	
	less - Refunding of administrative expenses	(9,439)	2/
	(Gains) losses on disposal of loans and other financial receivables	(31)	
Net non-interest income		**2,691,313**	
Operating income		**7,241,311**	
Operating costs		(3,366,303)	
	Personnel expenses	(1,728,929)	
	Other administrative expenses	(1,298,905)	
	Refunding of administrative expenses	9,439	2/
	Depreciation and amortization	(347,908)	
Operating profit		**3,875,008**	
Net result on other provisions	Net result on other provisions	(5,106)	
Net impairment losses on loans and off-balance sheet commitments		(497,872)	
	Net impairment losses on loans and other financial receivables	(515,677)	
	Net impairment provision for off-balance sheet commitments	17,805	
Net result on investment activities		77,422	
	Gains (losses) on disposal of property, plant and equipment, and intangible assets.	660	
	Gains (losses) on disposal of available for sale financial assets and held to maturity investments	76,762	
Profit before tax		**3,449,452**	
Income tax expenses	Income tax expenses	(623,079)	
Net profit for the period	**Net profit for the period**	**2,826,373**	

1/ In the long form the item "Income from SWAP transactions" included in the item "Result on financial assets and liabilities held for trading", in a presentation form included in the item "Net interest income".

2/ In the long form the item "Refunding of administrative expenses" included in the item "Net other operating income/expenses", in a presentation form included in "Operating cost".

Unconsolidated income statement for 2010

(PLN thousand)

INCOME STATEMENT – PRESENTATION FORM'S ITEMS	LONG FORM'S ITEMS RECLASSIFFIED TO PRESENTATION FORM	2010	COMMENTS
Net interest income		3,900,902	
	Net interest income	3,777,694	
	Income from SWAP transactions	123,208	1/
Dividend income	Dividend income	255,419	
Total net interest income and dividend income		**4,156,321**	
Net fee and commission income	Net fee and commission income	2,112,749	
Trading result		433,887	
	Result on financial assets and liabilities held for trading	537,410	
	less - Income from SWAP transactions	(123,208)	1/
	Result on fair value hedge accounting	6,801	
	Net result on other financial instruments at fair value through profit and loss	13,952	
	(Gains) losses on disposal of financial liabilities	(1,068)	
Net other operating income and expenses		60,912	
	Net other operating income and expenses	64,376	
	less - Refunding of administrative expenses	(9,128)	2/
	(Gains) losses on disposal of loans and other financial receivables	5,664	
Net non-interest income		**2,607,548**	
Operating income		**6,763,869**	
Operating costs		(3,336,364)	
	Personnel expenses	(1,731,073)	
	Other administrative expenses	(1,255,971)	
	Refunding of administrative expenses	9,128	2/
	Depreciation and amortization	(358,448)	
Operating profit		**3,427,505**	
Net result on other provisions	Net result on other provisions	(27,689)	
Net impairment losses on loans and off-balance sheet commitments		(449,878)	
	Net impairment losses on loans and other financial receivables	(457,235)	
	Net impairment provision for off-balance sheet commitments	7,357	
Net result on investment activities		128,409	
	Gains (losses) on disposal of property, plant and equipment, and intangible assets.	(492)	
	Gains (losses) on disposal of available for sale financial assets and held to maturity investments	121,272	
	Gains (losses) from subordinated entities	7,629	
Profit before tax		**3,078,347**	
Income tax expenses	Income tax expenses	(526,325)	
Net profit for the period	**Net profit for the period**	**2,552,022**	

1/ In the long form the item "Income from SWAP transactions" included in the item “Result on financial assets and liabilities held for trading”, in a presentation form included in the item “Net interest income”.
2/ In the long form the item "Refunding of administrative expenses" included in the item "Net other operating income/expenses", in a presentation form included in “Operating cost”.

8. Other Information

Subsequent events
There have been no significant subsequent events.

Management Board position regarding the possibility of achieving previously published forecasts
The Bank has not published the forecast of the financial results for 2011.

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 2011:

(PLN thousand)

	BASE SALARY AND BONUS PAID OR PAYABLE FOR 2011	OTHER BENEFITS FOR 2011	TOTAL 2011	BONUSES PAID IN 2011 RELATED TO PRIOR YEARS
Alicja Kornasiewicz (until 30.04.2011) (1)	622	5,665	6,287	1,262
Luigi Lovaglio	3,283	134	3,417	803
Marian Ważyński	817	20	837	398
Grzegorz Piwowar	1,154	102	1,256	398
Andrzej Kopyrski	1,823	109	1,932	375
Diego Biondo	1,621	1	1,622	226
Marco Iannaccone	1,444	1	1,445	338
Provisions 2011(2)	7,810	-	7,810	-
Total	**18,574**	**6,032**	**24,606**	**3,800**

(1) „Other benefits for 2011" includes severance and compensation payments to a departing Management Board Member with respect to the provisions of the Agreement on conditions on the termination of employment contract.

(2) "Provisions 2011" include provisions for bonuses as well as Long Term Incentive Program, both with deferred payments up to 5 years.

A decision on bonuses for 2011 for the Management Board Members has not yet been taken by the Supervisory Board.

Additionally, in 2011 cost of the stock and stock options program that may be executed by the Management Board Members, subject to fulfillment of given conditions, amounted to PLN 3,290 thousand.

For description of incentive programs refer to Notes to the Unconsolidated Financial Statement of Bank Pekao S.A. for the period ended on December 31, 2011.

In 2011, the 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 2011:

(PLN thousand)

	2011	COMMENTS
Alicja Kornasiewicz (from 01.05.2011)	137	
Jerzy Woźnicki	197	
Paweł Dangel	114	
Oliver Greene	165	
Enrico Pavoni	114	
Leszek Pawłowicz	156	
Krzysztof Pawłowski	114	
Federico Ghizzoni (until 30.04.2011)	-	Did not receive remuneration according to the Group's policy
Sergio Ermotti (until 23.02.2011)	-	Did not receive remuneration according to the Group's policy
Roberto Nicastro	-	Did not receive remuneration according to the Group's policy
Alessandro Decio (from 19.04.2011)	-	Did not receive remuneration according to the Group's policy
Total	**997**	

Additionally, in 2011 cost of the program of stock and stock options of Bank UniCredit S.p.A. that may be executed by one of the Members of the Supervisory Board, subject to fulfillment of given conditions, amounted to PLN 51 thousand.

In 2011, the Supervisory Board Members did not receive nor are due any compensation from subsidiaries, jointly controlled companies, and associated entities.

For description of incentive programs refer to Notes to the Unconsolidated Financial Statement of Bank Pekao S.A. for the period ended on December 31, 2011.

The Incentive Programs

Bank's Pekao S.A. Group is realizing the Incentive Program granting members of governing bodies, members of the executives and employees key to the strategy of the Bank Pekao S.A. Group, the right to acquire shares of the Bank under the terms of the Incentive Program Rules.

At the date of submission of the annual report, within Incentive Program 2004 there are in total 7 persons entitled to acquire 87,905 shares, of which one member of the Management Board will be eligible to acquire 32,678 shares.

Supervisory Board members did not participate in the Incentive Program of Bank Pekao S.A.

The number of shares which are eligible to be acquired by members of the Management Board in accordance with the Rules of Incentive Program is presented in the table below:

	AS AT THE DATE OF SUBMITTING THE REPORT		
	FOR THE YEAR 2011	FOR THE THIRD QUARTER OF 2011	FOR THE YEAR 2010
Luigi Lovaglio	32,678	32,678	32,678
Total	**32,678**	**32,678**	**32,678**

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, 2011, 39 employees of the Bank Pekao S.A. Group, including 3 members of the Management Board, are participating in the Long-Term Incentive Plan 2007, 55 employees of the Bank Pekao S.A. Group, including 3 members of the Management Board, are participating in the Long-Term Incentive Plan 2008 and 73 employees including 2 Management Board Members are participating in Long-Term Incentive Plan 2011-2013.

Shares in the Bank and related entities held by the Bank's Directors
According to information available to the Bank as at December 31, 2011, the members of the Bank's management and supervisory bodies held 40,857 shares of Bank Pekao S.A. with face value of PLN 40,857. The number of the Bank's shares held by the members of the Bank's management and supervisory bodies and its face value remained unchanged as the date of submitting of this report.

The table below presents the number of shares held by the Management Board Members:

	AS AT THE DATE OF SUBMITTING THE REPORT		
	FOR THE YEAR 2011	FOR THE THIRD QUARTER OF 2011	FOR THE YEAR 2010
Luigi Lovaglio	31,357	31,357	31,357
Diego Biondo	9,500	9,500	9,500
Total	**40,857**	**40,857**	**40,857**

Moreover, as at December 31, 2011 UniCredit S.p.A. shares were held by: Mr. Luigi Lovaglio – 21,430 shares without nominal value, Mr. Diego Biondo – 1,551 shares without nominal value, Mr. Alessandro Decio – 50,797 shares without nominal value, Mr. Marco Iannaccone – 1,770 shares without nominal value, Mr. Andrzej Kopyrski – 384 shares without nominal value, Mrs. Alicja Kornasiewicz – 2,868 shares without nominal value, Mr. Roberto Nicastro – 81,788 without nominal value, Mr. Grzegorz Piwowar – 1,499 without nominal value, Mr. Marian Ważyński – 827 shares without nominal value.

Information regarding contracts for post termination benefits
The employment contracts concluded by the Bank with the following Board Members provide compensation equal to 18 fold of monthly base salary for the final month of employment in case of non renewal of contract or dismissal:

- Mr. Andrzej Kopyrski, Vice President of the Management Board,
- Mr. Grzegorz Piwowar, Vice President of the Management Board,
- Mr. 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 Bank's Statute, or Management Board or Supervisory Board resolutions.

Moreover, the above mentioned Management Board Members have signed non – competition agreements with the Bank setting rights and responsibilities of the parties to the contracts concerning competitive activities during and after termination of employment with the Bank.

Employment contracts with the remaining Management Board Members do not cover such compensations.

Agreements with companies entitled to auditing of financial reports
On the basis of the agreement concluded on July 8, 2010, KPMG Audyt sp. z o.o. is the company appointed to audit and review the financial statements of Bank Pekao S.A. and the Bank Pekao S.A. Group for 2010 – 2011.

Audit remuneration for services of Bank Pekao S.A.

(PLN thousand)

	2011	2010
Fee for the audit of annual financial statements	3,373	2,937
Fee for other attestation services, including review of financial statements	2,735	1,935

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

Average interest rates in Bank Pekao S.A. in December 2011
The average nominal interest rates for the basic types of PLN and foreign currency deposits for non-financial sector residents:

PLN retail deposits	1.96% p.a.
PLN corporate clients deposits	3.73% p.a.
Total foreign currency deposits in USD	0.03% p.a.
Total foreign currency deposits in EUR	0.15% p.a.

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

Total retail loans	9.12% p.a.
mortgage	6.54% p.a.
consumption	16.36% p.a.
Other	10.72% p.a.
Corporate loans	6.74% 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 emphasizes the importance of this in relation to the effective implementation of Basel II.

The type of collateral and its value are carefully analyzed and chosen regarding the particular risk of the secured transaction.

The Bank obeys the rule, according to which the value of collateral should relate directly to the value of secured liability, that is cash provided by the Bank to a client (capital or the amount of off-balance sheet commitments granted by the Bank) together with extraneous amounts due, for example, interest or commissions.

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, 2011 amounted to PLN 1,444.1 million. In 2011, 326 titles of execution were issued on behalf of the Bank in the total amount of PLN 212.9 million.

For retail clients, the total value of the collateral for impaired transactions as at December 31, 2011 amounted to PLN 558.1 million. In 2011, 45,838 titles of execution were issued on behalf of the Bank in the total amount of PLN 537.1 million.

Pending litigations

In 2011, the number of the legal proceedings pending before courts, arbitration bodies or public administration authorities in respect of the Bank's liabilities was 2,430 with the total value of PLN 18,718.0 million. The number of legal proceedings in respect of receivables was 28,596 with the total value of PLN 1,115.6 million.

In 2011 there were no legal proceedings relating to the liabilities and/or receivables of the Bank in which asserted claims accounted for at least 10% of the Bank's own funds.

In the opinion of the Bank none of the individual pending proceedings before any courts, arbitration bodies or public administration authorities during 2011, nor the proceedings in aggregate pose any threat to the Bank's financial liquidity.

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 period ended on December 31, 2011.

Information on significant agreements

In 2011, there have been no significant agreements concluded by the Bank.

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 has been 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 Bank Pekao S.A. for the period ended on December 31, 2011.

Accounting principles adopted in the preparation of the Unconsolidated Financial Statements

Accounting principles adopted in the preparation of the report are described in the Notes to the Unconsolidated Financial Statements of Bank Pekao S.A. for the period ended on December 31, 2011.

Issuance, redemption and repayment of debt securities

Issuance of bonds of Bank Pekao S.A.

Under 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 exercised.

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.

Structured Certificates of Deposit

Structured Certificates of Deposit are investment products for the Bank's clients that form an alternative to traditional banks' deposits. The total value of the Bank's liabilities relating to these products amounted to PLN 1,119.0 million (principal value) as at the end of December 2011. There are 15 issues of Structured Certificates of Deposit open in PLN, EUR and USD with the maximum maturity date set at March 17, 2014. Those liabilities that mature in 2012, 2013 and 2014 account for 47.2%, 34.6%, and 18.2% of its total value, respectively.

Certificates of Deposits

Certificates of Deposits are investment products denominated in PLN that guarantee 100% protection of invested funds also in case of termination before redemption date. The total value of the Bank's liabilities under these products amounted to PLN 1,271.1 million (principal value) as at the end of December 2011. There are 6 active issues of Certificates of Deposits, and the maturity date up to 3 months accounts for 32.4%, up to 6 months accounts for 58.1% and up to 1 year accounts for 9.5% of its total value.

9. Prospects for Development

9.1 Factors which will affect the results of the Bank

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

Most probably, next quarters will bring slowdown in the economic growth. This will be connected with ending of improvement trend on the labour market situation observed in 2011 what in turn will result in slowdown in individual consumption growth. The mitigating factor of cyclical slowdown will be the European Football Championships EURO2012, which will take place in the middle of the year. The finalization of EURO2012 investment projects and its positive influence should support relatively good economic situation during the first half of 2012. The second half of the year might bring significantly worse results.

Surveyed companies from the private sector point at slowdown in investment growth pace and it may be expected that this trend will continue in 2012 as well. Although the economic growth prospects this year (ca. 3% year on year) are quite optimistic, high level of economic uncertainty won't favor new investment projects increasing production capacity – companies will most probably limit the machinery stock renewal to the minimum necessary level.

Individual consumption growth may weaken due to expected stagnation on the labour market. Over the next year a slowdown in employment growth rate in enterprises is expected, reaching the level slightly above zero (from little more than 2% year on year as at the beginning of the year). This should be accompanied by remuneration growth rate slightly exceeding inflation rate. For this reason salary growth in real terms will be rather small. Therefore, significant wage fund real growth shouldn't be expected, what in turn will lead to slowdown in real retail sales.

The scenario of inflation processes slowdown is supported by leading indicators suggesting the fall of the global economic growth pace in the next quarters, which in turn would result in a lower demand for raw materials and consequently their price decrease. Raw materials price decrease would allow companies to offer goods at lower prices in industries which suffered from reduced demand or to increase profit margins (therefore to improve financial performance) in industries in which demand remains on the same level despite of the economic slowdown. Uncertainty connected to crude oil prices due to persistent high prices of this natural resource and geopolitical tensions surrounding Iran are the main risk factors for the inflation decline scenario. However, due to worldwide economic slowdown, it is unlikely, that the Monetary Policy Council will decide to increase interest rates.

In the fourth quarter of 2011, corporate deposits volume continued its growth at a higher pace. Households deposits showed similar tendency. However, keeping such a high growth rate may be impossible in 2012. In case of households, a change in savings structure focusing on less risky assets was the main factor that influenced the growth of deposits in the second half of 2011. This process may occur in 2012 on a much smaller scale (or even have an opposite tendency), what in conjunction with deteriorating labour market conditions may result in a decrease in the households deposit rate of growth in the first quarter. Corporate deposits growth rate may slow due to one-off events (significant amounts of money from sale of financial assets placed on banks' accounts). It might be expected that these funds will be gradually invested, however, it must be also taken into account that companies operating in industries significantly affected by the economic slowdown will suffer from temporary drop in income.

Household loans growth rate amounted to 12% year on year as at the end of 2011. Such a high dynamic was due to the Polish currency depreciation (and increase in PLN portfolio value denominated in foreign currencies). Taking into account fundamental factors (implementation of regulatory changes leading to increases in income requirements, changes in the governmental program "Family on their own" and downward housing market trend) a decrease in demand for household loans may be expected. In case of corporate loans also a reduced interest in loans is expected. This may be a result of a probable decrease in corporate investment spending due to uncertainties in the external environment of the Polish economy.

The introduction of a new banking levy, aimed at increasing safety buffers of the banking system, has been discussed in Poland for several months. The initial idea was that a new "banking tax" would be introduced. However, in March 2012 the original concept was redefined, and now an increase of contribution to the Bank Guarantee Fund (BFG) is considered. Decisions on exact size of the change as well as timing of implementation were not yet made. It is likely those changes might be effective from 2013 onwards.

Due to regulators and merchants pressure the Polish market of non-cash transactions needs to adopt visible interchange fee reduction program. If the market follows NBP proposal of gradual interchange fee reduction, its level would reach EU average in 2017.

Steps towards public finance consolidation, announced by the government, have been welcomed by the financial markets and as long as they will be followed, the perception of Poland in the financial markets will be positive. Actions already undertaken focus mainly on public levy increase (rather than reduction in spending). Therefore the program of reforms should be broadened so as to comprise structural reforms strengthening the competitiveness (such as deregulation, tax code simplification) – however the actions aiming at deficit reductions are the ones that soften the situation in the exchange rate market, bond market and to some extent in the stock market. As forecasted by the government, undertaken actions should lead to public deficit reduction to the level of 3% of GDP in 2012 as well bring the first decline for many years the debt to GDP ratio.

When it comes to international environment, the leading indicators suggest, that economies have already entered the phase of economic slowdown. Most probably, this will also indicate a decrease in the Polish economy growth rate throughout the next few quarters. The most significant uncertainty is connected with excessive indebtedness of some members of the euro zone. This is reflected by the financial market situation (considerable exchange rates fluctuations) and can affect the real economy as well as banking activity. Tight trade relations with the German economy, which is growing at a relatively high rate in comparison with other euro zone members and boasts with the best leading indicators' readings, is positive for the Polish economy in perspective of the next quarters.

9.2 Directions of the activities and business priorities

Bank Pekao S.A. plans to concentrate its activities on the Polish market.

In 2011, the Bank strengthened its competitiveness advantage, in particular solid capital and liquidity which importance grew significantly in the light of tension in European banking sector. For the consecutive time, the Bank's resilience and stability of business model have been confirmed and it should be expected further strengthening of the Bank's position as the best in Poland in terms of profitability, repeatability of achieved profits, operational efficiency and risk management effectiveness as well as its reputation and client and employee satisfaction.

Despite expected slowdown in the GDP growth rate in 2012, situation of the Polish economy still allows for optimism in terms of further planning of increase in business activity scale. Running a business in above conditions, the Bank intends to develop its commercial activity in the most crucial business areas, strengthen the multi-channel distribution of products and services, reinforce the Bank's leading position, raise brand awareness, continue client and employee satisfaction improvement programs, and further optimize the risk management process to achieve higher commercial efficiency.

The business model and competitive advantages
The Bank will continue commercial activities on the financial services market basing on the client segmentation model.

- The individual clients segment was split into the retail, affluent clients and private banking sub-segments. Each of the sub-segments has a dedicated business model, with a defined service level and an appropriate product offering. For instance, affluent and private banking clients are provided with the services of account managers.
- SME clients are provided with professional products and services offered by account managers dedicated to this customer segment.
- The corporate clients segment was divided into medium-sized and large companies. The segmentation is based on clients' turnover, sector of the economy, type of ownership (public/private, domestic/international, other). Clients are served by Relationship Managers, which makes it possible to optimize the level and cost of service. The Relationship

Managers concentrate on providing high quality and efficient service, using best practices and integrated sales management tools.

The Bank offers products and services which are competitive on the Polish market, top service quality, a wide network of branches and ATMs easily available across Poland, a professional call-centre and a competitive Internet and mobile banking platform for individual and corporate clients as well as small and medium-sized companies.

The scale of operations, robust capital and liquidity structure, a strong balance sheet with a high capital adequacy ratio and a significant excess of deposits over loans granted, give the Bank an edge to successfully compete on the market.

Business priorities

Given the positive outlook for Poland's economy development, the Bank will be able to concentrate on the further growth of business while maintaining high risk management standards.

The priorities in the area of commercial activities will be to continue the sales of mortgage loans in Polish złoty, consumer loans for individual clients, and loans to the SME segment, as well as to increase financing of medium-sized enterprises and infrastructure projects.

The Bank will seek to maintain a strong balance-sheet structure by increasing the volume of deposits. At the same time, the Bank will offer its clients the possibility of investing via mutual funds.

A number of initiatives have been planned to support business growth in selected segments. They will include intensifying marketing actions as well as the selective development of the distribution network in the regions where the Bank's market penetration is lower.

Individual clients

The Bank is working towards achieving the position of leader on the consumer finance market by adapting its offering efficiently and effectively to meet the clients' needs, and towards becoming the bank of choice in the consumer loans segment, while adhering to the principles of ethics in lending and reasonable risk levels.

It is also an intention to improve the Bank's position on the market of mortgage loans in Polish złoty. To this end the Bank will leverage its many years' experience gained by specializing in this product. In the area of savings products the Bank will continue to offer attractive deposit products which allows for continuation sustainable growth of the Bank's balance.
The Bank will also offer mutual funds.

The pursuit of the above objectives will be assisted by selective development of distribution network in the region with lower level of the Bank's presence, exploitation of innovative changes in electronic banking channels, i.a. in mobile banking, and a new model of servicing affluent clients. The Bank intends also to continue intensive marketing campaigns and promotional offers, i.a. connected with the Bank's sponsorship of EURO2012.

Private Banking

The Bank will further develop the products and services portfolio and tools dedicated to the private banking clients. The Bank will continue activities aiming at product offer extension and continuous improvement of service quality, also thanks to continuation of training process and qualification improvements of advisers.

Corporate and business clients

Bank Pekao S.A.'s aspiration is to strengthening its leading position in the corporate banking, corporate finance and transactional banking segments. It is also the Bank's goal to achieve the leading position in major infrastructure projects, including in the public sector.

With a view to ensuring top quality of service to corporate and business clients (medium-sized and large corporations, as well as small and micro enterprises), the Bank will continue to develop its offering, maintain its comprehensive nature, and provide modern banking products to meet even the most demanding requirements of the clients.

There is an intention to concentrate on offering safe products and innovative solutions, providing expertise and advisory services to the corporate clients, going beyond the scope of the basic banking activities.

There has been set the goal of reinforcing the Bank's position that enjoys the highest recognition among corporate clients in Poland for its expertise and capabilities, customer satisfaction, and creation of value.

The activities of the Bank on the financial services market will be guided by a focus on the delivery of value for customers and increasing their satisfaction with services by meeting their needs as closely as possible, continuous improvement of the service quality, and offering customers simple and comprehensible solutions, reliable and effective in helping them attain their financial goals.

10. Representations of the Bank's Management Board

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

– Unconsolidated Financial Statements of Bank Pekao S.A. for the period ended on 31 December 2011 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,

– Report on the activities of Bank Pekao S.A. for the year 2011 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 Unconsolidated Financial Statements of Bank Pekao S.A. for the period ended on 31 December 2011 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 on the annual unconsolidated financial statement, in line with the binding provisions of the law and professional standards.

11. Statement of Bank Polska Kasa Opieki Spółka Akcyjna on application of Corporate Governance Standards in 2011

According to the ordinance of Minister of Finance dated 19 February 2009 *on current and periodic information published by issuers of securities and the conditions for recognition as equivalent the information required by the laws 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]

General corporate governance rules i.e. a system of regulations and procedures defining guidelines for the activities of the Bank's governing bodies, including their relations with entities interested in the Bank's activities (stakeholders) result from laws regulations, especially from the Commercial Companies Code and the Banking Law, capital market regulations, as well as the rules laid down in Code of Best Practice of Polish Bank Association together with Code of Best Practice for WSE Listed Companies.

The Bank applies corporate governance rules laid down in the Code of Best Banking Practice of Polish Bank Association.[3]

The Bank applies corporate governance rules laid down in the Code of Best Practice for WSE Listed Companies[4] set by WSE Supervisory Board's Resolution No. 17/1249/2010 of May 19, 2010.

Furthermore, the Bank applies corporate governance rules resulting from UniCredit Group Integrity Charter[5] as requirements beyond requirements under national law.

The activities undertaken by the Bank comply with the laws regulations, Statute, internal Bank's regulations, supervisory and control bodies recommendations, good practices standards and ethic norms.

Acting in compliance with par. 91.5.4.c–k of above mentioned ordinance of Minister of Finance dated 19 February 2009, the Bank presents following information:

1) The description of Key Features of the Bank's internal control and risk management systems related to the preparation of financial statements and consolidated financial statements[6]

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.

The internal control system is aimed at ensuring reliable, complete and correct disclosure of all commercial transactions executed over a given period.

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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 Polish Bank Association web site: http://www.zbp.pl/prawo_bankowe

4 The document is publicly available on the WSE webpage: http://www.corp-gov.gpw.pl/lad_corp.asp

5 The document is publicly available on the Bank Pekao S.A. webpage: http://www.pekao.com.pl/o_banku/misja/#tab2

6 Par. 91.5.4.c of the ordinance of the Minister of Finance of 19 February 2009

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. 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 centralized 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 preparation of financial statements and periodic financial reports and for information management 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), modeled on the US provisions of the "Sarbanes-Oxley Act." Therefore in the Bank there has been implemented a verification process 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.

2) 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 Bank's General Meeting resulting from owned shares[7]

Since August 1999, the Bank's principal shareholder has been UniCredit S.p.A. As at December 31, 2010, UniCredit S.p.A. held 59.24% 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 40.76%. 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 Bank's 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, 2011		DECEMBER 31, 2010	
UniCredit S.p.A.	155,433,755	59.24%	155,433,755	59.24%
Other shareholders	106,948,374	40.76%	106,930,571	40.76%
Total	**262,382,129**	**100.00%**	**262,364,326**	**100.00%**

On the 11th of January 2012 Aberdeen Asset Management PLC (and/or acting on its own behalf and subsidiaries), located in Aberdeen, purchased 215,000 shares of the Bank and exceeded the level of 5% in the total number of voting rights in the Bank's General Shareholders Meeting. The Bank informed about this in the current report on the 17th of January (current report no 3/2012). At present the entity owns 13,194,683 Bank's shares, which amounts to 5.03% of the total number of the Bank's shares and the same percentage of the total number of voting rights in the Bank's General Shareholders Meeting.

3) Identification of holders of any securities with special control rights with description of those rights[8]

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.

7 Par. 91.5.4.d of the ordinance of the Minister of Finance of 19 February 2009

8 Par. 91.5.4.e of the ordinance of the Minister of Finance of 19 February 2009

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

4) 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[9]

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

5) Identification of any restrictions of ownership transfer of securities issued by the Bank[10]

According to the Bank's Statute there are no limitations of ownership transfer of the Bank's shares.

6) 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[11]

Management Board

As stated in the Bank's Statute 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, Vice Presidents of the Management Board of the Bank including the first President 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.

The Management Board runs business and represents the Bank. 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 Management Board of the Bank and the Supervisory Board of any situation in which a conflict of interests might occur or has occurred as well as refrain from participating in discussion and voting on resolution in case of which a conflict of interest 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.

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9 Par. 91.5.4.f of the ordinance of the Minister of Finance of 19 February 2009

10 Par. 91.5.4.g of the ordinance of the Minister of Finance of 19 February 2009

11 Par. 91.5.4.h of the ordinance of the Minister of Finance of 19 February 2009

7) Description of rules governing amendment of the Statute of the Bank[12]

Amendment of the Bank's Statute and drafting its consolidated text requires adoption by way of resolution of the Bank's General Shareholders Meeting as well as registering the amendment in the National Court Register. Procedure of the General Shareholders Meeting of the Bank[13] defines detailed rules of conducting the Bank's General Shareholders Meetings and adopting resolutions. The Bank's General Shareholders Meetings resolutions concerning the amendments of the Bank's Statute are being adopted by the three-quarter majority, whereas according to the Bank's Status the Bank's General Shareholders Meeting is entitled to adopting resolutions only if at least 50% of shares plus one share is represented. Moreover, as stated in Par. 34.2 of the Banking Act, 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 appointed with acceptance by the Polish Financial Supervision Authority and in compliance with the decision making standards,
– 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.

8) 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[14]

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, amended by way of Resolution No. 41 of May 5, 2009 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[15].

Apart from powers and authorities mentioned in the Code of Commercial Companies and the Bank's Statute, the Bank's 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 organized part, and to encumber it with limited property rights,

12 Par. 91.5.4.i of the ordinance of the Minister of Finance of 19 February 2009

13 Adopted by virtue of the Resolution of the General Shareholders Meeting No. 19 of April 8th 2003

14 Par. 91.5.4.j of the ordinance of the Minister of Finance of 19 February 2009

15 http://www.pekao.com.pl/informacje_dla_inwestorow/walne-zgromadzenia-banku/

- 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 Bank’s General Shareholders Meeting for discussion.

The Bank’s General Shareholders Meeting is convened via the Bank’s website and in a way determined for passing current information according to rules regarding public offer and conditions, under which the financial instruments are introduced to organized turnover system and to rules regarding public companies. The convocation have to take place at last twenty-six days before the Bank’s General Shareholders Meeting.

The Ordinary General Shareholders Meeting should take place once a year, not later than in June. When determining the date of the Bank’s General Shareholders Meeting, the Management Board seeks to enable as many shareholders as possible to participate in the Meeting.

The Bank’s Supervisory Board can convene Annual General Shareholders Meeting, if the Management Board does not convene it in due time stated in the Statute and the Extraordinary Shareholders Meeting, if necessary.

The full documentation which is to be presented to the Bank’s General Meeting, together with the drafts of resolutions and information concerning the Bank’s General Meeting are made available to persons entitled to participate in the Bank’s General Meeting on the internet page of the Bank and in paper form which is available in Bank’s Headquarters, Warsaw, Żwirki i Wigury Street 31. Information in this respect is covered by announcement about convening the General Meeting, in accordance with Art. 402^2 of Code of Commercial Companies.
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 Bank’s General Meeting date.

The rights of Bank’s shareholders include in particular:

- the right of shareholders holding at least a half of the share capital or at last a half of the votes to convene Extraordinary Meeting of Shareholders. In this case, the shareholders elect the chairman of the Bank’s General Meeting,
- the right of shareholders holding at least the twentieth of share capital to demand that specific issues be placed on the agenda of the next Bank’s General Shareholders Meeting. The demand should include the justification and the project of resolution’s project concerning proposed issue and should be submitted to the Management Board no later than 21 days prior to the Meeting date. The Management Board is obliged to announce changes in the Meeting agenda introduced because of shareholder’s demand as fast as possible and no later than 18 days prior to the Meeting date. The Announcement takes place according to the way proper for General Meeting convocation,

- the right of shareholders holding at least the twentieth of share capital to submit via electronic communication media projects of resolutions concerning issues introduced to the Bank's General Meeting agenda or issues, which are supposed to be introduced to the Meeting agenda before the date of holding the Bank's General Meeting. The Bank instantly announces projects of resolutions on the Bank's webpage,
- the right of every shareholder to submit projects of resolutions concerning issues introduced to the Meeting's agenda,
- the right of shareholders to participate in the Bank's General Shareholders Meeting personally or by proxy,
- the right of shareholders holding a tenth of the share capital represented at the Bank's General Shareholders Meeting to demand that the attendance list of the Bank's 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 Bank's 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 Bank's General Shareholders Meeting may not be adjourned deliberately to obstruct the exercise of the shareholders rights,
- the right of each individual participant of the Bank's 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 Bank's 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 Bank's 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.

All issues submitted to the Bank's 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 Bank's General Shareholders Meeting for consideration by the Supervisory Board.

The Bank's General Shareholders Meetings are attended by members of the Supervisory Board and Management Board in makeup that enables providing content-related answers to question in discussion. 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.

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

The Rules of Procedure for the Bank's 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 Bank's 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 Bank's

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 Bank's 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 Bank's 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 Bank's 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 of the shareholders 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 Bank's General Shareholders Meeting, adopted with a three-quarter majority of the votes, following approval by all the present shareholders who submitted such a request.

9) Composition of Bank's managerial, supervisory or administrative bodies and it's committees, and its changes that occurred during last financial year as well as rules of procedure[16]

Management Board

As at January 1, 2011, the Bank's Management Board was composed of the following persons:

Alicja Kornasiewicz – 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.

Mrs. Alicja Kornasiewicz, on the 14th of April 2011, resigned from her post of President of the Management Board, CEO, effective on April 30, 2011.

Effective from May 1, 2011, the Supervisory Board entrusted Mr. Luigi Lovaglio with duties of President of the Bank's Management Board. Mr. Luigi Lovaglio was acting as the President of the Bank's Management Board from the 1st of May 2011 to the 19th of July 2011. On the 19th of July 2011 the Polish Financial Supervision Authority, according to Par. 23b.1 of the Banking Act unanimously approved the appointment of Mr. Luigi Lovaglio to the post of the President of the Bank's Management Board.

16 Par. 91.5.4.k of the ordinance of the Minister of Finance of 19 February 2009

As at December 31, 2011, the Bank's Management Board was composed of the following persons:

Luigi Lovaglio – President of the Management Board,

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.

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[17]. 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 all required information and data to UniCredit S.p.A. as the parent company. 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 by the Bank.

Pursuing the principle of efficient and prudent management, the Management Board is responsible for initiation and implementation of programs 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.

17 http://www.pekao.com.pl/o_banku/wladze_Banku/

Supervisory Board

As at January 1, 2011, the Bank's Supervisory Board was composed of the following persons:

Jerzy Woźnicki – Chairman of the Supervisory Board,

Federico Ghizzoni– Deputy Chairman and Secretary of the Supervisory Board,

Roberto Nicastro – Deputy Chairman of the Supervisory Board,

Paweł Dangel – Member of the Supervisory Board,

Sergio Ermotti – 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 February 23, 2011, Mr. Sergio Ermotti, Member of the Supervisory Board, resigned from his post.

On April 30, 2011, Mr. Federico Ghizzoni, Deputy Chairman and Secretary of the Supervisory Board resigned from his posts.

On April 19, 2011, Annual General Shareholders Meeting appointed to the post in Supervisory Board Mr. Allessandro Decio, effective from April 19, 2011 and Mrs. Alicja Kornasiewicz, effective from May 1, 2011.

The Supervisory Board on the meeting on June 1, 2011, appointed Mrs. Alicja Kornasiewicz to the post of the Chairman of the Supervisory Board, Mr. Jerzy Woźnicki, who resigned from the post of the Charman of the Supervisory Board, was appointed to the post of Deputy Chairman of the Supervisory Board and Mr. Allessandro Decio to the post of the Secretary of the Supervisory Board.

As at December 31, 2011, the Bank's Supervisory Board was composed of the following persons:

Alicja Kornasiewicz – Chairman of the Supervisory Board,

Roberto Nicastro – Deputy Chairman of the Supervisory Board,

Jerzy Woźnicki – Deputy Chairman of the Supervisory Board,

Alessandro Decio – Secretary of the Supervisory Board,

Paweł Dangel – 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.

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[18].

18 http://www.pekao.com.pl/o_banku/wladze_Banku/#tab2

Report on the activities of Bank Pekao S.A. for the year 2011

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. Apart from the competence defined in law, the Supervisory Board possesses competence stated in the Bank's Statute, the Supervisory Board in particular examines every matter submitted to the Bank's 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. Moreover, Members of the Supervisory Board of the Bank are prohibited from taking any decisions or actions that would lead to conflicts of interests or that would be not in line with the Bank's best interest. About existing or potential conflict of interests the Member of the Supervisory Board informs the Supervisory Board and restrains from participating in a discussion and voting on resolution regarding issue in case of which a conflict of interest occurred.

Each year, according to regulations in force, the Supervisory Board prepares and submits to the Bank's General Shareholders Meeting an assessment of the Bank's annual statements prepared by the Bank's Management Board and annual statements of the Bank Pekao S.A. Group's activities, assessment of Bank's financial statements and consolidated financial statements of the Bank Pekao S.A. Group, assessment of motion concerning profit's division or losses coverage, as well as the Supervisory Board activities statements. The assessments prepared by the Supervisory Board are made available to the shareholders before the Bank's General Shareholders Meeting.

The Supervisory Board 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
As at January 1, 2011, the Audit Committee was composed of the following persons:

Oliver Greene – President of the Committee,

Frederico Ghizzoni – Member of the Committee (till April 30, 2011),

Roberto Nicastro - Member of the Committee (till June 1, 2011),

Leszek Pawłowicz - Member of the Committee,

Jerzy Woźnicki - Member of the Committee.

On the 1st of June 2011 the Supervisory Board appointed to the Audit Committee Mrs. Alicja Kornasiewicz and Mr. Alessandro Decio.

Since June 1, 2011, the Audit Committee had been composed of the following persons:

Oliver Greene – President of the Committee,

Alessandro Decio – Member of the Committee,

Alicja Kornasiewicz - Member of the Committee,

Leszek Pawłowicz - Member of the Committee,

Jerzy Woźnicki - Member of the Committee.

The composition of the Audit Committee did not change till December 31, 2011.

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
As at January 1, 2011, the Remuneration Committee was composed of the following persons:

Sergio Ermotti – till February 23, 2011.

Federico Ghizzoni – till April 30, 2011.

Enrico Pavoni

Jerzy Woźnicki

On the 1st of June 2011, the Supervisory Board appointed Mrs. Alicja Kornasiewicz and Mr. Roberto Nicastro to posts in the Remuneration Committee.

Since June 1, 2011, the Remuneration Committee had been composed of the following persons:

Alicja Kornasiewicz

Roberto Nicastro

Enrico Pavoni

Jerzy Woźnicki

The composition of the Remuneration Committee had not changed until December 31, 2011.

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 Bank's General Shareholders Meeting regarding the amount of remuneration to be paid to members of the Supervisory Board.

Financial Committee
As at January 1, 2011, the Financial Committee was composed of the following persons:

Federico Ghizzoni – till April 30, 2011.

Enrico Pavoni

Sergio Ermotti – till February 23, 2011

On June 1, 2011, the Supervisory Board appointed Mr. Alessandro Decio and Mr. Roberto Nicastro to posts in the Financial Committee.

Since June 1, 2011, the Financial Committee had been composed of the following persons:

Alessandro Decio

Enrico Pavoni

Roberto Nicastro

The composition of the Financial Committee had not changed until December 31, 2011.

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 advisers.

Signatures of all Members of the Bank's Management Board

19.03.2012	**Luigi Lovaglio**	**President of the Management Board, CEO**	
Date	First Name / Family Name	Position / Function	Signature
19.03.2012	**Diego Biondo**	**Vice President of the Management Board**	
Date	First Name / Family Name	Position / Function	Signature
19.03.2012	**Marco Iannaccone**	**Vice President of the Management Board**	
Date	First Name / Family Name	Position / Function	Signature
19.03.2012	**Andrzej Kopyrski**	**Vice President of the Management Board**	
Date	First Name / Family Name	Position / Function	Signature
19.03.2012	**Grzegorz Piwowar**	**Vice President of the Management Board**	
Date	First Name / Family Name	Position / Function	Signature
19.03.2012	**Marian Ważyński**	**Vice President of the Management Board**	
Date	First Name / Family Name	Position / Function	Signature