

**Bank Polska Kasa Opieki Spółka
Akcyjna Group**

**Supplementary report
on the audit of the consolidated
financial statements
Financial Year ended
31 December 2012**

The supplementary report contains 13 pages
The supplementary report
on the audit of the consolidated financial statements
for the financial year ended
31 December 2012

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1. General

1.1 Identification of the Group

1.1.1 Name of the Group

Bank Polska Kasa Opieki Spółka Akcyjna Group (hereinafter “Bank Pekao S.A. Group”, “the Group”) is a member of UniCredit S.p.A. Group, registered in Rome.

1.1.2 Registered office of the Parent Company of the Group

ul. Grzybowska 53/57
00-950 Warsaw
Poland

1.1.3 Registration of the Parent Company in the National Court Register

Registration court:	District Court for Capital City Warsaw in Warsaw, XII Commercial Department of the National Court Register
Date:	2 July 2001
Registration number:	KRS0000014843
Share capital as at the balance sheet date:	PLN 262,470,034

1.1.4 Management of the Parent Company

The Management Board is responsible for management of the Parent Company.

As at 31 December 2012, the Management Board of the Parent Company was comprised of the following members:

- | | |
|--------------------|---|
| • Luigi Lovaglio | – President of the Management Board, CEO, |
| • Diego Biondo | – Vice-President of the Management Board, |
| • Marco Iannaccone | – Vice-President of the Management Board, |
| • Marian Ważyński | – Vice-President of the Management Board, |
| • Andrzej Kopyrski | – Vice-President of the Management Board, |
| • Grzegorz Piwowar | – Vice-President of the Management Board. |

1.2 Information about companies comprising the Group

1.2.1 Companies included in the consolidated financial statements

As at 31 December 2012, the following companies were consolidated by the Group:

Parent Company:

- Bank Polska Kasa Opieki Spółka Akcyjna.

Subsidiaries consolidated on the full consolidation basis:

- Public Joint Stock Company UniCredit Bank – Luck, Ukraine,
- Centralny Dom Maklerski Pekao S.A. – Warsaw,

- Pekao Fundusz Kapitałowy Sp. z o.o. – Warsaw,
- Pekao Leasing Sp. z o.o. – Warsaw,
- Pekao Faktoring Sp. z o.o. – Lublin,
- Pekao Pioneer Powszechne Towarzystwo Emerytalne S.A. – Warsaw,
- Pekao Telecentrum Sp. z o.o. – Warsaw,
- Centrum Kart S.A. – Warsaw,
- Pekao Financial Services Sp. z o.o. – Warsaw,
- Pekao Bank Hipoteczny S.A. – Warsaw,
- Pekao Leasing Holding S.A. – Warsaw,
- Centrum Bankowości Bezpośredniej Sp. z o.o. – Cracow,
- Pekao Property S.A. – Warsaw,
- Metropolis Sp. z o.o. – Warsaw,
- Jana Kazimierza Development Sp. z o.o. – Warsaw,
- Property Sp. z o.o. w likwidacji – Warsaw,
- FPB-Media Sp. z o.o. – Warsaw.

1.2.2 Entities excluded from consolidation

As at 31 December 2012, there were no subsidiaries of the Group that were not consolidated.

1.3 Auditor information

1.3.1 Key Certified Auditor information

Name and surname: Bogdan Dębicki
Registration number: 796

1.3.2 Audit Firm information

Name: KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Address of registered office: ul. Chłodna 51, 00-867 Warsaw
Registration number: KRS 0000339379
Registration court: District Court for the Capital City of Warsaw in Warsaw,
XII Commercial Department of the National Court
Register
NIP number: 527-26-15-362

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. is entered in the register of entities authorised to audit financial statements under number 3546, maintained by the National Council of Certified Auditors.

1.4 Prior period consolidated financial statements

The consolidated financial statements for the financial year ended 31 December 2011 were audited by KPMG Audyt Sp. z o.o. and received an unqualified opinion.

The consolidated financial statements were approved at the General Meeting of the Parent Entity on 1 June 2012.

The consolidated financial statements were submitted to the Registry Court on 14 June 2012 and were published in Monitor Polski B No. 2202 on 21 September 2012.

1.5 Audit scope and responsibilities

This report was prepared for the General Meeting of Bank Polska Kasa Opieki Spółka Akcyjna with its registered office in Warsaw, ul. Grzybowska 53/57 and relates to the consolidated financial statements comprising: the consolidated statement of financial position as at 31 December 2012, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory information.

The consolidated financial statements have been audited in accordance with the contract dated 27 July 2012, concluded on the basis of the resolution of the General Meeting dated 1 June 2012 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2009, No. 152, item 1223 with amendments) ("the Accounting Act"), National Standards on Auditing issued by the National Council of Certified Auditors and International Standards on Auditing.

We audited the consolidated financial statements at the Parent Company's head office (and branches) during the period from 16 October 2012 to 14 March 2013.

Management of the Parent Company is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations and preparation of the report on the Group's activities.

Our responsibility is to express an opinion and to prepare a supplementary report on the financial statements.

The Management Board of the Parent Company submitted a statement, dated the same date as this report, as to the true and fair presentation of the accompanying consolidated financial statements, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the consolidated financial statements.

All required statements, explanations and information were provided to us by Management of the Group and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of the Audit Firm.

The Key Certified Auditor and the Audit Firm fulfill the independence requirements from the companies included in the Group as described in Art. 56 points 3 and 4 of the Act on Certified



Auditors and Their Self-Government, Audit Firms and Public Oversight dated 7 May 2009
(Official Journal from 2009, No. 77, item 649).

1.6 Information on audits of the financial statements of the consolidated companies

1.6.1 Parent Company

The separate financial statements of the Parent Company for the year ended 31 December 2012 were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k., certified auditor number 3546, and received an unqualified opinion.



1.6.2 Other consolidated entities

Entity's name	Authorised auditor	Financial year end	Type of auditor's opinion
Public Joint Stock Company UniCredit Bank	KPMG Ukraine Ltd.	31 December 2012	In progress
Centralny Dom Maklerski Pekao S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	Unqualified opinion
Centrum Bankowości Bezpośredniej Sp. z o.o.	Polinvest-Audit Sp. z o.o.	31 December 2012	Unqualified opinion
Pekao Fundusz Kapitałowy Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	Unqualified opinion
Pekao Leasing Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	Unqualified opinion
Pekao Faktoring Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	Unqualified opinion
Pekao Pioneer Powszechne Towarzystwo Emerytalne S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	Unqualified opinion
Centrum Kart S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	Unqualified opinion
Pekao Financial Services Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	Unqualified opinion
Pekao Bank Hipoteczny S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	Unqualified opinion
Pekao Leasing Holding S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31 December 2012	Unqualified opinion
Pekao Property S.A.	I.J.Konieczny biegli rewidenci s.c.	31 December 2012	Unqualified opinion
Jana Kazimierza Development Sp. z o.o.	I.J.Konieczny biegli rewidenci s.c.	31 December 2012	Unqualified opinion
Metropolis Sp. z o.o.	Not subject to statutory audit requirement		
Property Sp. z o.o. w likwidacji	Not subject to statutory audit requirement		
FPB-Media Sp. z o.o.	Not subject to statutory audit requirement		
Pekao Telecentrum Sp. z o.o.	Not subject to statutory audit requirement		

2 Financial analysis of the Group

2.1 Summary analysis of the consolidated financial statements

2.1.1 Consolidated statement of financial position

ASSETS	31.12.2012 PLN '000	% of total balance sheet	31.12.2011 PLN '000	% of total balance sheet
Cash and due from Central Bank	9 207 285	6.1	4 886 093	3.3
Debt securities eligible for rediscounting at Central Bank	159	-	100	-
Loans and advances to banks	4 053 848	2.8	5 586 057	3.8
Financial assets held for trading	600 543	0.4	849 711	0.6
Derivative financial instruments (held for trading)	2 649 097	1.8	2 156 274	1.5
Other financial instruments at fair value through profit or loss	-	-	-	-
Loans and advances to customers	95 081 492	63.0	92 816 389	63.3
Receivables from finance leases	2 717 931	1.8	2 862 760	2.0
Hedging instruments	367 890	0.2	408 906	0.3
Investments securities	28 735 442	19.0	29 119 637	19.9
- available for sale	25 887 659	17.1	25 324 803	17.3
- held to maturity	2 847 783	1.9	3 794 834	2.6
Assets held for sale	2 374 173	1.6	2 931 575	2.0
Investments in associates and subsidiaries	168 436	0.1	186 252	0.1
Intangible assets	669 387	0.4	703 355	0.5
Property, plant and equipment	1 670 544	1.1	1 772 940	1.2
Investment properties	33 221	-	63 928	-
Income tax assets	828 566	0.5	889 952	0.6
Other assets	1 791 816	1.2	1 356 177	0.9
TOTAL ASSETS	150 949 830	100.0	146 590 106	100.0
EQUITY AND LIABILITIES	31.12.2012 PLN '000	% of total balance sheet	31.12.2011 PLN '000	% of total balance sheet
Liabilities				
Amounts due to Central Bank	-	-	356 386	0.2
Amounts due to other banks	7 782 672	5.2	5 544 210	3.8
Financial liabilities held for trading	246 578	0.2	-	-
Derivative financial instruments (held for trading)	2 620 798	1.7	2 507 199	1.7
Amounts due to customers	107 992 608	71.5	108 436 964	74.0
Hedging instruments	1 226 781	0.8	1 738 549	1.2
Fair value hedge adjustments of hedged items due to interest rate risk	11 328	-	(17 475)	-
Debt securities issued	4 758 736	3.2	3 043 919	2.1
Liabilities associated with assets held for sale	891 007	0.6	999 985	0.7
Income tax liabilities	82 634	0.1	198 997	0.1
Provisions	359 506	0.2	313 880	0.2
Other liabilities	1 518 400	1.0	2 110 562	1.4
TOTAL LIABILITIES	127 491 048	84.5	125 233 176	85.4
Equity				
Share capital	262 470	0.2	262 382	0.2
Other capital and reserves	20 023 141	13.3	18 035 191	12.3
Retained earnings and profit for the period	3 080 934	2.0	2 973 890	2.0
Equity attributable to equity holders of the Bank	23 366 545	15.4	21 271 463	14.5
Non - controlling interest	92 237	0.1	85 467	0.1
TOTAL EQUITY	23 458 782	15.5	21 356 930	14.6
TOTAL EQUITY AND LIABILITIES	150 949 830	100.0	146 590 106	100.0



Bank Pekao S.A. Group

*The supplementary report on the audit of the consolidated financial statements
for the financial year ended 31 December 2012*

TRANSLATION

2.1.2 Consolidated income statement

	1.01.2012 - 31.12.2012 PLN '000 continuing operations	1.01.2012 - 31.12.2012 PLN '000 discontinued operations	1.01.2012 - 31.12.2012 PLN '000 total	1.01.2011 - 31.12.2011 PLN '000 continuing operations	1.01.2011 - 31.12.2011 PLN '000 discontinued operations	1.01.2011 - 31.12.2011 PLN '000 total
Interest income	8 125 179	190 878	8 316 057	7 179 154	225 066	7 404 220
Interest expense	(3 446 849)	(63 789)	(3 510 638)	(2 752 670)	(93 692)	(2 846 362)
Net interest income	4 678 330	127 089	4 805 419	4 426 484	131 374	4 557 858
Fee and commission income	2 757 105	41 095	2 798 200	2 895 407	38 648	2 934 055
Fee and commission expense	(526 257)	(15 062)	(541 319)	(467 852)	(17 309)	(485 161)
Net fee and commission income	2 230 848	26 033	2 256 881	2 427 555	21 339	2 448 894
Dividend income	8 759	-	8 759	10 352	-	10 352
Result on financial assets and liabilities held for trading	500 495	9 641	510 136	583 104	12 007	595 111
Result on fair value hedge accounting	(35 751)	-	(35 751)	(15 757)	-	(15 757)
Gains (losses) on other financial instruments at fair value through profit or loss	-	-	-	(501)	-	(501)
Gains (losses) on disposal of:	279 220	(21)	279 199	75 161	242	75 403
loans and other financial receivables	758	-	758	(320)	289	(31)
available for sale financial assets and held to maturity investments	278 765	(21)	278 744	76 762	(47)	76 715
financial liabilities	(303)	-	(303)	(1 281)	-	(1 281)
Operating income	7 661 901	162 742	7 824 643	7 506 398	164 962	7 671 360
Net impairment losses on financial assets and off-balance sheet commitments:	(635 474)	(33 980)	(669 454)	(533 407)	(4 532)	(537 939)
loans and other financial receivables	(608 642)	(33 980)	(642 622)	(551 856)	(4 532)	(556 388)
available for sale financial assets and held to maturity investments	-	-	-	-	-	-
off-balance sheet commitments	(26 832)	-	(26 832)	18 449	-	18 449
Net result on financial activity	7 026 427	128 762	7 155 189	6 972 991	160 430	7 133 421
Administrative expenses	(3 182 674)	(77 609)	(3 260 283)	(3 224 686)	(76 896)	(3 301 582)
personnel expenses	(1 867 494)	(39 829)	(1 907 323)	(1 908 495)	(37 659)	(1 946 154)
other administrative expenses	(1 315 180)	(37 780)	(1 352 960)	(1 316 191)	(39 237)	(1 355 428)
Depreciation and amortization	(362 378)	(6 460)	(368 838)	(368 467)	(9 026)	(377 493)
Net result on other provisions	(15 327)	-	(15 327)	(5 833)	-	(5 833)
Net other operating income and expenses	94 193	200	94 393	74 901	(836)	74 065
Operating costs	(3 466 186)	(83 869)	(3 550 055)	(3 524 085)	(86 758)	(3 610 843)
Gain on sale of discontinued operations	-	-	-	-	-	-
Gains (losses) on associates and subsidiaries	52 866	-	52 866	69 968	-	69 968
Gains (losses) on disposal of property, plant and equipment, and intangible assets	22 261	-	22 261	400	-	400
Profit before income tax	3 635 368	44 893	3 680 261	3 519 274	73 672	3 592 946
Income tax expense	(706 720)	(8 288)	(715 008)	(667 884)	(15 966)	(683 850)
Income tax on gain on sale of discontinued operations	-	-	-	-	-	-
Net profit for the period	2 928 648	36 605	2 965 253	2 851 390	57 706	2 909 096

2.1.3 Consolidated statement of comprehensive income

	1.01.2012 - 31.12.2012 PLN '000	1.01.2011 - 31.12.2011 PLN '000
Net profit	2 965 253	2 909 096
1. Attributable to equity holders of the Bank	2 955 702	2 899 414
2. Attributable to non-controlling interest	9 551	9 682
Other comprehensive income		
Foreign currency translation differences	(46 619)	58 647
Change in fair value of available-for-sale financial assets	761 876	(58 841)
Change in fair value of cash flow hedges	(40 119)	(49 270)
Income tax expenses on other comprehensive income	(127 650)	9 187
Other comprehensive income (net)	547 488	(40 277)
Total comprehensive income	3 512 741	2 868 819
<i>Attributable to equity holders of the Bank</i>	<i>3 503 190</i>	<i>2 859 137</i>
<i>Attributable to non-controlling interest</i>	<i>9 551</i>	<i>9 682</i>

2.2 Selected financial ratios

	2012	2011
Total assets (PLN '000)	150 949 830	146 590 106
Profit (loss) before income tax (PLN '000)	3 680 261	3 592 946
Profit (loss) for the period (PLN '000)	2 965 253	2 909 096
Shareholders' equity (PLN '000)*	20 493 529	18 447 834
Return on equity	14.47%	15.77%
Capital adequacy ratio	18.98%	16.98%
Receivables to total assets	65.67%	67.13%
Income generating assets to total assets	96.71%	96.78%
Interest bearing liabilities to total liabilities	82.57%	82.96%

* excluding current-year net profit

3 Detailed report

3.1 Accounting principles

The Parent Company maintains current documentation describing the accounting principles applied by the Group and adopted by the Management Board of the Parent Company.

The accounting principles are described in the notes to the consolidated financial statements to the extent required by International Financial Reporting Standards as adopted by the European Union.

Entities included in the Group apply common accounting principles consistent with the accounting principles applied by the Parent Company.

The financial statements of the entities included in the consolidated financial statements were prepared at the end of the same reporting period as the financial statements of the Parent Company.

3.2 Basis of preparation of the consolidated financial statements

The consolidated financial statements of Bank Polska Kasa Opieki Spółka Akcyjna Group were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations.

The consolidated financial statements were prepared on the basis of the consolidation documentation.

3.3 Method of consolidation

The method of consolidation is described in note 4.3 of the notes to the consolidated financial statements.

3.4 Goodwill arising on consolidation

The method of calculating goodwill arising on consolidation is described in notes 4.8 and 33 of the notes to the consolidated financial statements.

3.5 Consolidation of equity and calculation of non- controlling interest

The share capital of the Group is equal to the share capital of the Parent Company.

Other equity items of the Group are determined by adding the equity balances of subsidiaries included in the consolidated financial statements in the proportion reflecting the Parent Company's share in the subsidiaries' equity as at the end of the reporting period to the corresponding positions of the equity of the Parent Company.

Only equity of subsidiaries arising after the Parent Company obtained control of the subsidiary is included in the equity of the Group.

Non-controlling interests in subsidiaries included in the consolidated financial statements were determined based on the non- controlling interests' share in the subsidiaries' equity as at the end of the reporting period.

3.6 Consolidation eliminations

Intercompany balances within the Group were eliminated on consolidation.

Sales between entities and other intercompany operating revenues and expenses and financial revenues and expenses were eliminated on consolidation.

The consolidation eliminations were based on the accounting records of Bank Polska Kasa Opieki Spółka Akcyjna (or subsidiary entities) and agreed with information received from the subsidiaries.

3.7 Compliance with banking regulations

Based on our audit we have not identified significant incompliance by Bank Pekao S.A. with the banking prudential regulatory norms pertaining among other to exposure concentration, obligatory reserve and capital adequacy.

3.8 Notes to the consolidated financial statements

All information included in the notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory information, is, in all material respects, presented correctly and completely. The notes to the consolidated financial statements should be read in conjunction with the consolidated financial statements.

3.9 Report of the Management Board of the Parent Company on the Group's activities

The report of the Management Board of the Parent Company on the Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259 with amendments) and the information is consistent with the consolidated financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną
odpowiedzialnością sp.k. registration number 3546
ul. Chłodna 51, 00-867 Warsaw

Signed on the Polish original

Signed on the Polish original

.....
Bogdan Dębicki

Key Certified Auditor
Registration No. 796
Management Board member of KPMG Audyt Sp. z o.o.,
general partner of KPMG Audyt Spółka z ograniczoną
odpowiedzialnością sp.k.

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Stacy Ligas
Limited Liability Partner with power of
attorney

14 March 2013