Report on the activities of Bank Pekao S.A. for the year 2013

Warsaw, March 2014

This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

Table of Contents

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1 Highlights of Bank Pekao S.A.

	2013	2012	2011	2010	2009	2008
INCOME STATEMENT (IN PLN MILLION) – SELECTED ITEMS*						
Operating income	7,187	7,510	7,318	6,885	6,790	7,607
Operating costs	(3,230)	(3,326)	(3,366)	(3,336)	(3,353)	(3,427)
Operating profit	3,957	4,184	3,952	3,549	3,438	4,179
Profit before income tax	3,436	3,593	3,450	3,078	2,981	4,030
Net profit for the period	2,800	2,925	2,826	2,552	2,462	3,346
PROFITABILITY RATIOS						
Return on average equity (ROE)	12.3%	13.6%	14.2%	13.5%	14.7%	23.3%
Net interest margin	3.3%	3.6%	3.6%	3.4%	3.0%	3.8%
Non-interest income / operating income	38.0%	35.8%	39.0%	41.4%	43.9%	39.0%
Cost / income	44.9%	44.3%	46.0%	48.5%	49.4%	45.1%
STATEMENT OF FINANCIAL POSITION (IN PLN MILLION) – SELECTED ITEMS						
Total assets	155,287	147,067	142,390	130,125	126,918	127,979
Net loans and advances to customers**	100,569	94,607	92,143	77,059	73,043	75,106
Amounts due to customers	119,869	108,105	108,005	99,329	96,701	90,458
Debt securities issued	2,241	3,966	2,403	738	1,298	1,720
Equity	22,849	22,717	20,799	19,834	17,968	15,571
STATEMENT OF FINANCIAL POSITION STRUCTURE RATIOS						
Net loans / total assets	64.8%	64.3%	64.7%	59.2%	57.6%	58.7%
Securities / total assets	22.6%	19.9%	21.0%	24.1%	21.6%	17.7%
Deposits*** / total assets	78.6%	76.2%	77.5%	76.9%	77.2%	72.0%
Net loans / deposits***	82.4%	84.4%	83.5%	77.0%	74.5%	81.5%
Equity / total assets	14.7%	15.4%	14.6%	15.2%	14.2%	12.2%
Capital Adequacy Ratio	18.8%	18.5%	16.6%	17.2%	15.6%	11.6%
EMPLOYEES AND NETWORK						
Total number of employees	17,092	17,433	17,921	18,276	18,912	19,718
Number of outlets	1,001	1,001	1,002	1,014	1,028	1,041
Number of ATMs	1,847	1,845	1,817	1,800	1,854	1,891

* 2008 income statement include continuing and discontinued operations.

** Including debt securities eligible for rediscounting at Central Bank.

*** Deposits include amounts due to customers and debt securities issued.

Note: In 2013 in the income statement in a presentation form, to align the presentation to the standards implemented by the major Polish and European banks, gains on disposal of available for sale financial assets and held to maturity investments are reported under trading result (and thus in operating income, operating profit and respective ratios). In order to ensure comparability, data for the years 2008 - 2012 have been restated in comparison to those previously published.

In relation to changes in accounting policy (for description refer to the Note 3 to the Unconsolidated Financial Statement of Bank Pekao S.A. for the period ended on December 31, 2013) data for 2013 and, after appropriate restatements, the comparative figures for 2012 have been presented in accordance with the new rules. Data for earlier periods remain unchanged.

2 Summary of Performance

Net profit of Bank Pekao S.A. for 2013 amounted to PLN 2,800.0 million allowing return on average capital (ROE) at the level of 12.3% achieved with a strong capital base reflected by CAR at 18.8%. Normalized ROE (return on minimum equity equivalent to CAR at 10%) amounted to 18.9%.

The Bank's net profit reported for 2013 in comparison to 2012 is lower by PLN 125.3 million i.e. 4.3% resulting from operating income, remaining under negative influence of decreasing interest rates, partially compensated by lower operating costs. The Bank's operating results are showing better resilience than the banking sector in the conditions of economic downturn and significant pressure on interest margin.

The strength of the capital and liquidity structure of Bank Pekao S.A. is reflected by a high level of equity with CAR at the level of 18.8% and net loans to deposits ratio at the level of 82.4% at the end of December 2013. 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 in 2007, represents 4.9% of total loans of the Bank.

- In 2013, the Bank's operating income amounted to PLN 7,187.3 million, a decrease of PLN 322.9 million, i.e. 4.3% in comparison with 2012 due to lower total net interest income and dividend income with net non-interest income higher than in the previous year.
- Total net interest income and dividend income in 2013 amounted to PLN 4,454.3 million and decreased by PLN 365.6 million, i.e. 7.6% in comparison with 2012, remaining under market-wide pressure of decreasing interest rates. In 2013, average WIBOR 3M rate stood at the level of 3.02%, and was lower by 189 bps than in 2012.
- The Bank's net non-interest income in 2013 amounted to PLN 2,733.0 million, an increase of PLN 42.7 million, i.e. 1.6% in comparison with 2012 mainly thanks to increase in net fee and commission income by 1.1% in this period.
- In 2013, the operating costs were kept under control and amounted to PLN 3,230.4 million. They were lower than the operating costs in 2012 by PLN 95.7 million, i.e. 2.9%.
- The Bank's net impairment losses on loans and off-balance sheet commitments amounted to PLN 623.0 million in 2013, an increase of PLN 26.5 million, i.e. 4.4% as compared with 2012.

  As at December 31, 2013, the ratio of impaired receivables to total receivables amounted to 7.1% in comparison with 7.0% at the end of 2012.

Note: In 2013 in the income statement in a presentation form, to align the presentation to the standards implemented by the major Polish and European banks, gains on disposal of available for sale financial assets and held to maturity investments are reported under trading result and thus in operating profit, operating income and net non-interest income. In order to ensure comparability, data for 2012 have been restated in comparison to those previously published.

- As at the end of December 2013, the total amounts due to the Bank's customers and debt securities issued amounted to PLN 122,109.2 million, an increase of PLN 10,038.6 million (9.0%) in comparison to the end of 2012.

  The total volume of retail customers deposits, Structured Certificates of Deposit and other amounted to PLN 50,789.4 million at the end of December 2013, an increase of PLN 1,880.3 million (3.8%) in comparison to the end of 2012. The value of net assets of investment funds managed by Pioneer Pekao TFI S.A. amounted to PLN 16,411.5 million at the end of December 2013, an increase of PLN 1,446.3 million (9.7%) in comparison to the end of 2012.

  The total volume of corporate customers deposits, repo and sell-buy-back transactions, Certificates of Deposit, interest and other amounted to PLN 71,319.8 million at the end of December 2013, an increase of PLN 8,158.3 million (12.9%) as compared to the end of 2012.

- As at the end of December 2013, the volume of retail loans amounted to PLN 43,637.6 million, an increase of PLN 4,074.6 million (10.3%) in comparison to the end of 2012.

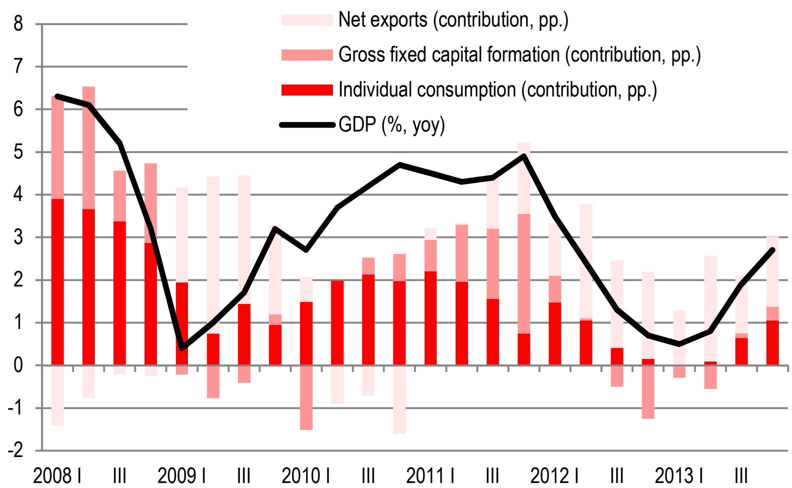
  The volume of corporate loans, non-quoted securities, reverse repo transactions and securities issued by non-monetary entities increased by PLN 1,954.0 million (3.2%) as compared to the end of 2012 and amounted to PLN 62,372.5 million at the end of December 2013.

3 External Activity Conditions

Economic growth

According to the preliminary data of the Central Statistical Office (GUS) the Polish economic growth amounted to 1.6% in 2013 against 1.9% in 2012. The Polish economy was still experiencing low level of economic activity with decline in the domestic demand by 0.2% in 2013 compared to 0.1% decline in the previous year. Individual consumption was rising slower than in 2012 (0.8% vs. 1.2%). The decline in investments was only marginally smaller than in 2012. Gross fixed capital formation decreased by 0.4% after 1.7% decline in 2012. Foreign demand remained the main driver of economic growth. Economic revival started in 2013. Seasonally adjusted data indicate that growth has been accelerating from quarter to quarter. In the last quarter of 2013, substantial improvement in domestic demand performance on the back of faster rise in consumption and further recovery of fixed investments was observed.

Economic revival should be continued in 2014 and the pace of economic growth is expected to accelerate to ca. 3%. More dynamic consumption growth is foreseen to be accompanied by a rise in fixed investment. The pace of economic recovery remains moderate. Labour market conditions are improving slowly, what limits wages dynamics. Along with only moderate rise in employment it means that wage bill growth will accelerate only slightly. At the same time low inflation and wages growth in 2013 will translate into low indexation of pensions. As a result, individual consumption growth remains moderate. Utilization of funds from a new EU financial perspective will also be an insufficient impulse to generate increase in investment.

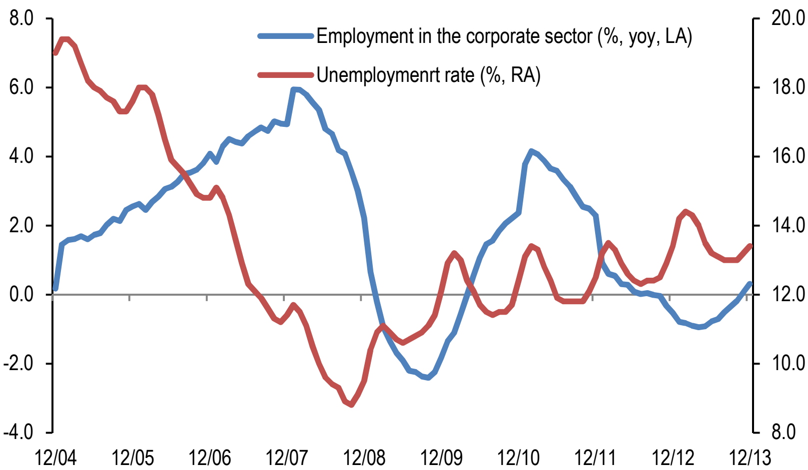


Labour market

Average employment in the Polish corporate sector in December 2013 amounted to 5,491 thousand, i.e. by 17 thousand more than in December 2012. It should be noted however, that the scale of employment growth is overstated following the update of statistical sample in January 2013 (there was an increase in the number of enterprises employing more than 9 persons), resulting in the increase in employment by 32 thousand. In the period February-December 2013 the number of employed decreased by 15 thousand, while the process of reduction of number of posts lasted only until April (a total decrease by 29 thousand) followed by a gradual rebound of employment (an overall increase by 13 thousand). Employment growth in 2013 was recorded primarily by the manufacturing sector (supported by increasing foreign demand) as well as the trade and repairs sector, while the construction sector continued job cuts related with its deep crisis.

The unemployment rate at the end of 2013 remained at the same level as in December 2012 and amounted to 13.4%. It is expected that in 2014, for the first time since 2008, a decline in unemployment rate will be noted due to the increasingly pronounced recovery of the domestic economy.

Wage pressure in the Polish corporate sector in 2013 remained at a very low level, which was supported on the one hand by a slow pace of labour demand recovery, while on the other hand by a decline in inflation expectations of households along with a strong decline in the CPI inflation. The average wage in the corporate sector increased in 2013 on average by 2.6% compared to 3.5% in the previous year. As a result, the wage bill in the corporate sector increased in 2013 in nominal terms by 2.0% compared to 3.7% in 2012, which taking into account inflation resulted in an increase in real terms by 1.1% in 2013 against 0.0% in 2012.



Inflation and monetary policy

According to the data of the Central Statistical Office average CPI amounted to 0.9% in 2013 while in 2012 it amounted to 3.7%. The CPI index has been reported below the lower limit of the range of acceptable deviations from the Central Bank inflation target since February 2013, the center of which is defined at the level of 2.5% with the range from 1.5 to 3.5%. At the end of 2013, the CPI amounted to 0.7%.

The biggest impact on lowering the inflation came from prices of clothing and footwear, transportation, communication and education. Prices of food and non-alcoholic beverages in 2013 grew faster than prices of other consumer goods and services mainly due to the high growth of vegetables' prices.

Inflation significantly increased in the third quarter of 2013, which resulted from increase of fees for waste disposal for households - by 47.6% in July. In the fourth quarter, inflation decreased again, largely due to slowing growth of food prices.

In 2013, there was a decrease in core inflation (excluding food and energy prices) to 1.2% from 2.2% in 2012. In addition to decline in consumer prices, in 2013 inflation of producer prices also declined. It resulted from a strong competitive pressure in the manufacturing sector that forces reduction in margins as well as lower global prices of commodities.

Low levels of inflation in 2013 and decline in inflation expectations of households prompted the Monetary Policy Council (MPC) to reduce interest rates by 175 bps during the year.

In 2014, a rise in the CPI inflation is expected. At the beginning of the year inflation will increase due to changes in gas tariffs for households. In addition, inflation will be impacted as a result of higher excise duty on spirits. In the second half of the year inflation will be influenced by demand factors to much larger extent. It is estimated that inflation at the end of the year will be around the inflation target.

Fiscal policy

According to information of the Ministry of Finance, the state budget deficit amounted to ca. PLN 42.5 billion in 2013 vs. PLN 51.6 billion limit as defined in the amended budget act. The deficit was by ca. PLN 9 billion lower than planned in the amended budget. At the same time, it was by ca. PLN 7 billion higher than the limit specified in the 2013 Budget Act before amendment. Last year was dominated by a pressure on budget revenues due to weak domestic demand and imports. It was especially visible in VAT collections, which declined for the second year in a row. The 2013 general government deficit is estimated at ca. 4.5% of the GDP vs. 3.9% of the GDP shortfall in 2012.

The 2014 Budget Act sets the state budget deficit limit at PLN 47.7 billion. Maintaining expansionary fiscal policy will be possible thanks to changes to the pension system functioning. The overhaul of T-bonds from Open Pension Funds (OFE) will reduce the public debt by ca. 8.5% of the GDP bringing it well below the prudential thresholds outlined in the public finance act. Moreover, the changes to the pension system will reduce the scale of net borrowing needs, among others, due to lower budgetary support for the Social Security Fund (FUS) and lower debt servicing costs. Expected continuation of economic recovery means that the risk of exceeding the PLN 47.7 billion debt limit this year is low.

Foreign sector

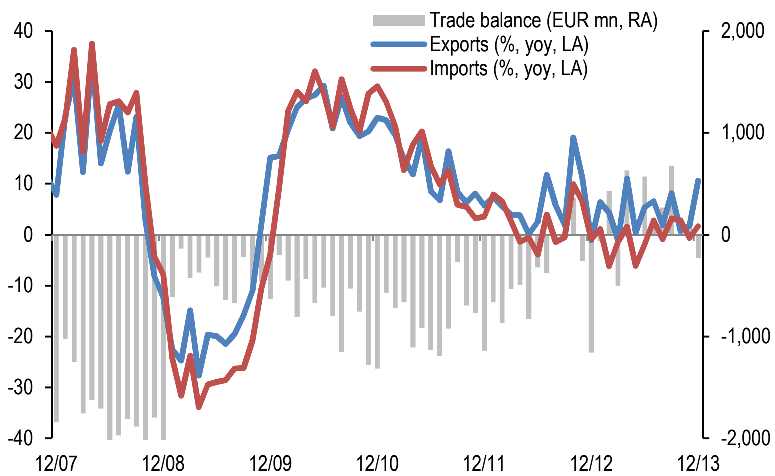
Data of the National Bank of Poland indicate that in 2013 the deficit of the current account amounted to EUR 5.9 billion compared to EUR 14.2 billion in 2012, which translates into a decrease in relation to the GDP to 1.5% from 3.7% respectively.

The lower deficit of the current account was mainly the result of emergence of a surplus of trade balance, as well as a higher surplus of the services account and lower income deficit. Trade account, after the deficit of EUR 5.2 billion in 2012, in 2013 registered its first surplus in the history of the balance of payments data releases (at the level of EUR 2.0 billion) as a result of a larger slowdown in imports growth (from +2.3% in 2012 to -0.3% in 2013) than in the case of exports (from +5.9% in 2012 to +4.5% in 2013), which was related with a significant slowdown in domestic demand. In turn, the surplus on the services account increased to EUR 5.0 billion from EUR 4.7 billion in 2012, while the income account deficit decreased to EUR 16.7 billion from EUR 17.7 billion in 2012.

The current transfers account surplus remained in 2013 on a similar level compared to the previous year (EUR 3.8 billion vs. EUR 4.1 billion in 2012).

As regards the financing, there was a significant decline in foreign direct investment (FDI) - in 2013 an outflow of FDI amounting to EUR 3.0 billion compared to an inflow of EUR 4.8 billion in 2012 was even noted. A significant decline was recorded also in portfolio investments - to EUR 0.7 billion from EUR 16.1 billion in 2012. The inflow of portfolio capital was directed mainly to the equity market, while the debt market registered a negative balance of foreign investment. In such conditions, the key source of financing of the current account deficit was the inflow of capital transfers from the EU, which maintained a similar level compared to the previous year (EUR 9.5 billion against EUR 9.1 billion in 2012).

In 2013, there was only a slight increase in the foreign debt of the State Treasury. According to the Ministry of Finance, at the end of November 2013 the debt amounted to PLN 258.0 billion, an increase of approx. PLN 7.1 billion compared to December 2012 (2.8%). The increase in the foreign debt of the State Treasury was partially driven by a slight weakening of the złoty against foreign currencies, in which the debt is denominated.



Capital market

The first half of the year was not a successful period for investors on the Warsaw Stock Exchange and determined underperformance relative to developed markets during the whole 2013. Main stock indices recorded substantial declines, offset, except for largest companies indices, later in the year. Announcement of the possible cease of FED's quantitative easing policy from emerging markets and strong reduction of prices of commodities on global markets were key negative factors for stock prices. Declaration of changes in the domestic pension funds system was another factor affecting the Warsaw Stock Exchange. Situation improved towards the end of the year. Finally over a period the WSE underperformed main core markets where some indices reached a record-high rising by 23% (DAX) or 29% (S&P500).

On the Polish market index sWIG80 reached the highest result (37.28%), while the broad market index WIG gained 8.06% and the largest companies WIG20 fell by 7.05%. It was a result of worse perception of the market as a whole by foreign investors who systematically limited activity in emerging markets.

23 companies joined the main market during a year and 11 companies were withdrawn. The capitalization of listed companies increased by 14.5% to PLN 840.8 billion. Total turnover on the stock market amounted to PLN 256.1 billion and was higher than in the previous year (PLN 202.9 billion).

Inflows into investment funds supported only marginally the growth of indices in the second half of 2013. The value of assets increased by ca. 30.0% to a record level of PLN 188.9 billion. Last year was the best since 2007 taking into account inflows. Net transfers amounted to over PLN 21 billion and money market and non-public funds attracted a significant part of inflows. Although transfers into equity funds (PLN 2.9 billion) were much lower than into safer funds, they were in fact bigger than in previous years.

Uncertainty associated with the Fed's tapering and foreign investors sentiment will affected 2014 outlook. Moderate changes in the quantitative easing policy should protect emerging markets against rapid sell-off. Consequences of changes in the pension fund market will be an additional risk factor on the Warsaw Stock Exchange. Constantly improving condition of the Polish economy and steadily flows into investment funds due to low NBP interest rates, should be supportive factor.

Report on the activities of Bank Pekao S.A. for the year 2013

Banking sector

Despite continuation of a slowdown in economic growth (especially in the first half of the year) the situation of banks remained stable in 2013. A series of interest rate cuts initiated in the second half of 2012 was continued (at the end of 2013 the NBP reference rate was at 2.5%), which translated into a fall in banks net interest income, which was only partially offset by operating costs reduction and lower costs of risk and other provisions.

The year on year growth in the value of assets of monetary financial institutions[1] remained relatively low and at the end of 2013 it was equal to 4.2% year on year (against 4.5% year on year in December 2012). Bank deposits[2] increased in this period by 6.0% year on year (4.7% in 2012) and loans by 4.0% year on year (2.3% in 2012):

As for the main deposit categories, the following changes occurred in 2013:

– 5.6% year on year growth in household deposits (compared with 7.7% year on year increase reported in 2012). The key factors limiting the growth were the low growth rate of household income and increasing risk appetite resulting in a shift of savings towards more risky assets (e.g. investment funds),

– 10.0% year on year increase of corporate deposits (compared with 7.6% year on year decline in 2012). The change of trend in corporate deposits derived mainly from their improving financial performance with a relatively low propensity to invest,

– 0.7% year on year growth in other deposits (compared with a 18.1% year on year increase in 2012). Such a strong decline in growth rate in this category stemmed from stagnation in the deposits of non-monetary financial institutions.

As a result of the changes described above, at the end of 2013 the deposit structure was as follows: households deposits accounted for 64.3% of all deposits (64.5% at the end of 2012), corporate deposits accounted for 24.4% (23.5% at the end of 2012), and other deposits accounted for 11.3% (11.9% at the end of 2012).

As for the main loan categories, the following changes occurred in 2013:

– 4.5% year on year increase in loans to households (compared with 0.2% year on year increase in 2012). Growth rate acceleration in loans to households is derived from the fact that housing real estate prices have reached balanced level (stopped prices falls), interest rates are at record low levels and consumers' sentiment has started to improve,

– only 1.5% year on year increase in loans to corporates (compared with 3.4% year on year increase in 2012). The decline in the growth was related to weaker demand for working capital as well as slowdown in investment activity,

– 8.3% year on year increase in other loans (compared with 12.4% year on year increase in 2012). The stagnation in loans to local governments was accompanied by a significant (22.9% year on year) increase in loans to non-bank financial institutions.

At the end of 2013, loans to households accounted for 60.0% (59.7% at the end of 2012), loans to corporates accounted for 29.3% (30.0% at the end of 2012) and other loans accounted for 10.7% (10.3% at the end of 2012) of the total loan portfolio.

1 Apart from banks, monetary financial institutions contain also co-operative savings and credit unions.

2 Based on the NBP data including deposits and other liabilities and in the case of loans including other receivables. Data do not include interbank loans/deposits.

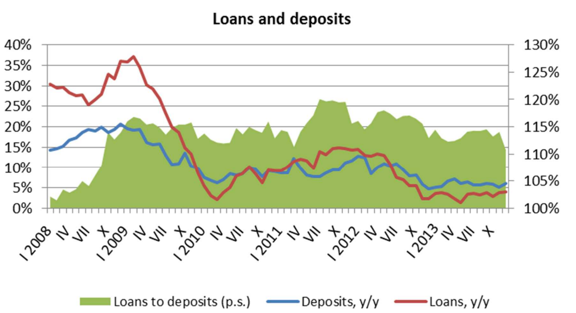
The quality of the loan portfolio is of fundamental importance. In this regard, in 2013 there were:

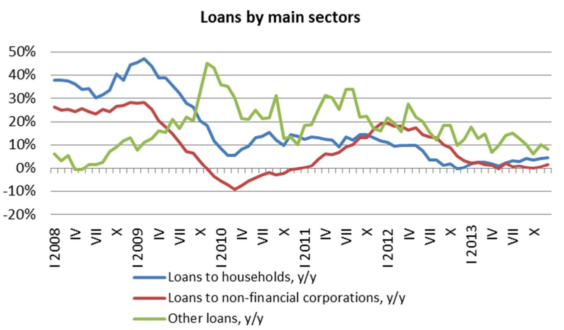
– stabilization and then decline in the share of NPLs in the portfolio of corporate loans. In December 2013, non-performing loans accounted for 11.5% of the portfolio compared with 11.7% at the end of 2012. Different trends were observed in loans to large companies and SMEs; in the case of the former segment the share of non-performing loans decreased to 9.3% (from 9.8% at the end of 2012), and in the case of SME remained at the level reported at the end of 2012, i.e. 13.0%,

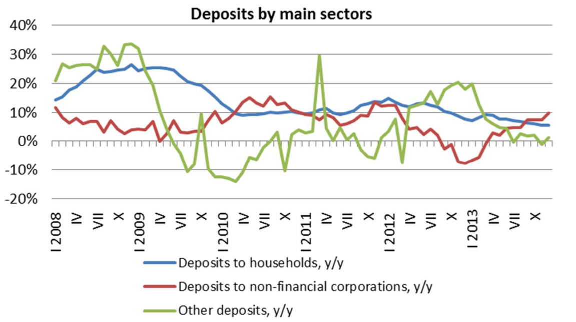
– a decline in the share of NPLs in the portfolio of households loans to 7.1% in December 2013 (from 7.4% in December 2012). There has been steady, slow increase in the share of NPLs in mortgage loans (3.1% in December 2013 compared to 2.8% in December 2012). In volume of loans other than mortgages share of non-performing loans decreased from 14.4% at end of 2012 to 13.1% in December 2013.

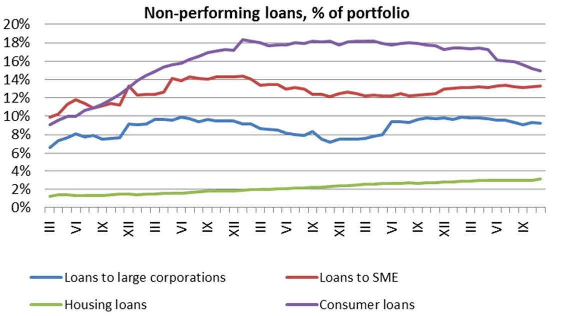
In 2013, there was a decline in both gross and net profit compared to 2012. According to the National Bank of Poland in January-December 2013 the banking sector's net profit was equal to PLN 15.4 billion (0.9% less than in the same period of 2012). The deterioration was mainly due to a significant decrease in operating income caused by persistent pressure on the net interest income, which was a direct consequence of interest rate cuts by the NBP. Cost of risk reductions was not able to compensate decline in the revenues.

In the regulatory framework, important changes in 2013 were: termination of the mortgage loans subsidy program "Family in Their Own" and significant reduction of interchange fee rates for payment cards transactions.









4 Important Events and Achievements

4.1 Changes within the Group

The composition of Bank Pekao S.A. Group is presented in the Note 2 to the Consolidated Financial Statements of Bank Pekao S.A. Group for the period ended on December 31, 2013.

The most significant changes concerning the Group occurred in 2013 are presented below.

Sale of the company
On July 16, 2013 the Bank sold to UniCredit S.p.A., based in Rome 653,507,670 common shares of PJSC UniCredit Bank based in Kiev, at the nominal value of UAH 1 per share, with total nominal value of UAH 653,507,670 comprising 100% of shareholding capital of PJSC UniCredit Bank and carrying 100% of votes in the Shareholders' Meeting of PJSC UniCredit Bank. The gross amount of shares of PJSC UniCredit Bank accounted for USD 206.8 million.

Transaction further reinforced capital ratios of the Bank. The purchaser of the shares is the parent company to the Bank. The sale of shares by the Bank is a result of Bank's focus on the business in the domestic market.

Majority of balance sheet exposures towards Ukraine refers to intra group exposures in the form of interbank placements from which 50% will be repaid up to 2015 and 50% up to 2017. The remaining share of exposures refer to two international corporate groups.

Impact of the transaction on Bank Pekao S.A. Group results and financial situation was presented in the Note 32 to the Consolidated Financial Statements of Bank Pekao S.A. Group for the period ended on December 31, 2013.

Merger of the companies
On June 3, 2013, the District Court for the Capital City of Warsaw, XII Business Branch of the Domestic Registry Court registered the merger of Pekao Property S.A. with its subsidiaries Metropolis Sp. z o.o. and Jana Kazimierza Development Sp. z o.o.

The register of the merger did not change the share of Bank Pekao S.A. in Pekao Property S.A. nor the number of shares in this company.

After registration of the merger the companies Metropolis Sp. z o.o. and Jana Kazimierza Development Sp. z o.o. lost their legal personality and were removed from court register and Pekao Property S.A. books.

Liquidation of the company
On December 2, 2013 the Extraordinary Shareholders Meeting of Pekao Telecentrum Sp. z o. o. (a subsidiary of the Bank) took the resolution on winding-up of the company and starting liquidation procedure within the date the resolution was taken. Since the date of the liquidation the company operates under the name of Pekao Telecentrum Sp. z o. o. in liquidation.

4.2 Changes in the Statutory Bodies of the Bank

Supervisory Board
The Ordinary General Meeting of Bank Pekao S.A. held on June 12, 2013 appointed Ms. Małgorzata Adamkiewicz as a member of the Supervisory Board for current, common term of office.

Composition of the Supervisory Board:

DECEMBER 31, 2013	DECEMBER 31, 2012
Jerzy Woźnicki Chairman of the Supervisory Board	Jerzy Woźnicki Chairman of the Supervisory Board
Roberto Nicastro Deputy Chairman of the Supervisory Board	Roberto Nicastro Deputy Chairman of the Supervisory Board
Leszek Pawłowicz Deputy Chairman of the Supervisory Board	Leszek Pawłowicz Deputy Chairman of the Supervisory Board
Alessandro Decio Secretary of the Supervisory Board	Alessandro Decio Secretary of the Supervisory Board
Małgorzata Adamkiewicz Member of the Supervisory Board	Paweł Dangel Member of the Supervisory Board
Paweł Dangel Member of the Supervisory Board	Laura Penna Member of the Supervisory Board
Laura Penna Member of the Supervisory Board	Wioletta Rosołowska Member of the Supervisory Board
Wioletta Rosołowska Member of the Supervisory Board	Doris Tomanek Member of the Supervisory Board
Doris Tomanek Member of the Supervisory Board	

Management Board of the Bank
On March 12, 2013, the Management Board of Bank Pekao S.A. published in the current report No. 12/2013 that Mr. Marco Iannaccone resigned from the function of Vice President of the Management Board of the Bank, effective from March 31, 2013.

On March 12, 2013, the Supervisory Board of the Bank appointed, effective from April 1, 2013, Mr. Stefano Santini as Vice President of the Management Board of Bank Pekao S.A. for the current, common term of office of the Management Board of the Bank.

On June 12, 2013, the Supervisory Board of Bank Pekao S.A. appointed the Members of the Management Board of the Bank for a new common term of office, lasting three years, beginning as of June 13, 2013.

Composition of the Management Board:

DECEMBER 31, 2013	DECEMBER 31, 2012
Luigi Lovaglio President of the Management Board, CEO	Luigi Lovaglio President of the Management Board, CEO
Diego Biondo 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
Stefano Santini Vice President of the Management Board	Grzegorz Piwowar Vice President of the Management Board
Marian Ważyński 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 until March 31, 2013.

Mr. Stefano Santini, Vice President of the Management Board of the Bank supervised the activity of the Finance Division since April 1, 2013.

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 2013, there were changes in the organizational structure of the Bank's Head Office.

Within the new Group Identity & Communication Area following units were grouped: Group Media Relation Office, Internal Communication Office, Corporate Sustainability & Events Office and Group Brand Management Department. The aim of the change was to develop and to strengthen the visual identity of Bank Pekao S.A. Group and communication and co-operation strategy with all stakeholders.

Household Financing Division activities were incorporated to Retail Banking Division. The accession by the Retail Banking Division within the scope of its operations also the area served so far by the Household Financing Division, aims to rationalize the activities of the Bank in the development of products and services targeted to the segment of non-business customers.

In Corporate Banking and MIB Division specialized financing services were merged into one unit - the Structured Finance and Commercial Real Estate Department (converted from Commercial Real Estate Department and Debt IB and Financing Department). Moreover, the activities of the Global Securities Services Department has been incorporated into the Transactional Banking Department.

The Central Back Office took over the supervision of the Housing Society (Kasa Mieszkaniowa) activities as well as the tasks related to supervision and coordination of operations of the Regional Mortgage Centers. The aim of the change was to concentrate management of back-office activities related to loans in one unit – the Central Back Office.

4.4 Awards and distinctions

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

Bank Pekao S.A. was once again awarded by the International Institute CRF (Corporate Research Foundation), one of the leading research institutions in human resources management policies worldwide. At the beginning of 2013, the Bank gained “Top Employers Poland 2013” certificate.

The certificate is granted on the basis of results of detailed research that evaluates the key areas of HR policies and practices such as basic salaries and additional benefits, working conditions, training and development opportunities, career path development and corporate culture management.

Global Finance: Bank Pekao as the best foreign exchange provider

Bank Pekao S.A. has been titled, for the sixth consecutive year, as the Best Foreign Exchange Provider 2013 in the ranking organized by the Global Finance magazine thus confirming a leading position of the Bank on the interbank foreign exchange market (EUR/PLN and USD/PLN).

The Global Finance magazine has selected the winners based on the opinions of analysts, top managers and banking experts and their assessments of the following factors: transaction volume, market share, services scope, customer service, competitive prices and innovative technologies.

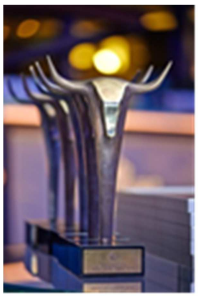
Global Finance: Bank Pekao as the best sub-custodian bank in Poland

Bank Pekao S.A. once again won the title of the best custodian Bank in Poland – “Best Sub-Custodian Bank in Poland 2013” in the ranking organized by the Global Finance magazine what confirms professional and comprehensive approach to the Bank’s custodian services.

The Global Finance magazine in co-operation with experts selected winner among the institutions that provide the best custodian services on local and international markets. The considered criteria include: customers relations, quality of service, competitive prices, technologies applied, development plans, the knowledge of regulations and local practices.

Moreover, in a local ranking of “Best Sub-custodian Bank 2013” UniCredit Global Securities Services (GSS) has been chosen as the best provider of custodian services in CEE. The best ranks achieved on the national level in: Austria, Croatia, Czech Republic, Poland, Slovakia, Hungary and Ukraine have contributed to the success of UniCredit Group in the region.

WSE: Bank Pekao S.A. as the best organizer of bonds issues on Catalyst market



In February 2013, the Warsaw Stock Exchange awarded leaders of the Polish capital market for achievements in 2012. Bank Pekao S.A. won an award in category “the value of debt issues arranged and introduced in 2012” on the Catalyst market.

In 2012, Bank Pekao S.A. has organized medium-term corporate bond issues which accounted for 40% of the value of all last years’ medium-term issues on the Polish market, of which more than 80% of issues were placed on the Catalyst market. Nearly 70% of all listed corporate bonds on the Catalyst market was placed through the Bank.

Dziennik Gazeta Prawna: Gold Emblem in the category “the highest quality product” for PekaoBIZNES24

In the third quarter of 2013, Bank Pekao S.A. received Gold Emblem in the category “the highest quality product” for the electronic banking system PekaoBIZNES24 for corporate clients in competition “Najwyższa Jakość Quality International 2013” which was organized by editorial board of Dziennik Gazeta Prawna newspaper held under the honorary patronage of the Ministry of Regional Development, Polish Agency for Enterprise Development and Club of the Polish Forum ISO 9000.

The judging panel appreciated functional and visual revitalization of the PekaoBIZNES24 system, including, among others, comfortable and intuitive use of the system, better presentation of the offer of ca. one hundred financial products and increased efficiency of the platform.

EUROMONEY: Bank Pekao S.A. as the best bank in Poland in the area of transaction banking

Bank Pekao S.A. has been awarded by EUROMONEY Magazine for the third consecutive year for the best transaction banking services among Polish banks within the scope of transactional banking in 2013.

The first place achieved in prestigious and international ranking proves the Bank's position as the leader in Cash Management on the Polish banking sector and demonstrates customers' satisfaction from services and transactional banking products offered by the Bank.

The survey involved 24 thousand international corporate clients who assessed the products and services of transactional banking in a given country appreciating innovation, high quality and security of transactions processed by Bank Pekao S.A.

Eurobuild Awards 2013 – Bank Pekao S.A. for the third consecutive time The Bank of the Year in commercial real estate

Bank Pekao S.A. was honored with the title "Financing Provider of the Year, Poland 2013" by jury of competition organized by Eurobuild magazine which is one of the most influential specialized magazine on commercial real estate sector in CEE. Among the winners in their respective categories were also projects financed by the Bank.

Jury composed of representatives of the major commercial real estate companies; real estate developers, investors, consultants, legal advisory companies and banks have selected the winners based on the size, quantity and type of agreements as well as on the reputation of the company. Control over the correctness of winner selection and voting was exercised by KPMG.

The European transaction of the year in waste managing

Bank Pekao S.A. was an adviser and financed a transaction carried out in a form of public-private partnership for renewable energy sector, which has been awarded with European Waste Deal of the Year.

5 Information for the Investors

5.1 The Bank's share capital and share ownership structure

As at December 31, 2013, the share capital of Bank Pekao S.A. amounted to PLN 262,470,034 and remained unchanged until the date of submitting the report. The share capital of the Bank consisted of 262,470,034 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
603,377	Series G bearer shares with a par value of PLN 1 per share
359,840	Series H bearer shares with a par value of PLN 1 per share
94,763,559	Series I bearer shares with a par value of PLN 1 per share

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

Shareholders of Bank Pekao S.A., holding directly or indirectly, through subsidiaries, at least 5% of the total number of votes at the General Meeting of the Bank, 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	NUMBER OF SHARES AND VOTES AT THE GENERAL MEETING	SHARE IN SHARE CAPITAL AND TOTAL NUMBER OF VOTES AT THE GENERAL MEETING
	AS AT THE DATE OF SUBMITTING THE REPORT		AS AT DECEMBER 31, 2013		AS AT DECEMBER 31, 2012	
UniCredit S.p.A.	131,497,488	50.10%	131,497,488	50.10%	155,433,755	59.22%
Aberdeen Asset Management PLC	n/a	n/a	13,194,683	5.03%	13,194,683	5.03%
Other shareholders	130,972,546	49.90%	117,777,863	44.87%	93,841,596	35.75%
Total	**262,470,034**	**100.00%**	**262,470,034**	**100.00%**	**262,470,034**	**100.00%**

UniCredit S.p.A. has been the Bank's major shareholder since August 1999. As at December 31, 2013, UniCredit S.p.A. held 50.10% share in the Bank's share capital and the same percentage of the total votes at the Bank's General Meeting of Shareholders, Aberdeen Asset Management PLC held 5.03% and the remaining shareholders' 44.87% share. 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 information on their holdings in Bank Pekao S.A.'s shares.

On February 1, 2013, Management Board of Bank Pekao S.A. in the current report no. 7/2013 informed that the Bank received notification from UniCredit S.p.A. with its registered office in Rome, about reduction of the total number of votes at the General Meeting of the Bank as the result of the sale of 23,936,267 shares in the Bank, accounting for 9.12% of the total number of votes at the General Meeting of the Bank, through a sale order executed on January 31, 2013 via off-session transactions concluded on the Warsaw Stock Exchange S.A. according to the Secondary Placing Agreement made on January 29, 2013. Prior to the sale, UniCredit held 155,433,755 shares in the Bank, accounting for 59.22% of the overall number of shares in the Bank, representing the same number and percentage of the total votes at the General Meeting of the Bank. After the transaction, UniCredit holds 131,497,488 shares in the Bank, i.e. 50.10% of the overall number of shares in the Bank, representing the same number and percentage of votes at the General Meeting of the Bank.

On January 8, 2014 Management Board of Bank Pekao S.A. in the current report no. 1/2014 informed that the Bank received notification from Aberdeen Asset Management PLC (and/or acting on its behalf and its' affiliates) with its registered office in Aberdeen about reduction of the total number of votes at the General Meeting of the Bank below 5%, as the result of the sale of 50,000 shares in the Bank through a sale order executed on January 3, 2014. Prior to the sale, Aberdeen Asset Management PLC held 13,121,767 shares in the Bank, accounting for 5.0% of the overall number of shares in the Bank, representing the same number and percentage of the total votes at the General Meeting of the Bank. After the transaction, Aberdeen Asset Management PLC held 13,071,767 shares in Bank, i.e. 4.98% of the overall number of shares in the Bank, representing the same number and percentage of votes at the General Meeting of the Bank.

Polish open-end pension funds (OFE) constitute to the group of financial investors holding significant equity interests in the Bank. Based on their publicly available financial reports, as at December 31, 2013 OFE held in aggregate 16.37% of the Bank's shares, 5.6 p.p. more than a year ago.

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, 2013		DECEMBER 31, 2012	
Aviva OFE Aviva BZ WBK	12,483,565	4.76%	6,578,969	2.51%
ING OFE	6,998,757	2.67%	4,291,521	1.64%
OFE PZU „Złota Jesień”	5,226,351	1.99%	4,107,337	1.56%
Amplico OFE	3,853,470	1.47%	2,508,569	0.96%
AXA OFE	2,946,264	1.12%	2,573,253	0.98%
Generali OFE	2,289,234	0.87%	1,661,671	0.63%
PKO BP Bankowy OFE*	2,871,436	1.09%	1,563,526	0.60%
Nordea OFE	1,814,005	0.69%	1,374,940	0.52%
Aegon OFE	1,746,507	0.67%	1,493,665	0.57%
Allianz Polska OFE	1,243,653	0.47%	1,037,681	0.40%
OFE Pocztylion	892,812	0.34%	622,819	0.24%
OFE Warta	602,477	0.23%	471,976	0.18%
Total	**42,968,533**	**16.37%**	**28,285,927**	**10.78%**

Source: OFE Reports – annual structure of open-end pension funds assets; closing share price of Bank Pekao S.A. as at end of the period.

* Assets presented as a total of PKO BP Bankowy and OFE Polsat. On July 19, 2013, OFE Polsat was acquired by PKO BP Bankowy.

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

The shares of Bank Pekao S.A. have been listed on the Warsaw Stock Exchange since June 1998 and they are one of the most liquid equities in Poland and Central and Eastern Europe. Since 2000, the Bank maintains Global Depositary Receipts (GDR) program. The Bank's GDRs are traded on London Stock Exchange and on the over the counter market in the USA.

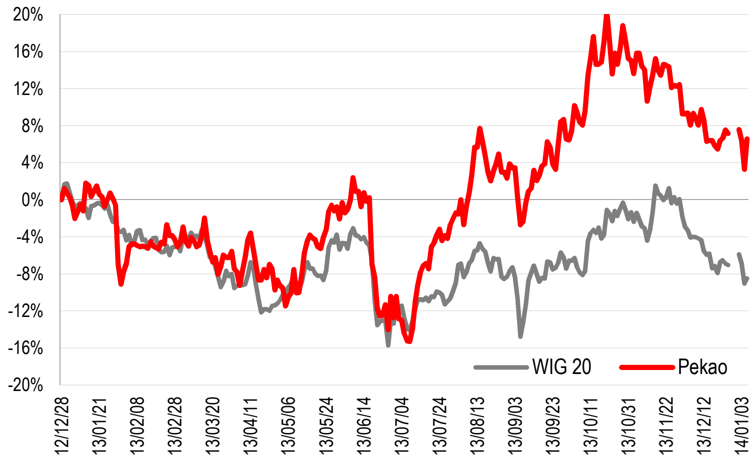
The Bank's market capitalization as at December 31, 2013 amounted to PLN 47.11 billion and it was by 7.2% higher than in the previous year. Given the high capitalization and liquidity the Bank's shares are a part of many important stock indices maintained by domestic and foreign institutions including Polish blue chips index – WIG20. Since December 19, 2011, the shares of Bank Pekao S.A. are included in the CEERIUS Sustainability Index at Vienna Stock Exchange.

With the average daily turnover volume at the level of 577 thousand and the worth of trading at PLN 23.7 billion in 2013, the share of the Bank's stock in trading on the WSE amounted to 10.74%.

The Bank's share price increased from PLN 167.5 as at December 31, 2012 to PLN 179.5 as at December 31, 2013, i.e. by 7.2%.

Over the year the Bank's share price fluctuated in a range from PLN 139 to PLN 207. Such a high volatility was mainly driven by the global markets sentiment and the market uncertainty regarding Polish pension funds reform results.

Performance of Bank Pekao S.A.'s shares and WIG20 Index in year 2013



Source: the WSE

Market valuation of the Bank's shares at the end of 2013 drived indicator P/BV (price to book value) to the level of 2.05 and P/E (share price / earnings per share) to the level of 16.8 as compared to 1.96 and 14.7 at the end of previous year respectively.

5.3 Dividend payment history

In 2013, the Bank paid dividend for 2012 in the amount of PLN 8.39 per share. Dividend yield amounted to 4.7%.

The dividend payments for the years from 2003 to 2012 are presented below:

Date	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Dividend for the year (in PLN million)	748	1,065	1,234	1,504	2,517	-	761	1,785	1,412	2,202
Dividend per 1 share (in PLN)	4.50	6.40	7.40	9.00	9.60	-	2.90	6.80	5.38	8.39

5.4 Investor Relations

The Bank's activity in investor relations area is focused on providing transparent and active communication with the market through active co-operation with investors, analysts and rating agencies, as well as fulfilling disclosure requirements within the frameworks of applicable law regulations.

The Bank's representatives regularly hold a lot of meetings with investors in Poland and abroad, and take part in most of the regional and sector dedicated investors conferences. Financial results of Bank Pekao S.A. Group are presented quarterly at conferences that are simultaneously transmitted via Internet. In 2013, there were four conferences held to present the Bank's financial performance and 580 meetings with investors and analysts from ca. 250 investment companies.

The Bank's financial results and its activity are regularly monitored by analysts representing Polish and foreign financial institutions. This year 26 analysts published reports and recommendations on the Bank.

The main goal of the Bank's investor relations is to enable the market to make a reliable evaluation of the Bank's financial situation, its market position and business model effectiveness in the context of banking sector conditions and macroeconomic situation in the domestic economy as well as on international markets.

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

In addition, in order to meet investors' expectations, the Bank publishes on-line annual report, which is available on the Bank's website.

5.5 Bank Pekao S.A. financial credibility ratings

Bank Pekao S.A. co-operates with three leading ratings agencies: Fitch Ratings, Standard and Poor's Ratings Services, and Moody's Investors Service. In the case of the first two, the ratings are provided on a solicited basis under relevant agreements 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 2013 proved to be strongly resistant to changes observed on financial markets and they were affirmed at a high level.

As at December 31, 2013, Bank Pekao S.A.'s credit ratings were as follows:

FITCH RATINGS	BANK PEKAO S.A.	POLAND	UNICREDIT S.P.A.
Long-term rating (IDR)	A-	A-	BBB+
Short-term rating	F2	F2	F2
Viability rating	a-	-	bbb+
Support rating	2	-	2
Outlook	Stable	Stable	Negative
STANDARD AND POOR'S RATINGS SERVICES	**BANK PEKAO S.A.**	**POLAND**	**UNICREDIT S.P.A.**
Long-term rating	BBB+	A-	BBB
Short-term rating	A-2	A-2	A-2
Stand-alone credit profile	bbb+	-	bbb
Outlook	Stable	Stable	Negative
MOODY'S INVESTORS SERVICE LTD. (UNSOLICITED RATING)	**BANK PEKAO S.A.**	**POLAND**	**UNICREDIT S.P.A.**
Long-term foreign-currency deposit rating	A2	A2	Baa2
Short-term deposit rating	Prime-1	Prime-1	Prime-2
Financial strength	C-	-	D+
Outlook	Negative	Stable	Negative

On January 24, 2014, Fitch Ratings affirmed ratings of Bank Pekao S.A., among others, saying that Bank Pekao S.A.'s ratings reflect its high capitals, stable and diversified funding sources, strong franchise as well as consistency in the conservative credit and market risk management.

Bank Pekao S.A. has the highest Viability rating assigned by Fitch Ratings, the highest Stand-Alone Credit Profile rating assigned by Standard & Poor's Ratings Services and the highest Financial strength rating assigned by Moody's Investors Service among banks rated by these agencies in Poland.

6 Activity of Bank Pekao S.A.

6.1 Important factors influencing the Bank's activities and results

In 2013, the Bank's activity was to large extent determined by the macroeconomic situation of the country and the trends visible in the whole banking sector.

Polish economy, at the beginning of the year, continued slowing down, reaching the bottom of the economic cycle in the first quarter of 2013 with a real GDP growth rate at 0.5% year on year, achieved thanks to the improvement in net exports with a low level of domestic demand. In the next quarters, it was observed gradual acceleration of growth rate, mainly thanks to improvement in consumption, resulting in the GDP growth for 2013 at 1.6% (preliminary GUS data).

In response to the economic downturn, the Monetary Policy Council (MPC) has continued monetary policy easing, resulting in reference rate reduction in 2013 by 175 bps from 4.25% to 2.5%. Reduction of interest rates had a negative impact on net interest margins in the banking sector and consequently on dynamics of the net interest income. At the same time, as a result of lower interest rates, Treasury bond prices increased. It allowed a number of banks to partially offset the negative impact of lower interest rates on net interest income by realisation of gains on bond sale.

Economic slowdown has affected the pace of lending activity. Growth in households lending amounted to 4.5% year on year, mainly thanks to increase of PLN mortgage loans resulting from stemming the decline in residential property prices and record low level of interest rates. The increase in corporate loans amounted to 1.5% year on year, reflecting significant deceleration in investment processes.

Household deposits growth weakened to 5.6% year on year from 7.7% a year before, due to a shift of part of customers' interest, in the environment of low interest rates, to alternative forms of asset allocation, including mutual funds. At the same time corporate deposits portfolio increased significantly (by 10.0% year on year).

Given the low interest rates conditions and pressure on net interest income, a number of banks have decided to effectively increase fees and commissions collected from the customers. In the second half of the year an increase in economic activity of customers was also visible. It allowed to compensate cards interchange fee rates reduction introduced at the beginning of the year.

Despite economic slowdown, asset quality has not deteriorated and cost of risk stabilized at the level of the previous year.

In 2013, the banks continued implementation of new technologies, introduction of information technology improvements and development of remote contact channels, in particular in the area of mobile banking and mobile payments.

The impact of regulatory activities on the amount of revenues and costs in the banking sector was visible. For the first time, banks were charged with an extra fee, so called prudential charge, transferred to the Bank Guarantee Fund. A number of actions taken in 2013 will affect the results of the subsequent years and functioning of the financial market in Poland – the increase of BGF prudential charge for 2014, reduction of the interchange fee rate and Polish pension funds reform.

More difficult operating conditions combined with lower economic growth rate and lower interest rates encourage some banking groups present in Poland to revise their strategies and exit from the Polish market.

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 material for the Group include credit risk, liquidity and market risks and operational risk. Moreover, business, real estate, financial investment, model, macroeconomic, reputation and compliance risks are also recognized.

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, market and operational risks reports analyzing details of their development are provided to the Management Board of the Bank, Audit Committee and the Supervisory Board of the Bank.

The rules and instruments of managing each of the risks are described below. Information on the risk exposure is included in the Note 4 to the Unconsolidated Financial Statements of Bank Pekao S.A. for the period ended on December 31, 2013.

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 Group, 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 2013, 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 the 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 was consistent with the Credit Policy of Bank Pekao S.A. Group and considered also local Ukrainian requirements. From 2003 such a credit policy was 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. exercised strict supervision and control over the underwriting process in PJSC UniCredit Bank. All credit decisions were 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 was compliant with the standards of credit risk management that was in force in Bank Pekao S.A.

The majority of the loan portfolio was related to corporate clients which include the largest companies in Ukraine. Corporate lending activity was 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 others, 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 and other aspects of market and liquidity risk management.

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.

The market and liquidity 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.

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.

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 Group'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 and four levels of liquidity risk depending on the level of early-warning indicators, the Bank's situation as well as overall market situation. It defines also a source for covering of estimated cash inflows. Additionally, it defines the procedures for monitoring the liquidity levels, the procedures for emergency measures, the organizational structures of taskforces charged with restoring liquidity, and the scope of the Management Board's responsibility for making decisions necessary to restore the required liquidity level.

Scenario-based stress analyses, covering the Bank constitute an integral part of the Bank's liquidity monitoring process, launched under the conditions of crisis affected by financial markets or caused by internal factors, specific to the Bank.

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 2013, 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 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 of market risk management is to optimize financial results and the influence on the worth of economic capital assuring the implementation of financial goals of the Bank, while keeping the exposure to market risk within the risk appetite defined by risk limits approved by the Management Board and the Supervisory Board of the Bank.

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 of the Bank.

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 2013 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 banking 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, 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 by means of the Value at Risk (VaR) model.

Operational risk

Operational risk is defined as the risk of losses resulting from inadequacy or failure of internal processes, people, systems or external events. It includes law risk, whereas strategic risk, business risk and reputation risk are separate categories of 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 embraces identification, assessment, monitoring, mitigation and reporting. The risk identification and assessment is performed with the analysis of internal and external factors, which could have significant influence on the achievements of the Bank. The main tools used in identification and assessment of operational risk are internal operational events, external operational events, key risk indicators, scenario analysis and Bank's self-assessment. Advanced Measurement Approach is also used for assessment of operational risk of the Bank. The method is used also for capital adequacy assessment purposes. Monitoring actions are carried out on three control levels: operational control (all employees), risk management control (Financial and Operational Risk Management Department) and internal audit (Internal Audit Department). Operational risk mitigation includes, among others, internal control system, hedging activities, business continuity plans, contingency plans as well as insurance policies.

Operational Risk Committee plays a key role in operational risk management process supporting the Management Board in controlling operational risk.

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. One of the elements of business risk is strategic risk that is the risk of incurring losses due to decisions or radical changes in the business environment, improper implementation of decisions, lack of response to changes in business environment, such as economic cycle trend shift.

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 99.93% 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 99.93% 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 equity holdings in companies not belonging to Bank Pekao S.A. Group.

Financial investment risk is assessed based on Value-at-Risk method in one-year time horizon and at the assumed confidence level of 99.93%.

Model risk
Model risk is defined as the risk of incurring losses due to implementation of wrongly defined models or their inappropriate adoption. Model risk includes also the risk of losses resulting from inadequate control and monitoring of the model application in the Bank.

Model risk is subject to quality assessment on the basis of the data used, assumptions, methodologies etc. An additional element of model risk assessment is scenario analysis enabling assessment of the impact of potential irregularities in the model on its results. Based on the aggregated results, a capital buffer to cover model risk is assessed.

Macroeconomic risk
Macroeconomic risk (also called risk of changes in macroeconomic conditions) is defined as the risk of changes in macroeconomic conditions, which may have an impact on future capital requirements or net assets level.

Estimation of capital buffer to counter the macroeconomic risk is made on the basis of the impact of economic slowdown scenario analysis on the economic capital.

Reputation risk
Reputation risk is defined as the risk related to a possibility of negative variations from the planed financial results and equity level due to deterioration of the financial institution's image in the eyes of customers, contractors, shareholders/investors or regulators. The risk is hard to measure and is subject to quality assessment. The Group strives to improve its reputation through continuous development of solid relationship with stakeholders.

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 UniCredit Group.

Compliance Policy of Bank Pekao S.A. establishes the Bank's policy assumptions on compliance risk and compliance program, encompassing processes constituting compliance risk management (identification, assessment, control, monitoring and reporting), consistent at all organizational levels of the Bank. The Policy defines also the basic rules of conduct the Bank and its employees should follow in this area.

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.

Compliance risk management takes place at three separate levels:

- management staff, responsible for ensuring compliance,
- risk management function, carried out by dedicated Bank's entities not engaged in the business activity,
- internal audit, responsible for carrying out an independent assessment of internal control system functioning and for monitoring post-control activities.

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 updating the Policy and monitoring its observance; identification, assessing, monitoring and controlling of compliance risk in regulatory areas, in line with the scope of its competence; guidance provided to the organizational units on laws, regulations, rules, codes, standards, businesses and products in the area of compliance and reputation risk; strengthening dialogue and relationship with the supervisory and control authority and carrying out tasks related to the counteracting of the use of the Bank's activity for purposes of money laundering and terrorism financing.

The Bank uses the CAMP methodology for the compliance risk assessment and conducts second level controls, which enable assessment of the existing Bank's processes in terms of effectiveness and compliance with the key regulations concerning the banking business. The CAMP methodology acting on the rule of early-warning system includes conducting mitigation actions in the case of detecting of irregularities. All the Bank's organizational units are involved in the process. The assessment of compliance risk and second level controls contribute to improvement of internal control system in the Bank and as a consequence to limitation of the compliance risk related to its activity.

6.3 New Capital Accord – Basel

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.

In 2005, the Bank in co-operation with banking supervisory authorities and guidelines of Unicredit Group, drafted and approved a plan that 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 process of achieving compliance with the New Capital Accord also involves meeting stringent organizational and IT requirements. Throughout the process, the Bank has been supported by a reputable consulting firm and an IT system provider. The KRM system (Kamakura Risk Management) for capital charge calculation, in the case of credit risk, is tailored for running in parallel the Standardized and Advanced Approach, its efficiency is above reproach, and its high effectiveness ensures the processing all credit transactions volume each month. The system allows a sound level of scalability for its customization.

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.

All above described features show that the Bank is effectively in compliance with the regulations of supervisory authorities introducing the Basel II requirements set by the Basel Committee on Banking Supervision and its subsequent updates.

In 2013, the European Parliament adopted a package of regulations known as Basel III, consisting of the following documents:

- regulation No. 575/2013 of June 26, 2013 on prudential requirements for credit institutions and investment firms and amending regulation No. 648/2012,
- Directive 2013/36/UE on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending directive 2002/87/UE and repealing directives 2006/48/EC and 2006/49/EC.

The new regulations aim to improve quality of the capital base, including neutralising pro-cyclical effects and reduction of systemic risk. Furthermore, they introduce new requirements concerning short- and long-term liquidity and regulate issues related to financial leverage.

The regulation entered into force on January 1, 2014, while the Directive is still to be implemented within the provisions of Polish law. The requirements concerning liquidity and leverage will become effective after 2014.

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%. As at the end of December 2013, CAR for the Bank amounted to 18.78%, which is more than doubled compared with the minimum value required by law.

The table below presents the basic data concerning the Bank capital adequacy as at December 31, 2013 and December 31, 2012.

(in PLN thousand)

CAPITAL REQUIREMENT	31.12.2013	31.12.2012
Credit risk	6,783,869	6,553,339
Exceeding large exposure limits	0	0
Market risk	127,803	129,075
Delivery and contractor risk	121,438	145,039
Exceeding exposure concentration limit	0	0
Operational risk	949,487	895,769
Total capital requirement	**7,982,597**	**7,723,222**
Capital for capital adequacy ratio calculation		
Tier 1 capital	18,738,068	17,866,215
Tier 2 capital	0	0
Capital for capital adequacy ratio calculation	**18,738,068**	**17,866,215**
Capital adequacy ratio (%)	**18.78%**	**18.51%**

In relation to changes in accounting policy described in the Note 3 to the Unconsolidated Financial Statement of Bank Pekao S.A. for the period ended on December 31, 2013, appropriate restatements of comparative data for 2012 was made.

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

The capital adequacy ratio of the Bank at the end of December 2013 was maintained at a high level (18.78%), similar to the level at the end of December 2012 and a slight change was due to increase in total capital requirement and own funds in this period.

The increase in total capital requirement at the end of December 2013 was mainly influenced by an increase in capital requirement for credit risk driven by an increase of the loans portfolio of the Bank and increase in capital requirement for operational risk.

The strengthening of the Bank's own funds base in 2013 is mainly a consequence of a decision of the Ordinary General Meeting of Bank Pekao S.A. to allocate the net profit of Bank Pekao S.A. for 2012 in the amount of PLN 736 million for the own funds.

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, mainly in Poland. Bank Pekao S.A. Group includes financial institutions operating in banking, asset management, pension funds, brokerage services, leasing and factoring markets.

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

	31.12.2013	31.12.2012
Total number of outlets	1,001	1,001
Total number of own ATMs	1,847	1,845

The Bank's clients can also make commission-free cash withdrawals from 4.2 thousand of domestic network of Euronet ATMs as well as European network of the UniCredit Group ATMs.

As at the end of December 2013, the Bank maintained 5,107.5 thousand PLN-denominated current accounts, 267.5 thousand mortgage loans accounts and 634.9 thousand consumer loans accounts.

(in thousand)

	31.12.2013	31.12.2012
Total number of PLN current accounts*	5,107.5	5,305.4
of which packages	3,781.5	3,629.9
Number of mortgage loans accounts**	267.5	246.0
of which PLN mortgage loans accounts	226.6	202.5
Number of consumer loans accounts ***	634.9	676.1

* Number of accounts including accounts of pre-paid cards.

** Retail customers accounts.

*** "Pożyczka Ekspresowa" (Express Loan).

6.5.1 Individual clients

In 2013, the Bank was focused on the consistent acquiring of new customers and sale of personal accounts. In each subsequent quarter of 2013, there was a double-digit growth in number of new individual clients compared to the previous quarter what finally resulted in the acquisition of over 400 thousand new customers in 2013.

Retail banking
In June 2013, promoting innovations and modernity, Bank Pekao S.A. offered to clients latest mobile solution - comprehensive system of mobile payments and payments acceptance PeoPay.

The PeoPay application is innovative solution that combines mobile payments for individual clients and innovative function PeoPay mPOS, i.e. the ability to accept mobile payments on smartphones for entrepreneurs. The application enables execution of fast payments between users, online payments and non-cash payments in shops and points of service branded with the PeoPay logo as well as cash withdrawals from the Bank's network of ATMs. The PeoPay application is available on the most popular operational systems: Android, iOS and Window Phone. Application users have the opportunity to realize mobile payments in a network of 25 thousand of acceptance points which is constantly being expanded.

The implementation to the Bank's offer the PeoPay mobile payments extends mobile offer that includes Eurokonto Mobilne, mobile banking application and Mobilny Planer Zakupów (Mobile Shopping Planner) with another modern solutions – the ability to realize and receive payments through a mobile phone.

In 2013, the Bank accompanied its customers in a number of cultural and sport mass events promoting its modern package of mobile solutions.

The Bank, in co-operation with the Great Orchestra of Christmas Charity, prepared for the consecutive time a dedicated prepaid card with the image of Woodstock Music Festival and ensured mobile payments with the PeoPay application in all terminals located at the festival.

In 2013, the Bank conducted marketing campaigns promoting personal accounts for young persons – between 13 and 25 years of age. The Bank was focused on local actions, mainly in schools and universities, promoting the PeoPay secure mobile payments.

Affluent customers

In the area of the Premium Personal Banking, the Bank's activities were focused on acquiring new customers by offering attractive products offer which allows flexible customization of parameters to clients individual needs and expectations as well as assistance of qualified Personal Advisers guaranteeing the highest standards of customer service.

Within the frame of products offer, term deposits, investment funds managed by Pioneer Pekao TFI and mortgage loans were the most popular among the affluent customers.

Moreover, individual financial planning service with the use of a professional tool - the Investment Navigator was developed under the Premium Personal Banking framework. The main task of the Investment Navigator is to support the clients investment decisions, in particular in planning of long-term savings including assets diversification.

The clients are provided also with a dedicated Contact Center service under the Premium Personal Banking Info-line.

Private Banking

Private Banking of Bank Pekao S.A. is among the leaders on the market both in terms of assets under management as well as number of customers in Private Banking segment. Convenient customer service model is based on the professional care of dedicated advisers who provide customers with product solutions customized to their individual needs and market situation. The group of advisers consist of experienced employees holding certificates of qualification of reputable institution European Financial Planning Association. The advisers are supported by assistants and product specialists teams what combined with a unique experience and knowledge of local market and global know-how of UniCredit Private Banking allows to maintain high level of services and make an offer for most demanding customer segment.

Private Banking clients are provided with full access to the Bank's product offer and solutions offered exclusively to this segment such as; open product architecture, Eurokonto Prestiżowe package, prestigious credit cards, structured deposits Indeks na Zysk and dual currency deposits. Thanks to the Bank's co-operation with Pioneer Pekao TFI S.A. and Centralny Dom Maklerski Pekao S.A. (CDM) customers have opportunity to diversify investment portfolios accessing to a wide range of investment funds offer including foreign investment funds. Asset management of Private Banking clients is provided by Pioneer Pekao Investment Management S.A.

The Bank's activities in the area of Private Banking in 2013 were focused on attracting new customers, adapting the offer to changing market conditions and deepening relationships with customers.

The Bank's offer was enhanced by new insurance investment product "Plan Inwestycyjny Prestiż" (Prestige Investment Plan) which allows investing in a various investment funds and/or model portfolios with additional insurance, legal and tax benefits. Thanks to the Bank's co-operation with TU Allianz Życie Polska S.A., "Plan Inwestycyjny Prestiż" guarantees high quality of the offer and access to a wide range of insurance equity funds offer. The advantage of this product is family members protection, invested capital protection as well as easy access to invested funds.

Moreover, the Bank's offer was enhanced with a new prestigious credit card Pekao VISA Infinite distinguished with a broad insurance package, access to services related to traveling (VISA Luxury Hotels, Priority Pass) and concierge service.

The Bank continued offering structured products "Indeks na Zysk" with 100% capital protection. Clients were offered five subscriptions of structured deposits linked to, among others, exchange rates and capital market indices. Worth mentioning is a structured product which has brought customers high profit of over 11% gain per annum.

In 2013, customer service model in co-operation with CDM has been changed providing the advisers with the opportunity to directly receive and execute orders placed by Private Banking customers.

To strengthen relationship with customers and to extend the knowledge about the situation on the financial markets a series of business meetings were organized. Moreover, the Bank conducted sponsoring activities, including football Champions League and Pekao Szczecin Open tournament, which allowed to increase the customers' satisfaction with co-operation with the Bank.

Savings products

In 2013, the Bank continued its initiative to promote the idea of regular savings, by offering pension products giving additional insurance in a form of IKE and IKZE accounts and by promoting Regular Savings Program (Program Systematycznego Oszczędzania).

In order to increase attractiveness and adapt products offer to customers' needs, an offer of the Pioneer IKE Program was extended by five new funds/sub-funds and an offer of the Capital Accumulation Program was extended by eight new funds/sub-funds.

Under Regular Savings Program - My Perspective (Moja Perspektywa), the Bank's offer was extended with a new portfolio – Polski Plus.

Moreover, in 2013, the Bank introduced to its offer a new mutual fund Pioneer Stabilnego Inwestowania for investors with a moderate risk tolerance and a new investment fund Pioneer Pieniężny Plus which enables investing, first of all, in instruments with short-term maturity and is safer than a typical bonds fund.

The Bank's offer was enhanced by new insurance and investment product “Plan Inwestycyjny Prestiż” (Prestige Investment Plan) which allows to invest in a various investment funds and/or model portfolios with insurance, legal and tax additional benefits.

In the third quarter of 2013, the Bank introduced to its offer a new saving account for children “My Treasure” (“Mój Skarb”). The new account opened on behalf of the child by the parents allows to safely explore finance and enables efficient saving even small amounts.

In the fourth quarter of 2013, the Bank introduced to its deposit offer Flexible Deposit (Lokata Elastyczna) with attractive interest rate dependent on WIBOR rate and with optional periodic interest payment.

Loans

The Bank offers to its customers a wide range of lending products, including first of all PLN mortgage loans and consumer loans Express Loan.

Consumer lending

In the area of cash loans, the Bank pursued strategy of consequent strengthening of its position on the consumer goods financing market while maintaining a balanced credit risk policy and providing customers with the highest level of satisfaction. Efficient process, transparent rules of loans granting as well as an individual approach guaranteed the competitiveness of the Express Loan among offers of the other banks. The clients taking loan have possibility to use insurance coverage within the available insurance packages allowing to adjust the offer to the individual needs.

In 2013, the Bank looking for new growth opportunities and sales development of the Express Loan implemented a new functionality in the Internet service Pekao24 which allows the Bank's customers to apply and sign the Express Loan agreement on-line, actively used other internal channels of marketing communication, including website dedicated to consumer loan and mobile application, organized advertising campaign on TV, radio and in the Internet as well as local promotional actions all over the country.

Mortgage loans
In 2013, the Bank continued its policy of offering only PLN mortgage loans maintaining a strong market position with over 18% share in sale of PLN mortgage loans in Poland.

The mortgage loans offer was being updated and adapted to changing market conditions and needs. The advantages of Bank Pekao S.A.'s mortgage loans offer are fast credit decision, attractive financing conditions and competent advisers supporting customers in loans granting process. The Bank took a number of promotional activities, including promotional campaigns in the Internet and internal channels as well as participated on a regular basis in real estate fairs organized all over the country.

Payment cards
In 2013, Bank Pekao S. A. continued development of credit cards offer. The Bank as a Sponsor of UEFA Champions League offered the next edition of special credit cards with the image of the Champions League.

Moreover, the Bank provided additional security - 3D Secure for on-line transactions realized with Visa credit cards. Previously, additional security was available for the Bank's clients holding MasterCard credit cards only.

In 2013, the Bank provided also holders of MasterCard Debit and Maestro cards issued to Eurokonto accounts with the ability to disable and re-enable the functionality of contactless transactions.

Brokerage activity
Dom Maklerski Pekao (Dom Maklerski) is a specialized unit of the Bank, dedicated to the sale of the capital market products. The purpose of the unit is to provide the highest quality of brokerage services. A comprehensive offer guarantees investors, in particular from the group of the Bank's individual clients, opportunity to invest in the stock, derivatives (futures and options), bonds, as well as OTC market. The entity also acts as an intermediary in the sale of Structured Certificates of Deposit issued by the Bank, provides an opportunity to invest in instruments offered in the public offerings as well as provide access to foreign markets. Customers are being serviced by 621 order acceptance points located in the Bank's branches all over the country and remote service channel Pekao24Makler (Internet, mobile service, telephone) fully integrated with the Bank's Electronic Banking Service Pekao24.

At the end of 2013, Dom Maklerski maintained 179 thousand standard investment accounts, of which ca. 71 thousand customers has electronic access to the services through electronic channels.

The value of assets deposited on investment accounts ran by Dom Maklerski amounted to PLN 5 billion at the end of 2013.

In 2013, Dom Maklerski achieved the following shares on the WSE within the transactions for individual customers:

– 3.7% share in the stock turnover,

– 2.5% share in the futures trading volume.

Pekao24
The Pekao24 electronic banking system is a convenient and safe system for accessing the accounts maintained by the Bank, Dom Maklerski Pekao and Centralny Dom Maklerski Pekao S.A. The system enables to manage the funds deposited on the accounts through the Internet, fixed-line or mobile phone and through Contact Center.

The Bank's customers have the opportunity to use the Pekao24 mobile banking application dedicated to mobile phones and devices which is the most advanced application on the market. It enables to execute most of the operations available via the Internet service and to access additional functionalities such as geo-location of ATMs, branches and stores as well as to track market information.

As at the end of 2013, the number of Pekao24 clients amounted to 2,446.8 thousand and increased by 242.3 thousand compared to the end of 2012. In the fourth quarter of 2013, 1,352.0 thousand clients logged into the electronic banking services.

As at the end of 2013, the number of clients with an access to mobile banking amounted to 373.1 thousand and increased by 172.4 thousand compared to the end of 2012. In the fourth quarter of 2013, 149.1 thousand of clients logged into the mobile service m.pekao24.pl and the Pekao24 mobile banking application.

(in thousand)

	31.12.2013	31.12.2012
Number of individuals with an access to electronic banking Pekao24 as at the end of period	2,446.8	2,204.5
Number of individuals actively using electronic banking Pekao24*	1,352.0	1,225.0
Number of individuals with an access to mobile banking as at the end of period	373.1	200.7
Number of individuals actively using mobile banking**	149.1	90.0

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

** A customer actively using mobile banking is a customer who logged in to the mobile service m.pekao24.pl or the Pekao24 mobile banking application at least once during the last quarter.

The most important projects realized in the Pekao24 electronic banking in 2013 included:

- providing a new application for cash loan with opportunity to sign agreement and withdraw funds using electronic banking,
- introduction of a unique on the Polish market services in the Pekao24 mobile application including scanning of QR codes on invoices, outlets searching using camera phone, integration of transactional part of mobile application with phone calendar and with handy calculators,
- providing new version of Pekao24 mobile application for iPhone 5 and implementation of dedicated keyboard for authorization of operations in Android system phones,
- enabling management of the PeoPay mobile payment system through the Pekao24 system,
- enabling PayByNet payments for, among others, execution of electronic administrative payments in a fast and convenient way,
- providing saving accounts for children opened by the parents (legal representatives) via electronic banking,
- expanding the list of available SMS alerts to increase convenience and security of credit cards use,
- providing the PekaoToken application for devices with Windows Phone operational system and new version of application for iPhone 5.

In 2013, the Pekao24 mobile banking application won the ranking of mobile applications of the Polish banks (mobirank.pl) reaffirming the quality and competitiveness of mobile solutions offered by Bank Pekao S.A.

6.5.2 Small and micro enterprises (SME)

In the area of SME customers, in 2013, the Bank's activities were focused on strengthening the relationships with existing clients and the consistent attracting of new customers so that the Bank acquired nearly 40 thousand of new customers.

In 2013, the Bank intensified marketing activities promoting the PekaoFirma24 mobile banking application which is dedicated to mobile phones and devices. The application significantly distinguishes on the competitive market in terms of functionality that allows, among others, conducting cash transfers to any domestic or foreign currency account, making cash conversion with the preferential exchange rate (Autodealing) and a multistage requests authorization. The application has also a broad informational part (available without logging in) which presents the latest exchange rates, the Bank's product offer, localization of the Bank's ATMs and branches and the list of shops, in which payments made with any Bank's card entitles the customers to attractive discounts and special offers.

The Bank's offer was extended by new package – Mój Biznes Mobilny (My Mobile Business) addressed to the clients looking for innovative solutions. Mój Biznes Mobilny package (debit card, payments, ATMs cash withdrawals) allows customers who prefer account service through the Internet and mobile applications to manage the business in a modern way.

In 2013, the Bank's offer was enhanced with the PeoPay mPOS application for mobile payments acceptation. The main functionalities of application are, among others, the PeoPay mobile payments acceptance and preparation of sale reports. In 2013, the Bank has developed an acceptance network of the PeoPay mobile payments and promoted its innovative products mainly among customers in trade and services sector. The PeoPay mPOS application is provided to business clients free of charge.

In 2013, the product offer dedicated to the segment of small and micro enterprises was extended with products addressed to corporate clients. Clients were provided with modern solutions for planning, monitoring and cash management, such as Pekao Collect, Pekao Płace, Autowypłata, Pekao Konsolidacja, Polecenie Zapłaty, Pekao Cash (cash payments enclosed). Moreover, a tool for automatic foreign currency exchange was further modified. A new functionality – "FX transaction with collateral" was introduced into the PekaoFirma24 internet banking system.

In the lending area, the Bank's customers were offered current financing combined with a simplified loans granting process. The Bank continued also initiatives aimed at loans sales increase by modification of loan procedures (improving acquisition loans from other banks) a s well as by supporting tools (implementation of a new simplified loan process SLK – promptly available credit limit for existing customers).

At the beginning of 2013, at a conference organized in Warsaw, Bank Pekao S.A. presented the third edition of report "Raport o sytuacji mikro i małych firm" (Report on the situation of SME clients). The Report has been prepared based on 7 thousand interviews conducted with the enterprises' owners of this segment. The leading subject of the report, which has been prepared with the participation of the scientific community and the business environment, was e-business. The Bank initiated a series of conferences organized jointly with the marshals of the voivodeships, local business organizations and business partners – co-authors of e-business study. During those conferences the regional outcomes of the Report and practical solutions in terms of the Internet use in activity of small and micro enterprises were presented.

In the first half of 2013, the Bank as the first institution in Poland and as eleventh institutions in Europe, signed an agreement with the European Investment Fund (EIF) on portfolio guarantees within the framework of Risk Sharing Instrument EU program. Thanks to this agreement the Bank's offer was extended with revolving and investment loans with collateral for innovative projects and businesses. The Bank promoted the EU program participating in international conference "Implementing innovations: transforming knowledge into profit" organized in Kraków by the Patent Office. In October 2013, the Bank completed introducing of portfolio guarantee lines of the EIF within the framework of EU program "Competitiveness and innovation". The loans covered by the EIF program were granted to over 4 thousand SME clients (including 1,138 Start-ups) and the total value of loans granted amounted to over PLN 930 million. In November 2013, within the EU program, the Bank signed another 3–year agreement on portfolio guarantees for investment and revolving loans for the amount of PLN 1 billion.

Thanks to implementation of leasing module into the PekaoFirma24 system, SME customers gained on-line access to full financial information on lease agreements and paying lease payments in a more convenient way.

The Bank actively participates in realization of de minimis guarantees scheme of Bank Gospodarstwa Krajowego, under which enterprises can obtain guarantees as collateral of operating and investment loans granted by Bank Pekao S.A. It is the first governmental scheme in which the risk of granted guarantees has been assumed by the State Treasury and the first scheme in which the guarantee as collateral of operating loan is free-of-charge for enterprise in the first twelve months. In 2013, loans with de minimis guarantee were granted to over 4 thousand customers and the total value of loans amounted to PLN 1.5 billion.

Moreover, the Bank in co-operation with selected partners introduced a new initiative "Pakiet Trwałych Korzyści" which allows customers to take advantage from solutions offered by partners free of charge or with the discounts as well as from access to high quality of non-financial services.

In 2013, the list of currencies in which customers have an option of opening bank accounts was extended. The Bank offers accounts in 21 currencies, of which 12 currencies with cash service.

PekaoFirma24

PekaoFirma24 electronic banking system is a comprehensive platform including the Internet, mobile banking application with unlimited transaction capabilities and telephone channel dedicated to small and micro enterprises. The PekaoFirma24 system allows to use the banking products and services and manage their funds conveniently and intuitively.

In 2013, the PekaoFirma24 internet system was enhanced, among others, by functionality of placing orders to open another account and by lease module functionality which enables clients to review the agreements signed with Pekao Leasing and to process settlements within the scope of agreements (lease payments).

The PekaoFirma24 mobile banking application offers full functionality available to the clients in the PekaoFirma24 system, a multistage requests authorization and cash conversion with the preferential exchange rate using. In the third quarter of 2013, the PekaoFirma24 mobile banking application was made available for the phones with Windows Phone operating system. The application functionality has been additionally expanded with an innovative function of geo-location of the Bank's ATMs and branches. The PekaoFirma24 mobile banking application runs also on iOS, Android, BlackBerry and Symbian operating systems.

As at the end of December 2013, 222.9 thousand clients had an access to the PekaoFirma24 system, of which 131.8 thousand are active clients. The number of business clients with an access to electronic banking system PekaoFirma24 increased by 23.8 thousand compared to the end of 2012.

Improvements implemented into the PekaoFirma24 system positively translated into a number of transactions processed by electronic banking system. The number of transactions processed with the use of the PekaoFirma24 system in 2013 amounted to 30.3 million, while the value of PLN transactions amounted to PLN 142.7 billion, an increase by 11.4% and 8.5%, respectively in comparison to 2012.

(in thousand)

	31.12.2013	31.12.2012
Number of business clients (SME) with an access to electronic banking PekaoFirma24 as at the end of period	222.9	199.1
Number of business clients (SME) actively using electronic banking PekaoFirma24*	131.8	121.3

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

As at the end of December 2013, 7.0 thousand clients had an access to the PekaoFirma24 mobile banking application, of which 5.3 thousand are active clients. The number of business clients with an access to the PekaoFirma24 mobile banking application increased by 5.9 thousand compared to the end of 2012.

The number of transactions processed with the use of the PekaoFirma24 mobile banking application in 2013 amounted to 57.5 thousand, while the value of PLN transactions amounted to PLN 682.8 million.

(in thousand)

	31.12.2013	31.12.2012
Number of business clients (SME) with an access to mobile banking as at the end of period	7.0	1.1
Number of business clients (SME) actively using mobile banking*	5.3	1.1

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

6.5.3 Corporate customers

Bank Pekao S.A. as the leader in servicing large and medium-sized companies has one of the widest product offer for corporate clients on the market.

The model of corporate client service is based on the superior role of a dedicated banking adviser who is responsible for the identification the client's needs and selection, in co-operation with product's specialists, appropriate banking products and services.

The service of large companies is conducted on an individual basis by advisers located in the Large Companies Department at the Bank's Head Office, which is divided into industry service offices.

The service of the financial institutions and public finance sector entities is conducted by the specialized entity at the level of the Bank's Head Office as well as dedicated advisers in the Corporate Centers, who adjusts the product offer to individual needs of these clients.

The services for medium-sized companies are conducted in the Regional Corporate Centers, which are organized in micro-region structures, in order to provide comprehensive banking and advisory services.

The corporate clients of the Bank benefit from a full range of standard credit and deposit products as well as from transactional services. Bank Pekao S.A. is a leading organizer of investment project financing, mergers and acquisitions and debt securities issues. The Bank offers a wide range of products of money markets and currency exchange, both within the scope of current operations and long-term hedging structures of client's exposures such as currency risk and interest rate risk.
The Bank's product offer also includes financial services such as granting guarantees for national and foreign transactions as well as financial services provided through leasing and factoring subsidiaries.

Transactional services

The Bank holds its leading market position in a comprehensive offer of services and products for the clients of transactional services.

In 2013, in the area of transactional services, clients were provided with a new version of electronic banking system PekaoBIZNES24 which is the most extensive platform for corporate clients and the most modern system on the market that meets the highest requirements in terms of ergonomics.

The main advantages of modernized system in terms of functionality and graphics are:

- easy and intuitive navigation,
- simplified operation of advanced functionalities of the platform,
- adaptation of information included, among others, in bank statements, history of operations, order status to the needs of customer,
- system personalization through the introduction of user desktops with the most frequently used information and products,
- flexibility of executing operations.

106 thousand users from 15 thousand of the Bank's corporate clients operate in the new version of the PekaoBIZNES24 system.

In 2013, the Bank expanded its offer for corporate clients by introducing new products and enhancing functionalities of existing products, through among others:

– introduction of new deposit products – "Intro LOKATA" and "Intro LOKATA PLUS" which allows customers to deposit funds on numerous term deposit accounts, in numerous currencies and for various terms,

– opportunity of custom visualization of MasterCard Corporate Prepaid Pekao, which enhances company brand awareness among its employees and recognition of the company on the local and national market,

– enhancing the functionality of the PekaoBIZNES24 system with the Lease Module. This functionality allows customers to review lease agreements, check payment schedule, monitor lease payments and their status and execute settlements of lease agreements,

– introduction of purchase and sale transaction service made by members of Warsaw Commodity Clearing House (Izba Rozliczeniowa Giełd Towarowych – IRGIT) under the New Clearing Model. Bank Pekao S.A. is among the leading banks providing such type of service in Poland,

– extending list of foreign currencies in which clients can apply for opening bank account. The Bank offers bank accounts in 21 foreign currencies,

– introduction full settlement in Chinese currency juan renminbi (CNY), what gives the clients competitive advantage resulting from exchange rate risk reduction, improvement of cash flow management and settlement time reduction,

– extension of the cut-off time for foreign transfers with the same-day execution date.

In 2013, the number of SEPA transfers increased by 57% as compared to 2012 which confirms both the popularity of this form of settlements and the attractiveness of the Bank's offer in respect of efficient settlements, convenient cut-off times and the functionality of electronic banking system.

The Bank holds its leadership on the mass payment identification market. In October 2013, the Bank reached a record-high level of monthly processing of transactions, i.e. 12 million transactions. In 2013, the number of processed transactions in Pekao Collect service was by 2% higher than in 2012.

In the first half of 2013, the Bank extended its offer for micro and small business clients by introduction of transactional banking products which were addressed so far to corporate clients only what translated into increase of offer attractiveness and ability to acquire new customers as well as strengthen co-operation with existing clients.

In the lending area, the Bank signed agreement with Bank Gospodarstwa Krajowego for implementation of de minimis guarantee scheme which facilitate an access to capital for financing of current and investment activities and an agreement with the European Investment Fund (EIF) for financing innovative projects. Based on the signed agreements, the Bank's offer was extended by the following products:

– de minimis guarantees scheme of Bank Gospodarstwa Krajowego, under which enterprises can obtain guarantees as collateral of operating and investment loans granted by Bank Pekao S.A. The Bank takes the third position on the market of loans granting with de minimis guarantees with 12.5% share for small, micro and corporate clients as at the end of December 2013,

– Guarantees of the European Investment Fund (EIF) within the scope of Risk Sharing Instrument (RSI) program aimed to increase access to capital for innovative companies. Bank Pekao S.A. as the first bank in Poland signed the agreement with the EIF and implements the RSI program. The RSI program enables companies employing up to 500 employees to receive guarantees as a collateral of investment and operating non-revolving loans granted by the Bank.

Investment banking, structured finance and commercial real estate
Bank Pekao S.A. is a significant provider of structured financing in Poland. In 2013, the Bank was focused on acquiring new transactions while maintaining high quality of loan portfolio. The Bank provided financing for companies from, among others, fuel, chemical, telecommunications, services and commercial real estate sectors.

In 2013, the Bank's engagement in leveraged transactions substantially increased. The most important achievement within the scope of leveraged transactions are as follows:

– co-organization of the largest leveraged finance transaction in Poland,
– advisory and financing of transaction in the renewable energy sector realized in a form of public-private partnership, which was distinguished with the European Waste Deal of the Year award,
– participation in an international consortium for financing development of the company from energy sector, the amount of which exceeded PLN 1 billion,
– the Bank's participation as an agent of consortium financing the largest transaction on the Polish telecommunication market conducted in 2013,
– the Bank's participation as an agent of consortium financing the largest project in the area of commercial real estate in Poland. The amount of financing exceeded PLN 900 million.

The total volume of the new structured finance transactions in which the Bank participated in 2013 exceeded PLN 9 billion.

Financial markets and commercial debt instruments of the capital market
In the area of underwriting and servicing of corporate debt securities, as at December 31, 2013, Bank Pekao S.A. for the consecutive time took the first place with a market share of over 23% (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 over 29% market share,
– 2nd place in the segment of short-term debt securities with nearly 23% market share,
– 2nd place in the area of covered bonds with over 29% market share,
– 2nd place on municipal bonds market (with maturities over 365 days) with share over 27%,
– 3rd place on bank debt securities market (with maturities over 365 days) with nearly 9% market share.

In 2013, Bank Pekao S.A. signed in total 73 new contracts for underwriting and servicing of debt securities issues for companies and budget entities, including:

– 17 agreements on bond issue for companies from, among others, energy, commodity, real estate development, fuel, banking, media and retail sectors as well as public utilities and infrastructure (water supply, municipal and rail transport, airport, stadium, conference and congress center),
– 56 agreements on the municipal bond issue for budget entities (cities and communes).

In the area of commercial debt, the Bank placed middle-term bonds on the investors market for the total amount of over PLN 2 billion. The series of bonds were issued with maturity ranging from 2 to 7 years. Among the issuers were the companies from energy, media, banking and finance, real estate and restaurant sectors. The Bank participated, among others, in the following transactions:

- the issue of 7-year bonds for the amount of ca. PLN 1 billion conducted for a company in the TV cable sector. The Bank acted as an arranger of the issue and settlement and calculating agent. The issue was registered with the NDS and introduced to trading on the Catalyst market,
- the issue of 5-year bonds for the amount of PLN 1 billion conducted for an energy sector company. The Bank acted as an arranger, payment agent and dealer. The issue was registered with the NDS and introduced to trading on the Catalyst market,
- the issue of 4 series of retail bonds for the total amount of PLN 700 million conducted in a public offer for a fuel sector company and offered to Polish individual investors. The Bank acted as a global coordinator. The issues were organized in co-operation, among others, with UniCredit CAIB Poland S.A. and Bank Pekao S.A. Group's entities. It has been the largest issue of that type in Poland,
- the issue of 5-year bonds for the amount of PLN 140 million conducted for a company running chain of restaurants. The Bank acted as sole arranger, issue and payment agent and dealer. The issue was registered with the NDS and introduced to trading on the Catalyst market,
- 10 issuances of bonds with maturity ranging from 2 to 4 years for the total amount of over PLN 720 million conducted for a bank operating in Poland and belonging to an international financial group,
- the issue of 8 series of bonds for one of the Polish metropolis for the total amount of nearly PLN 250 million with maturity ranging from 6 to 9 years,
- the issue of 10-year and 15-year bonds for one of the Polish metropolis for the amount of PLN 220 million,
- the issue of 9 series of bonds for one of the Polish voivodeships located in central Poland for the total amount of PLN 120 million with maturity ranging from 9 to 12 years.

Bank Pekao S.A. was among 14 dealers of treasury securities (TSD), who were selected for 2014 by the Ministry of Finance.

Bank Pekao S.A. belongs also to the group of 15 dealers of money market (DRP), who were selected for 2014 by the Polish National Bank.

On the interbank market, Bank Pekao S.A. joined the group of banks participating in fixing of FRA, IRS and OIS reference rates, launched in January 2013 by The Polish Financial Markets Association ACI Polska.

Custodial services

In the area of 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, servicing dividend and interest payments. The Bank acts also as a depository for investment funds and pension funds.

In 2013, the Bank maintained its leader position servicing more than 50% programs related to depository receipts.

Comprehensive services for the public finance sector
The Bank consequently strengthens its leading position in public sector financing, participating in the current and direct financing of the local governments in Poland as well as in structuring of infrastructure projects in this sector.

The Bank won tenders for current financing of three voivodeships and currently provides budgets servicing every second Polish metropolis and every third voivodeship in Poland. The Bank completed transactions of financing budgets of the Polish largest cities and voivodeships for the total amount of PLN 1.7 billion and transactions of financing public utility infrastructure projects for the amount of PLN 0.9 billion. The largest projects realized in 2013 contain:

– financing project related to development and modernization of Lech Wałęsa Airport in Gdańsk,
– financing the construction of culture and congress hall in Toruń,
– financing project supporting development of tram transportation including integration of urban transport and purchase of modern tram fleet in Toruń,
– financing purchase of bus fleet in Łódź,
– financing the project of modernization of the city stadium in Białystok,
– financing the development of water and sewage infrastructure in Lublin and Gorzów Wielkopolski.

The total volume of new transactions of public sector financed by Bank Pekao S.A. in 2013 amounted to PLN 2.6 billion.

Co-operation with international and domestic financial institutions
The Bank maintains correspondent relations with 2.7 thousand foreign and domestic banks (by number of swift keys).

At the end of 2013, the Bank maintained 63 nostro accounts in 28 countries and 56 banks. The Bank kept 313 loro accounts and current accounts for foreign and domestic financial entities, including 233 loro accounts for 214 foreign customers (banks and other financial institutions) in 46 countries and 39 current accounts for 37 foreign financial institutions.

The Bank intermediates in execution of transactions for customers of other domestic banks, keeping 41 loro accounts for 14 Polish banks and maintaining 7 nostro foreign currency accounts in 3 Polish banks used for the ZUS pension benefits as well as clearing and custodial services. The Bank renders also services for the Polish banks and branches of foreign banks in Poland related to purchase and sale of foreign and domestic currencies.

In 2013, the Bank consequently expanded its product offer for correspondent banking, improved settlement services for customers holding loro accounts and provided these customers with a new version of the PekaoBIZNES24 internet banking system.

Development of transactional products and high quality of correspondent banking customers service were awarded by loro correspondents for achieving a very high level of STP rate (straight through processing) of processing transactions.

PekaoBIZNES24

PekaoBIZNES24 is an electronic banking system dedicated to large companies, corporations and local government units which offers a wide range of functionalities and services available within one platform.

PekaoBIZNES24 offers its corporate customers:

- convenient online access to a wide and modern products offer, including transactional banking and trade finance products, foreign exchange currency platform, deposits placement and lease transactions service,
- speed and efficiency of transactions processing,
- various types of reports adjusted to client's individual needs,
- the highest security standard thanks to application of latest methods of system security, including biometric security measures,
- a user-friendly and intuitive system navigation,
- open architecture allowing for integration with ERP, financial and accounting systems.

In 2013, the number of customers actively using the PekaoBIZNES24 system increased by ca. 2% in the comparison to 2012 and amounted nearly 15 thousand of corporate clients.

The PekaoBIZNES24 system users have an access to the PekaoBIZNES24 Info-line, which provides remote, personalized, mobile or electronic assistance related to system service and available products.

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 2013, 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.

Training and professional development

The Bank creates learning opportunities and provides access to various forms of education for its employees. Key educational activities focus on training and 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 except with various forms of training and competencies development also with promotions opportunities.

The Bank constantly extends not only its internal training programs tailored to the needs of the employees and ensuring professional services to customers but also methods and ways to deliver training. Training programs include class-room training, on-the-job training, electronic training, coaching and since 2012 system of Virtual Class which provides training at a distance in a form of remote seminars. In 2013, the system of Virtual Class was successfully used to organise a comprehensive program of risk culture developing and expertize knowledge on loans granting process.

In 2013, a 79% of the total Bank's employees participated in the classroom training, i.e. 15 p.p. increase as compared to the previous year.

In 2013, the main training priorities of the Bank were focused on:

- continuous professional skills development of the Bank's employees,
- efficiency increase in professional customer service area,
- managerial training,
- realization of mandatory training required under internal regulations and external market regulations.

Continuous professional skills development of the Bank's employees

In 2013, the Bank continued the process of developing professional knowledge of its employees. The Bank realized 187 thousand training hours in which attended over 13 thousand employees.

The Bank continues a number of training projects aimed at increasing customer satisfaction and knowledge improvement regarding loans granting process as well as culture of risk perception and ways to manage it.

In 2013, the Bank successfully completed training program co-financed by the European Union named "Complex Training Program, as the way to quality changes in Bank Pekao S.A." The program was realized from 2011 and covered language courses, MS Office workshops, implementation of age management strategy and individual support in a form of coaching for employees over 45 years of age realized in the last phase of this program.

A particular attention was also directed to improvement of technical knowledge of employees specialized organizational units such as IT Division and training regarding loans granting process and assessment of customers financial situation dedicated to Risk Management Division employees.

Efficiency increase in professional customer service area

Within the scope of employees efficiency increase, the Bank realized training projects mainly aimed at sales skills and customer service development. A key training priority in 2013 was project supporting implementation of "Customer Service Standards" provided for 8.9 thousand employees mainly involved in direct customer service. At the same time, the project was supported by the program "Standards in life" for managerial staff which was aimed to strengthen changes in employees behavior.

Managerial training

A key activity to strengthen managers competences is development of managerial and leadership competences as well as support in implementation of the Bank's business strategy. When implementing this goal the Bank took advantage of the expertise of UniManagement – UniCredit Group leadership development center recognized for using innovative approach to professional development. Co-operation with UniManagement gave employees the opportunity to share knowledge and develop their skills at the international level.

Realization of mandatory training required under internal regulations and external market regulations

Within the scope of mandatory training related to the introduction of new market regulations as well as the strategy of the Bank and UniCredit Group, the Bank has launched a number of training projects aimed at providing the Bank's employees with specialized knowledge. There were realized, among others, Anti-corruption, Antitrust and Code of Conduct training.

In 2013, the Bank delivered 233 thousand training hours, in which attended more than 95% employees confirming efficient implementation of required regulations and customer care.

Development programs and initiatives

One of the key element of employees' professional development is the Bank's support in long-term career management.

In 2013, a number of initiatives for the Bank's employees was realized and the employees had the opportunity to benefit from development advisers support in terms of carrier planning, professional aspiration and conditions of individual development.

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. In 2013, 729 persons took part in the EDP,
- 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. In 2013, 275 persons took part in the process,

  Key outcomes of the EDP and the TMR processes are succession plans which are crucial for ensuring continuous employment on strategic positions, continuity of long-term projects and minimizing operational risk. The Bank designed succession plans for all key positions,
- 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. In 2013, 15,107 employees took part in the process.

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, survey of individual performance style and communication and 180/360 Feedback - diagnostic tools for identification of strengths and development areas of the employees. In 2013, 799 employees participated in the survey as examined and 6,032 employees as respondent,

– 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 area – initiatives held at UniCredit Group level enabling employees to get an international experience,

– Career Navigator and Internal Job Market - tools supporting career development planning of the 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,

– UniStart, UniSummerStart - an apprenticeship programs addressed to students who are offered placements for the period ranging from 2 weeks to 3 months. These programs are an opportunity to gain experience in different areas of banking, in all of the Bank's divisions.

Remuneration policy
On July 31, 2013, the Supervisory Board of Bank Pekao S.A. approved the Remuneration Policy of the Bank, which reflects the mission and values of the Bank's approach to remuneration systems. The policy defines basics of remuneration, management of structure, corporate and organizational processes and confirms compliance requirements of the adopted remuneration system with generally binding law, defines the rules for monitoring of market practices and the approach to remuneration systems, which ensure sustainability of the Bank. Furthermore, the Policy defines principles of the variable components of remuneration of Bank's managers. These principles support accurate and efficient risk management and discourage excessive risk-taking. Also, they reinforce the implementation of the business strategy.

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), quarterly bonuses, Variable Remuneration System for Management,

– additional benefits for employees.

Retention Plans
In 2013, there were realized the following retention plans:

- Retention Program 2010-2013 of Bank Pekao S.A. - a local retention program dedicated to the key employees,
- Long-Term Incentive Plans of UniCredit Group (edition 2007 and 2008 within the scope of stock options) addressed to the top management,
- Long-Term Incentive Plans of UniCredit Group (edition 2011-2013) addressed to the top management. As the conditions of the plan were not meet, the rights to shares and stock options were not granted.

In 2013, 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 and UniCredit Group Long Term Incentive Cash Plan edition 2010-2012 addressed to the top management were accomplished.

Incentive systems
In the Bank, there are three main incentives systems: a system based on Management by Objectives (MBO), a system based on quarterly bonuses, which rules are defined in Corporate Collective Labour Agreement and System of Variable Remuneration for Management.

A system based on Management by Objectives (MBO) covers employees in the front-office sales jobs and in jobs which play a significant 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.

A system based on quarterly bonuses applies to all employees covered by the Corporate Collective Labour Agreement. Quarterly bonuses are granted on a discretionary basis and depend on employee's performance, quality and level of commitment to work.

System of Variable Remuneration for Management is dedicated to people holding managerial positions, who have influence on the risk management profile of the Bank. The aim of the System is to support the execution of the Bank's operational strategy and to mitigate excessive risk conflicts of interest. Participant covered by the System may receive a bonus, amount of which depends on the assessment of the effects of the person's work, organizational unit as well as the Bank's bottom line. In accordance with the assumptions, at least 50% of variable remuneration constitutes a special incentive for employees to care about the long-term welfare of the Bank and at least 40% of the premium is deferrable and paid after the end of the evaluation period. This solution has been adopted as a result of the implementation of the Resolution No. 258/2011 issued by the Financial Supervision Authority on October 4, 2011.

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 2013, the fifth edition of the Plan was introduced.

The Bank contributes to the Social Benefit Fund which is spent on financial assistance to the Bank's current and former employees. The Social Benefit Fund covers the following payments:

- 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.

Corporate values

The basis of the Bank's corporate culture and identity is the Integrity Charter constitutes a code of corporate values including respect, reciprocity, transparency, fairness, trust and freedom (freedom to act). Since 2012, in the Bank operates "The Values System" which ensure practical application of corporate values into everyday professional relationships and in the work environment. Code of corporate values is intended to serve as reference in difficult situations, which are not covered by the external and internal regulations and allows to express own personality in business and respect freedom to act.

The base for functioning of the system is activity of the Integrity Charter Ombudsmen – 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 use the available tools such as meeting and noticing and take actions to restore the corporate values in the relationships between employees. These actions directly support the Bank's internal communication and define certain standards of conduct and communication patterns for the employees to follow.

Relations with Trade Unions

In 2013, 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. In 2013, there were 21 meetings organized with trade unions.

Relations with Works Council

Relationships with the Works Council of the Bank are based on the Act on information and consultation dated on April 7, 2006. The Bank pays strong attention to the role of the Works Council in social dialog. On June 6, 2013, The Agreement on the rules of collaboration in implementing the employees' right to information and consultation was signed. The Agreement defines, among others, the principles and procedure for informing and consulting the Bank employees through the Works Council as their representation. In 2013, several meetings with the Works Council were organized. Reports on the agreements made with the employer are available to all employees of the Bank on the intranet.

Workforce in number

As at the end of December 2013, the Bank employed 17,092 employees as compared to 17,433 employees as at the end of 2012. The average age of the employees was 44.6 years, 62.6% of the employees are university graduates (61% in 2012), women represent 80% of the total workforce.

7 Statement of Financial Position and Financial Results

Unconsolidated income statement containing cumulated items for the period from January 1 to December 31, 2013 and 2012 respectively was presented in the Unconsolidated Financial Statements of Bank Pekao S.A. for the period ended on 31 December 2013.

In the Unconsolidated Financial Statements of Bank Pekao S.A. for the period ended on 31 December 2013 changes in accounting policy in respect to recognition of revenue from sale of insurance products linked to loans as well as in respect to the presentation of actuarial gains or losses from the measurement of the defined benefit plans obligations were introduced and restatement of comparative data for the year 2012 was made. The impact of the changes in accounting policy on comparative data in unconsolidated statement of financial position, unconsolidated income statement, unconsolidated statement of comprehensive income and unconsolidated cash flow statement are presented in the Note 3 to the Unconsolidated Financial Statements of Bank Pekao S.A. for the period ended on 31 December 2013. Therefore, in order to maintain comparability, in the statement of financial position in a short form and income statement in a presentation form included in Report on activities of Bank Pekao S.A., data for 2013 and, after appropriate restatements, the comparative figures for 2012 have been presented in accordance with the new rules. Data for earlier periods remain unchanged.

In the Unconsolidated Financial Statements of Bank Pekao S.A. for the period ended on December 31, 2012 the entire engagement in PJSC UniCredit Bank, which includes subsidiary's assets and liabilities was classified as held for sale.

The Report on activities of Bank Pekao S.A. for 2013 includes statement of financial position in a short form and income statement in a presentation form as well as the key, selected items from these statements were discussed. Additionally, quarterly unconsolidated income statement containing four quarters of 2013 and four quarters of 2012 was presented.

In 2013 in the income statement in a presentation form, to align the presentation to the standards implemented by the major Polish and European banks, gains on disposal of available for sale financial assets and held to maturity investments are reported under trading result (and thus in operating income). In order to ensure comparability, data for 2012 have been restated in comparison to those previously published.

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	31.12.2013		31.12.2012		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Cash and due from Central Bank	4,191.2	2.7%	9,207.3	6.3%	(54.5%)
Loans and advances to banks	7,653.8	4.9%	4,096.5	2.8%	86.8%
Loans and advances to customers*	100,569.2	64.8%	94,607.0	64.3%	6.3%
Securities**	35,033.9	22.6%	29,201.8	19.9%	20.0%
Investments in associates	822.5	0.5%	822.5	0.6%	0.0%
Property, plant and equipment and intangible assets	2,166.3	1.4%	2,286.6	1.6%	(5.3%)
Other assets***	4,849.7	3.1%	6,845.2	4.5%	(29.2%)
Total assets	**155,286.6**	**100.0%**	**147,066.9**	**100.0%**	**5.6%**

* 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 as at December 31, 2012 include also assets of PJSC UniCredit Bank qualified as held for sale. In the third quarter of 2013 the Bank sold its all shares in subsidiary PJSC UniCredit Bank to UniCredit S.p.A. (parent entity of the Bank). The detailed information concerning assets and liabilities held for sale is presented in the Note 29 to the Unconsolidated Financial Statements of Bank Pekao S.A. for the period ended on 31 December 2013.

EQUITY AND LIABILITIES	31.12.2013		31.12.2012		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Amounts due to Central Bank	1.0	0.0%	0.0	0.0%	x
Amounts due to other banks	4,754.7	3.1%	6,305.7	4.3%	(24.6%)
Amounts due to customers	119,868.7	77.2%	108,104.5	73.5%	10.9%
Debt securities issued	2,240.5	1.4%	3,966.1	2.7%	(43.5%)
Other liabilities *	5,573.0	3.6%	5,974.0	4.1%	(6.7%)
Equity	22,848.7	14.7%	22,716.6	15.4%	0.6%
Total equity and liabilities	**155,286.6**	**100.0%**	**147,066.9**	**100.0%**	**5.6%**

* Other liabilities as at December 31, 2012 include also liabilities of PJSC UniCredit Bank qualified as held for sale. In the third quarter of 2013 the Bank sold its all shares in subsidiary PJSC UniCredit Bank to UniCredit S.p.A. (parent entity of the Bank). The detailed information concerning assets and liabilities held for sale is presented in the Note 29 to the Unconsolidated Financial Statements of Bank Pekao S.A. for the period ended on 31 December 2013.

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 2013, they accounted for 64.8% and 22.6% of the total assets, respectively, while as at the end of 2012, the respective figures were 64.3% and 19.9%.

Cash and due from Central Bank

(in PLN million)

	31.12.2013	31.12.2012	CHANGE
Cash and due from Central Bank, including:	**4,191.2**	**9,207.3**	**(54.5%)**
Cash	2,104.6	2,228.4	(5.6%)
Current account at Central Bank	2,086.3	6,978.5	(70.1%)
Other	0.3	0.4	(25.0%)

Customers' Financing

Customer structure of loans and advances

(in PLN million)

	31.12.2013	31.12.2012	CHANGE
Loans and advances at nominal value	**105,194.4**	**99,006.4**	**6.3%**
Loans*	93,186.8	89,522.8	4.1%
Retail	43,637.6	39,563.0	10.3%
Corporate	49,549.2	49,959.8	(0.8%)
Non- quoted securities	9,428.2	6,791.3	38.8%
Reverse repo transactions	2,579.4	2,692.3	(4.2%)
Other**	321.8	340.6	(5.5%)
Nominal value adjustment	28.2	(123.1)	x
Impairment losses	**(4,975.2)**	**(4,616.9)**	**7.8%**
Total net receivables	**100,569.2**	**94,607.0**	**6.3%**
Securities issued by non-monetary entities***	815.7	975.1	(16.3%)
Total customers' financing******	**106,010.1**	**99,981.5**	**6.0%**

* Including debt securities eligible for rediscounting at Central Bank.

** Including interest and receivables in transit.

*** Securities issued by non-monetary entities being loans equivalents.

**** Total customers' financing includes loans and advances at nominal value and securities issued by non-monetary entities.

As at the end of December 2013, the volume of retail loans amounted to PLN 43,637.6 million, an increase of PLN 4,074.6 million (10.3%) in comparison to the end of 2012.

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 in 2007, represents 4.9% of total loans of the Bank.

The volume of corporate loans, non-quoted securities, reverse repo transactions and securities issued by non-monetary entities increased by PLN 1,954.0 million (3.2%) as compared to the end of 2012 and amounted to PLN 62,372.5 million at the end of December 2013.

Receivables and impairment losses

(in PLN million)

	31.12.2013	31.12.2012	CHANGE
Gross receivables*	**105,259.3**	**98,911.3**	**6.4%**
Not impaired	97,806.5	91,964.2	6.4%
Impaired	7,452.8	6,947.1	7.3%
Impairment losses	(4,975.2)	(4,616.9)	7.8%
Interest	285.1	312.6	(8.8%)
Total net receivables	**100,569.2**	**94,607.0**	**6.3%**

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

As at December 31, 2013, the ratio of impaired receivables to total receivables amounted to 7.1% in comparison with 7.0% at the end of 2012.

Impairment losses as at the end of December 2013 amounted to PLN 4,975.2 million.

Loans and advances to customers by currency*

	31.12.2013		31.12.2012		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Denominated in PLN	87,254.2	82.7%	80,663.8	81.3%	8.2%
Denominated in foreign currencies**	18,290.2	17.3%	18,560.1	18.7%	(1.5%)
Total	**105,544.4**	**100.0%**	**99,223.9**	**100.0%**	**6.4%**
Impairment losses	(4,975.2)	x	(4,616.9)	x	7.8%
Total net	**100,569.2**	**x**	**94,607.0**	**x**	**6.3%**

* Including interest and receivables in transit.

** Including indexed loans.

The currency structure of loans and advances to customers is dominated by amounts expressed in the Polish złoty; as at the end of December 2013, their share was 82.7%. The largest portion of foreign currency loans and advances to customers were represented by those denominated in EUR (62.9%), CHF (25.6%) and USD (11.2%).

Loans and advances to customers by contractual maturities*

	31.12.2013		31.12.2012		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Current and up to 1 month	15,824.0	15.0%	15,849.6	16.0%	(0.2%)
1 to 3 months	2,689.9	2.5%	4,254.9	4.3%	(36.8%)
3 months to 1 year	10,239.7	9.7%	10,932.2	11.0%	(6.3%)
1 to 5 years	32,986.9	31.3%	29,193.1	29.4%	13.0%
Over 5 years	43,482.1	41.2%	38,653.5	39.0%	12.5%
Other	321.8	0.3%	340.6	0.3%	(5.5%)
Total	**105,544.4**	**100.0%**	**99,223.9**	**100.0%**	**6.4%**
Impairment losses	(4,975.2)	x	(4,616.9)	x	7.8%
Total net	**100,569.2**	**x**	**94,607.0**	**x**	**6.3%**

* Including interest and receivables in transit.

Loans and advances with maturity over 5 years represents 41.2% of total loans and advances (mainly attributed to mortgage loans and receivables for which the maturity date already passed).

Information on loan concentration is included in the Note 25 to the Unconsolidated Financial Statements of Bank Pekao S.A. for the period ended on December 31, 2013.

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 2013, amounts due to customers and debt securities issued totaled PLN 122,109.2 million, and their share in the total assets was 78.6%, compared with 76.2% as at the end of 2012. The share of total shareholder's equity in the total assets was 14.7% as at the end of 2013, compared with 15.4% as at the end of 2012.

External sources of financing

(in PLN million)

	31.12.2013	31.12.2012	CHANGE
Amounts due to Central Bank	1.0	0.0	x
Amounts due to other banks	4,754.7	6,305.7	(24.6%)
Amounts due to customers	119,868.7	108,104.5	10.9%
Debt securities issued	2,240.5	3,966.1	(43.5%)
Total external sources of financing	**126,864.9**	**118,376.3**	**7.2%**

The Group acquires deposits mainly in Poland. The deposit base is widely diversified and the deposits sourced from retail and corporate customers. In addition, the Bank uses also funds borrowed on the interbank market. The Bank is not dependent on any single customer nor group of customers.

As at the end of 2013, the geographical structure of deposits acquired through the Bank's domestic branches was as follows:

REGION	% OF TOTAL DEPOSITS
Warszawski	48.2%
Mazowiecki	10.4%
Małopolski	9.0%
Południowo-Wschodni	7.1%
Centralny	6.4%
Wielkopolski	4.1%
Zachodni	3.9%
Śląski	3.8%
Dolnośląski	3.7%
Pomorski	3.4%
Total	**100.0%**

Total customer savings

(in PLN million)

	31.12.2013	31.12.2012	CHANGE
Amounts due to corporate	**65,664.2**	**54,688.0**	**20.1%**
Non-financial entities	45,337.2	36,144.8	25.4%
Non-banking financial entities	14,506.5	12,904.2	12.4%
Budget entities	5,820.5	5,639.0	3.2%
Retail deposits	**50,179.5**	**47,807.3**	**5.0%**
Repo and sell-buy-back transactions	**3,665.7**	**5,099.7**	**(28.1%)**
Other*	359.3	509.5	(29.5%)
Amounts due to customers	**119,868.7**	**108,104.5**	**10.9%**
Debt securities issued, of which	**2,240.5**	**3,966.1**	**(43.5%)**
Structured Certificates of Deposit (SCD)	334.0	718.7	(53.5%)
Certificates of Deposit	1,901.9	3,189.0	(40.4%)
Interest	4.6	58.4	(92.1%)
Amounts due to customers and Debt securities issued, total	**122,109.2**	**112,070.6**	**9.0%**
Investment funds of Pioneer Pekao TFI	**16,411.5**	**14,965.2**	**9.7%**
including distributed through the Bank's network	14,628.6	12,845.1	13.9%

* Other item includes interest and funds in transit.

As at the end of December 2013, the total amounts due to the Bank's customers and debt securities issued amounted to PLN 122,109.2 million, an increase of PLN 10,038.6 million (9.0%) in comparison to the end of 2012.

The total volume of retail customers deposits, Structured Certificates of Deposit and other amounted to PLN 50,789.4 million at the end of December 2013, an increase of PLN 1,880.3 million (3.8%) in comparison to the end of 2012. The value of net assets of investment funds managed by Pioneer Pekao TFI S.A. amounted to PLN 16,411.5 million at the end of December 2013, an increase of PLN 1,446.3 million (9.7%) in comparison to the end of 2012.

The total volume of corporate customers deposits, repo and sell-buy-back transactions, Certificates of Deposit, interest and other amounted to PLN 71,319.8 million at the end of December 2013, an increase of PLN 8,158.3 million (12.9%) as compared to the end of 2012.

Amounts due to customers by currency*

	31.12.2013		31.12.2012		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Denominated in PLN	101,596.6	84.8%	92,133.3	85.2%	10.3%
Denominated in foreign currencies	18,272.1	15.2%	15,971.2	14.8%	14.4%
Total	**119,868.7**	**100.0%**	**108,104.5**	**100.0%**	**10.9%**

* Including interest and amounts due in transit.

The bulk of the amounts due to customers are denominated in the Polish currency and its share as at the end of December 2013 amounted to 84.8%. The majority of amounts due to customers denominated in foreign currencies were in EUR (56.9%) and USD (38.7%).

Amounts due to customers by contractual maturities

	31.12.2013		31.12.2012		CHANGE
	PLN MILLION	STRUCTURE	PLN MILLION	STRUCTURE	
Current accounts and overnight deposits	55,459.9	46.4%	50,713.8	47.1%	9.4%
Term deposits	64,049.5	53.6%	56,881.2	52.9%	12.6%
Total deposits	**119,509.4**	**100.0%**	**107,595.0**	**100.0%**	**11.1%**
Interest accrued	209.6	x	371.0	x	(43.5%)
Funds in transit	149.7	x	138.5	x	8.1%
Total	**119,868.7**	**x**	**108,104.5**	**x**	**10.9%**

7.1.3 Off–balance sheet items

Statement of Off-balance sheet items

(in PLN million)

	31.12.2013	31.12.2012	CHANGE
Contingent liabilities granted and received	48,703.9	42,534.1	14.5%
Liabilities granted:	39,475.0	34,516.1	14.4%
financial	27,287.9	23,559.6	15.8%
guarantees	12,187.1	10,956.5	11.2%
Liabilities received:	9,228.9	8,018.0	15.1%
financial	111.8	894.8	(87.5%)
guarantees	9,117.1	7,123.2	28.0%
Derivative financial instruments	188,091.3	156,726.6	20.0%
interest rate transactions	116,780.5	112,358.1	3.9%
transactions in foreign currency and in gold	70,247.6	43,787.1	60.4%
transactions based on commodities and equity securities	1,063.2	581.4	82.9%
Other	29,808.5	26,928.4	10.7%
Total off-balance sheet items	**266,603.7**	**226,189.1**	**17.9%**

More detailed information on off-balance-sheet items is included in the Notes 26 and 45 to the Unconsolidated Financial Statements of Bank Pekao S.A. for the period ended on December 31, 2013.

7.2 The unconsolidated income statement – presentation form

Net profit of Bank Pekao S.A. for 2013 amounted to PLN 2,800.0 million allowing return on average capital (ROE) at the level of 12.3% achieved with a strong capital base reflected by CAR at 18.8%. Normalized ROE (return on minimum equity equivalent to CAR at 10%) amounted to 18.9%.

The Bank's net profit reported for 2013 in comparison to 2012 is lower by PLN 125.3 million i.e. 4.3% resulting from operating income, remaining under negative influence of decreasing interest rates, partially compensated by lower operating costs. The Bank's operating results are showing better resilience than the banking sector in the conditions of economic downturn and significant pressure on interest margin.

The strength of the capital and liquidity structure of Bank Pekao S.A. is reflected by a high level of equity with CAR at the level of 18.8% and net loans to deposits ratio at the level of 82.4% at the end of December 2013. This enables for further sound and stable development of the Bank's activities.

The unconsolidated income statement – presentation form

(in PLN million)

	2013	2012	CHANGE
Net interest income	4,310.5	4,651.4	(7.3%)
Dividend income	143.8	168.5	(14.7%)
Total net interest income and dividend income	**4,454.3**	**4,819.9**	**(7.6%)**
Net fee and commission income	1,911.3	1,890.5	1.1%
Trading result	744.2	731.9	1.7%
Net other operating income and expenses	77.5	67.9	14.1%
Net non-interest income	**2,733.0**	**2,690.3**	**1.6%**
Operating income	**7,187.3**	**7,510.2**	**(4.3%)**
Operating costs	**(3,230.4)**	**(3,326.1)**	**(2.9%)**
Operating profit	**3,956.9**	**4,184.1**	**(5.4%)**
Net result on other provisions	13.8	(16.1)	x
Net impairment losses on loans and off-balance sheet commitments	(623.0)	(596.5)	4.4%
Net result on investment activities	88.7	21.4	314.5%
Profit before tax	**3,436.4**	**3,592.9**	**(4.4%)**
Income tax expense	(636.4)	(667.6)	(4.7%)
Net profit for the period	**2,800.0**	**2,925.3**	**(4.3%)**

Note: In 2013 in the income statement in a presentation form, to align the presentation to the standards implemented by the major Polish and European banks, gains on disposal of available for sale financial assets and held to maturity investments are reported under trading result and thus in net non-interest income, operating income and operating profit. In order to ensure comparability, data for 2012 have been restated in comparison to those previously published.

Operating income

In 2013, the Bank's operating income amounted to PLN 7,187.3 million, a decrease of PLN 322.9 million, i.e. 4.3% in comparison with 2012 due to lower total net interest income and dividend income with net non-interest income higher than in the previous year.

Total net interest income, dividend income and income from equity investments

(in PLN million)

	2013	2012	CHANGE
Interest income	6,496.1	8,039.4	(19.2%)
Interest expense	(2,185.6)	(3,388.0)	(35.5%)
Net interest income	**4,310.5**	**4,651.4**	**(7.3%)**
Dividend income	143.8	168.5	(14.7%)
Total net interest income and dividend income	**4,454.3**	**4,819.9**	**(7.6%)**

Total net interest income and dividend income in 2013 amounted to PLN 4,454.3 million and decreased by PLN 365.6 million, i.e. 7.6% in comparison with 2012, remaining under market-wide pressure of decreasing interest rates. In 2013, average WIBOR 3M rate stood at the level of 3.02%, and was lower by 189 bps than in 2012.

Net non-interest income

(in PLN million)

	2013	2012	CHANGE
Fee and commission income	2,415.5	2,414.6	0.0%
Fee and commission expense	(504.2)	(524.1)	(3.8%)
Net fee and commission income	**1,911.3**	**1,890.5**	**1.1%**
Trading result	744.2	731.9	1.7%
Net other operating income and expense	77.5	67.9	14.1%
Net non-interest income	**2,733.0**	**2,690.3**	**1.6%**

The Bank's net non-interest income in 2013 amounted to PLN 2,733.0 million, an increase of PLN 42.7 million, i.e. 1.6% in comparison with 2012 mainly thanks to increase in net fee and commission income by 1.1% in this period.

In 2013 in the income statement in a presentation form, to align the presentation to the standards implemented by the major Polish and European banks, gains on disposal of available for sale financial assets and held to maturity investments are reported under trading result and thus in net non-interest income. In order to ensure comparability, data for 2012 have been restated in comparison to those previously published.

In 2013 gains on disposal of available for sale financial assets and held to maturity investments amounted to PLN 308.4 million compared with PLN 278.8 million gains realized in 2012.

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

(in PLN million)

	2013	2012	CHANGE
Net fee and commission income	**1,911.3**	**1,890.5**	**1.1%**
on loans	399.9	378.8	5.6%
on cards	455.6	439.9	3.6%
capital market related	213.7	186.9	14.3%
other	842.1	884.9	(4.8%)

Note: Data for 2012 have been restated in comparison to those previously published due to reclassification of loan related fees repayments from item other net fee and commission income to item net fee and commission income on loans to ensure comparability with 2013 classification.

The Bank's net fee and commission income in 2013 amounted to PLN 1,911.3 million and was higher by PLN 20.8 million, i.e. 1.1% in comparison with 2012 thanks to higher net fee and commission income on loans, on cards and capital market related.

Operating costs

In 2013, the operating costs were kept under control and amounted to PLN 3,230.4 million. They were lower than the operating costs in 2012 by PLN 95.7 million, i.e. 2.9%.

(in PLN million)

	2013	2012	CHANGE
Personnel expenses	(1,678.6)	(1,690.6)	(0.7%)
Other administrative expenses (excl. BGF and KNF)	(1,104.2)	(1,174.5)	(6.0%)
Depreciation and amortization	(326.7)	(343.3)	(4.8%)
Operating costs (excl. BGF and KNF)	**(3,109.5)**	**(3,208.4)**	**(3.1%)**
BGF and KNF	(120.9)	(117.7)	2.7%
Operating costs	**(3,230.4)**	**(3,326.1)**	**(2.9%)**

In 2013, cost / income ratio amounted to 44.9% in comparison with 44.3% in 2012.

As at the end of December 2013, the Bank employed 17,092 employees as compared to 17,433 employees as at the end of 2012.

Net impairment losses

(in PLN million)

	2013	2012	CHANGE
Impairment losses on loans	(631.9)	(587.8)	7.5%
Impairment losses on off-balance sheet commitments	8.9	(8.7)	x
Total	**(623.0)**	**(596.5)**	**4.4%**

The Bank's net impairment losses on loans and off-balance sheet commitments amounted to PLN 623.0 million in 2013, an increase of PLN 26.5 million, i.e. 4.4% as compared with 2012.

Provisions, deferred tax assets and liabilities

(in PLN million)

	2013	2012	CHANGE
Total provisions	**391.4**	**373.5**	**4.8%**
of which:			
provisions for off-balance sheet commitments	116.9	125.4	(6.8%)
provisions for liabilities to employees	239.2	190.9	25.3%
other provisions	35.3	57.2	(38.3%)
Deferred tax liabilities	-	-	-
Deferred tax assets	**680.2**	**615.8**	**10.5%**

7.3 Quarterly income statement

7.3.1 Unconsolidated income statement – long form

Unconsolidated income statement for 2013 - Provided for comparability purposes.

(in PLN thousand)

	Q1 2013	Q2 2013	Q3 2013	Q4 2013
Interest income	1,804,823	1,631,308	1,528,893	1,531,099
Interest expense	(701,976)	(584,597)	(468,295)	(430,731)
Net interest income	**1,102,847**	**1,046,711**	**1,060,598**	**1,100,368**
Fee and commission income	578,473	607,162	612,869	616,997
Fee and commission expense	(111,859)	(131,343)	(132,885)	(128,117)
Net fee and commission income	**466,614**	**475,819**	**479,984**	**488,880**
Dividend income	**44,286**	**99,493**	**-**	**-**
Result on financial assets and liabilities held for trading	**107,594**	**117,442**	**120,353**	**110,989**
Result on fair value hedge accounting	**(4,654)**	**(2,381)**	**(4,320)**	**(6,068)**
Net result on other financial instruments at fair value through profit and loss	**-**	**-**	**-**	**-**
Gains (losses) on disposal of:	**54,155**	**152,801**	**39,426**	**58,757**
loans and other financial receivables	(81)	-	-	14
available for sale financial assets and held to maturity investments	57,565	152,922	39,191	58,677
financial liabilities	(3,329)	(121)	235	66
Operating income	**1,770,842**	**1,889,885**	**1,696,041**	**1,752,926**
Net impairment losses on financial assets and off-balance sheet commitments	**(139,120)**	**(152,318)**	**(165,498)**	**(166,035)**
loans and other financial receivables	(147,673)	(151,757)	(135,468)	(196,939)
off-balance sheet commitments	8,553	(561)	(30,030)	30,904
Net result on financial activity	**1,631,722**	**1,737,567**	**1,530,543**	**1,586,891**
Administrative expenses	**(718,858)**	**(749,625)**	**(733,999)**	**(709,163)**
personnel expenses	(415,230)	(433,743)	(427,575)	(402,061)
other administrative expenses	(303,628)	(315,882)	(306,424)	(307,102)
Depreciation and amortization	**(81,873)**	**(82,362)**	**(80,336)**	**(82,092)**
Net result on other provisions	**(643)**	**(1,444)**	**(1,015)**	**16,933**
Net other operating income and expenses	**18,715**	**10,765**	**34,335**	**21,678**
Operating costs	**(782,659)**	**(822,666)**	**(781,015)**	**(752,644)**
Gains (losses) on subsidiaries and associates	**-**	**-**	**69,972**	**-**
Gains (losses) on disposal of property, plant and equipment and intangible assets	**(41)**	**17,741**	**(361)**	**1,350**
Profit before income tax	**849,022**	**932,642**	**819,139**	**835,597**
Income tax expense	(160,293)	(157,590)	(159,410)	(159,107)
Net profit for the period	**688,729**	**775,052**	**659,729**	**676,490**

Unconsolidated income statement for 2012 - Provided for comparability purposes.

(in PLN thousand)

	Q1 2012	Q2 2012	Q3 2012	Q4 2012
Interest income	1,981,414	2,019,606	2,043,255	1,995,057
Interest expense	(827,401)	(873,192)	(878,425)	(808,981)
Net interest income	**1,154,013**	**1,146,414**	**1,164,830**	**1,186,076**
Fee and commission income	578,277	615,003	595,386	625,956
Fee and commission expense	(119,669)	(132,847)	(134,152)	(137,477)
Net fee and commission income	**458,608**	**482,156**	**461,234**	**488,479**
Dividend income	**30,764**	**137,770**	**-**	**-**
Result on financial assets and liabilities held for trading	**114,264**	**117,886**	**120,827**	**136,208**
Result on fair value hedge accounting	**(3,140)**	**(5,597)**	**(16,501)**	**(10,513)**
Net result on other financial instruments at fair value through profit and loss	**-**	**-**	**-**	**-**
Gains (losses) on disposal of:	**43,118**	**37,044**	**156,431**	**42,660**
loans and other financial receivables	-	-	-	758
available for sale financial assets and held to maturity investments	43,209	36,929	156,537	42,123
financial liabilities	(91)	115	(106)	(221)
Operating income	**1,797,627**	**1,915,673**	**1,886,821**	**1,842,910**
Net impairment losses on financial assets and off-balance sheet commitments	**(113,870)**	**(149,403)**	**(158,658)**	**(174,624)**
loans and other financial receivables	(128,861)	(134,913)	(170,899)	(153,125)
off-balance sheet commitments	14,991	(14,490)	12,241	(21,499)
Net result on financial activity	**1,683,757**	**1,766,270**	**1,728,163**	**1,668,286**
Administrative expenses	**(747,871)**	**(767,752)**	**(751,667)**	**(723,544)**
personnel expenses	(422,065)	(436,271)	(424,194)	(408,095)
other administrative expenses	(325,806)	(331,481)	(327,473)	(315,449)
Depreciation and amortization	**(86,545)**	**(86,736)**	**(86,606)**	**(83,402)**
Net result on other provisions	**(516)**	**(1,217)**	**(518)**	**(13,811)**
Net other operating income and expenses	**11,076**	**25,866**	**24,372**	**13,849**
Operating costs	**(823,856)**	**(829,839)**	**(814,419)**	**(806,908)**
Gains (losses) on subsidiaries and associates	**613**	**-**	**190**	**(1,658)**
Gains (losses) on disposal of property, plant and equipment and intangible assets	**1,154**	**1,096**	**19,728**	**349**
Profit before income tax	**861,668**	**937,527**	**933,662**	**860,069**
Income tax expense	(160,298)	(155,590)	(182,343)	(169,441)
Net profit for the period	**701,370**	**781,937**	**751,319**	**690,628**

7.3.2 Unconsolidated statement of comprehensive income

Unconsolidated statement of comprehensive income for 2013

(in PLN thousand)

	Q1 2013	Q2 2013	Q3 2013	Q4 2013
Profit for the period	**688,729**	**775,052**	**659,729**	**676,490**
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences	(2)	335	(351)	(132)
Net change in fair value of available-for-sale financial assets	(152,344)	(313,441)	(118,434)	26,381
Net change in fair value of cash flow hedges	17,221	(48,395)	69,742	(3,736)
Tax on items that are or may be reclassified subsequently to profit or loss	25,674	68,748	9,252	(4,303)
Items that will never be reclassified to profit or loss:				
Re-measurements of the defined benefit liabilities	-	-	-	(41,504)
Tax on items that will never be reclassified to profit or loss	-	-	-	7,886
Other comprehensive income for the period, net of tax	**(109,451)**	**(292,753)**	**(39,791)**	**(15,408)**
Total comprehensive income for the period	**579,278**	**482,299**	**619,938**	**661,082**

Unconsolidated statement of comprehensive income for 2012

(in PLN thousand)

	Q1 2012	Q2 2012	Q3 2012	Q4 2012
Profit for the period	**701,370**	**781,937**	**751,319**	**690,628**
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences	7	(45)	(162)	65
Net change in fair value of available-for-sale financial assets	229,972	119,728	55,018	355,873
Net change in fair value of cash flow hedges	(60,000)	(26,320)	257	45,944
Tax on items that are or may be reclassified subsequently to profit or loss	(32,295)	(17,747)	(10,503)	(76,344)
Items that will never be reclassified to profit or loss:				
Re-measurements of the defined benefit liabilities	-	-	-	2,674
Tax on items that will never be reclassified to profit or loss	-	-	-	(508)
Other comprehensive income for the period, net of tax	**137,684**	**75,616**	**44,610**	**327,704**
Total comprehensive income for the period	**839,054**	**857,553**	**795,929**	**1,018,332**

7.3.3 Unconsolidated income statement – presentation form

Unconsolidated income statement for 2013

(in PLN thousand)

	Q1 2013	Q2 2013	Q3 2013	Q4 2013
Net interest income	1,102,847	1,046,711	1,060,598	1,100,368
Dividend income	44,286	99,493	-	-
Total net interest income and dividend income	**1,147,133**	**1,146,204**	**1,060,598**	**1,100,368**
Net fee and commission income	466,614	475,819	479,984	488,880
Trading result	157,176	267,862	155,459	163,664
Net other operating income and expenses	17,097	9,086	31,939	19,388
Net non-interest income	**640,887**	**752,767**	**667,382**	**671,932**
Operating income	**1,788,020**	**1,898,971**	**1,727,980**	**1,772,300**
Operating costs	**(799,194)**	**(830,308)**	**(811,939)**	**(788,951)**
Operating profit	**988,826**	**1,068,663**	**916,041**	**983,349**
Net result on other provisions	(643)	(1,444)	(1,015)	16,933
Net impairment losses on loans and off-balance sheet commitments	(139,120)	(152,318)	(165,498)	(166,035)
Net result on investment activities	(41)	17,741	69,611	1,350
Profit before income tax	**849,022**	**932,642**	**819,139**	**835,597**
Income tax expense	(160,293)	(157,590)	(159,410)	(159,107)
Net profit for the period	**688,729**	**775,052**	**659,729**	**676,490**

Unconsolidated income statement for 2012

(in PLN thousand)

	Q1 2012	Q2 2012	Q3 2012	Q4 2012
Net interest income	1,154,013	1,146,414	1,164,830	1,186,076
Dividend income	30,764	137,770	-	-
Total net interest income and dividend income	**1,184,777**	**1,284,184**	**1,164,830**	**1,186,076**
Net fee and commission income	458,608	482,156	461,234	488,479
Trading result	154,242	149,333	260,757	167,597
Net other operating income and expenses	9,468	23,326	22,986	12,118
Net non-interest income	**622,318**	**654,815**	**744,977**	**668,194**
Operating income	**1,807,095**	**1,938,999**	**1,909,807**	**1,854,270**
Operating costs	**(832,808)**	**(851,948)**	**(836,887)**	**(804,457)**
Operating profit	**974,287**	**1,087,051**	**1,072,920**	**1,049,813**
Net result on other provisions	(516)	(1,217)	(518)	(13,811)
Net impairment losses on loans and off-balance sheet commitments	(113,870)	(149,403)	(158,658)	(174,624)
Net result on investment activities	1,767	1,096	19,918	(1,309)
Profit before income tax	**861,668**	**937,527**	**933,662**	**860,069**
Income tax expense	(160,298)	(155,590)	(182,343)	(169,441)
Net profit for the period	**701,370**	**781,937**	**751,319**	**690,628**

Note: In 2013 in the income statement in a presentation form, to align the presentation to the standards implemented by the major Polish and European banks, gains on disposal of available for sale financial assets and held to maturity investments are reported under trading result and thus in net non-interest income, operating income and operating profit. In order to ensure comparability, data for 2012 have been restated in comparison to those previously published.

7.3.4 Reconciliation of unconsolidated income statement – presentation form and long form

Unconsolidated income statement for 2013

(in PLN thousand)

INCOME STATEMENT – PRESENTATION FORM'S ITEMS	LONG FORM'S ITEMS RECLASSIFFIED TO PRESENTATION FORM	2013	COMMENTS
Net interest income		4,310,524	
Dividend income	Dividend income	143,779	
Total net interest income and dividend income		**4,454,303**	
Net fee and commission income	Net fee and commission income	1,911,297	
Trading result		744,161	
	Result on financial assets and liabilities held for trading	456,378	
	Result on fair value hedge accounting	(17,423)	
	Net result on other financial instruments at fair value through profit and loss	-	
	Gains (losses) on disposal of available for sale financial assets and held to maturity investments	308,355	
	(Gains) losses on disposal of financial liabilities	(3,149)	
Net other operating income and expenses		77,510	
	Net other operating income and expenses	85,493	
	less - Refunding of administrative expenses	(7,916)	1/
	(Gains) losses on disposal of loans and other financial receivables	(67)	
Net non-interest income		**2,732,968**	
Operating income		**7,187,271**	
Operating costs		(3,230,392)	
	Personnel expenses	(1,678,609)	
	Other administrative expenses	(1,233,036)	
	Refunding of administrative expenses	7,916	1/
	Depreciation and amortization	(326,663)	
Operating profit		**3,956,879**	
Net result on other provisions	Net result on other provisions	13,831	
Net impairment losses on loans and off-balance sheet commitments		(622,971)	
	Net impairment losses on loans	(631,837)	
	Net impairment provision for off-balance sheet commitments	8,866	
Net result on investment activities		88,661	
	Gains (losses) on disposal of property, plant and equipment and intangible assets.	18,689	
	Gains (losses) on disposal of subsidiaries and associates	69,972	
Profit before income tax		**3,436,400**	
Income tax expense	Income tax expense	(636,400)	
Net profit for the period	**Net profit for the period**	**2,800,000**	

1/ 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 2012

(in PLN thousand)

INCOME STATEMENT – PRESENTATION FORM'S ITEMS	LONG FORM'S ITEMS RECLASSIFFIED TO PRESENTATION FORM	2012	COMMENTS
Net interest income		4,651,333	
Dividend income	Dividend income	168,534	
Total net interest income and dividend income		**4,819,867**	
Net fee and commission income	Net fee and commission income	1,890,477	
Trading result		731,929	
	Result on financial assets and liabilities held for trading	489,185	
	Result on fair value hedge accounting	(35,751)	
	Net result on other financial instruments at fair value through profit and loss	-	
	Gains (losses) on disposal of available for sale financial assets and held to maturity investments	278,798	
	(Gains) losses on disposal of financial liabilities	(303)	
Net other operating income and expenses		67,898	
	Net other operating income and expenses	75,163	
	less - Refunding of administrative expenses	(8,023)	1/
	Gains (losses) on disposal of loans and other financial receivables	758	
Net non-interest income		**2,690,304**	
Operating income		**7,510,171**	
Operating costs		(3,326,100)	
	Personnel expenses	(1,690,625)	
	Other administrative expenses	(1,300,209)	
	Refunding of administrative expenses	8,023	1/
	Depreciation and amortization	(343,289)	
Operating profit		**4,184,071**	
Net result on other provisions	Net result on other provisions	(16,062)	
Net impairment losses on loans and off-balance sheet commitments		(596,555)	
	Net impairment losses on loans	(587,798)	
	Net impairment provision for off-balance sheet commitments	(8,757)	
Net result on investment activities		21,472	
	Gains (losses) on disposal of property, plant and equipment and intangible assets.	22,327	
	(Gains) losses on disposal of subsidiaries and associates	(855)	
Profit before income tax		**3,592,926**	
Income tax expense	Income tax expense	(667,672)	
Net profit for the period	**Net profit for the period**	**2,925,254**	

1/ 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

Management Board position regarding the possibility of achieving previously published forecasts

The Bank has not published the forecast of the financial results for 2013.

Management Board and Supervisory Board remuneration
The total amount of remuneration, bonuses and benefits (in cash, payments in kind or in any form) paid or payable to Management Board Members in 2013:

(in PLN thousand)

	BASE SALARY	PART OF VARIABLE COMPENSATION FOR 2012	DEFERRED PARTS OF VARIABLE COMPENSATION FOR 2010 AND 2011	LONG TERM RETENTION PROGRAM	OTHER BENEFITS FOR 2013
Luigi Lovaglio	3,767	1,037	1,573	1,921	222
Diego Biondo	1,999	175	240	365	1
Andrzej Kopyrski	1,312	287	394	665	117
Grzegorz Piwowar	1,272	278	457	665	111
Stefano Santini (from April 1, 2013)	967	-	-	-	34
Marian Ważyński	876	140	191	-	32
Marco Iannaccone (until March 31, 2013)	361	-	-	-	-

Within the framework of implementation of the Resolution No. 258/2011 issued by the Financial Supervision Authority on October 4, 2011 on detailed principles for functioning of risk management system and internal control system and detailed terms of estimating internal capital by banks and reviewing the process of estimating and maintaining internal capital, and the principles for determining the variable salary components policy for key management personnel at the bank, the System of Variable Remuneration for Management has been adopted in the Bank.

Participant covered by the system may receive bonus, amount of which depends on the assessment of the effects of the person's work, organizational unit as well as the Bank's results. In accordance with the assumptions, at least 50% of variable remuneration constitutes a special incentive for employees to support the long-term welfare of the Bank, part of the premium is deferrable and paid after the end of the evaluation period.

In 2013, cost of the system of variable remuneration related to the Members of the Management Board amounted to PLN 12,545 thousand.

A decision on variable remuneration for 2013 for the Management Board Members has not yet been taken by the Supervisory Board of the Bank.

In 2013, the Management Board Members did not receive nor are due any compensation from subsidiaries and associated entities.

The total amount of remuneration (in cash and payments in kind) paid or payable to Supervisory Board Members in 2013:

(in PLN thousand)

	TOTAL	COMMENTS
Jerzy Woźnicki	233	
Roberto Nicastro	-	Did not receive remuneration according to the Group's policy
Leszek Pawłowicz	214	
Alessandro Decio	-	Did not receive remuneration according to the Group's policy
Małgorzata Adamkiewicz	71	
Paweł Dangel	189	
Laura Penna	-	Did not receive remuneration according to the Group's policy
Wioletta Rosołowska	128	
Doris Tomanek	-	Did not receive remuneration according to the Group's policy

In 2013, the Supervisory Board Members did not receive nor are due any compensation from subsidiaries and associated entities.

The Incentive Programs

On December 31, 2012, Bank Pekao S.A. Capital Group has completed the implementation of the Incentive Program granting members of governing bodies, members of the management and the employees of Bank Pekao S.A. Group essential to the success of the Bank's strategy, right to acquire the Bank's shares under the terms stated in the Incentive Program Rules of Bank Pekao S.A.

On January 2, 2013, the Bank made a total redemption of the registered last D-series bonds with the pre-emptive right to acquire the Bank's shares, whose holders have not exercised their right to the realization of the pre-emptive right to acquire the Bank's shares issued under the Resolution No. 7 of the Extraordinary General Shareholders Meeting of the Bank held on July 25, 2003 regarding contingent increase of the Bank's share capital, waiving the F-series and G-series shares rights issue and changing the Bank's Articles of Association.

As at December 31, 2013, the following long-term incentive programs are realized in Bank Pekao S.A. Group:

- the Long-term UniCredit Group Incentive Program 2007 – in terms of the options 34 employees of Bank Pekao S.A. Group have been covered by the program, including 3 members of the Management Board. The options expire in 2017,
- the Long-term UniCredit Group Incentive Program 2008 - in terms of the options 52 employees of Bank Pekao S.A. Group have been covered by the program, including 3 members of the Management Board. The options expire in 2018.

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

According to information available to the Bank as at December 31, 2013, the members of the Bank's management and supervisory bodies held 73,535 shares of Bank Pekao S.A. with face value of PLN 73,535. 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 2013	FOR THE THIRD QUARTER OF 2013	FOR THE YEAR 2012
Luigi Lovaglio	64,035	64,035	64,035
Diego Biondo	9,500	9,500	9,500
Total	**73,535**	**73,535**	**73,535**

Moreover, as at December 31, 2013 UniCredit S.p.A. shares were held by: Mr. Luigi Lovaglio – 64,290 shares without nominal value, Mr. Diego Biondo – 4,653 shares without nominal value, Mr. Andrzej Kopyrski – 1,152 shares without nominal value, Mr. Roberto Nicastro – 245,364 shares without nominal value, Ms. Laura Penna – 23,784 shares without nominal value, Mr. Grzegorz Piwowar – 1,562 shares without nominal value, Mr. Stefano Santini – 19,257 shares without nominal value and 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 the 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 the 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 June 17, 2013, Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. (previously named: Deloitte Audyt Sp. z o.o.) is the company appointed to audit and review the financial statements of Bank Pekao S.A. and Bank Pekao S.A. Group for the years 2013 – 2017.

On the basis of the agreement concluded on July 27, 2012, KPMG Audyt sp. z o.o. sp.k. was the company appointed to audit and review the financial statements of Bank Pekao S.A. and Bank Pekao S.A. Group for 2012.

Audit remuneration for services of Bank Pekao S.A.

(in PLN thousand)

	2013	2012
Fee for the audit of annual financial statements	2,292	3,010
Fee for other attestation services, including review of financial statements	1,372	1,582

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

Average interest rates in Bank Pekao S.A. in December 2013

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

PLN retail deposits	1.43% p.a.
PLN corporate clients deposits	1.83% p.a.

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

Total retail loans	6.14% p.a..
Mortgage	4.37% p.a.
Consumption	13.16% p.a.
Other	7.45% p.a.
Corporate loans	4.60% 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 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, 2013 amounted to PLN 2,023.2 million. In 2013, 484 titles of execution were issued on behalf of the Bank in the total amount of PLN 225.5 million.

For retail clients, the total value of the collateral for impaired transactions as at December 31, 2013 amounted to PLN 653.7 million. In 2013, 16,433 titles of execution were issued on behalf of the Bank in the total amount of PLN 329.9 million.

Pending litigations

In 2013 the number of the legal proceedings pending before courts, arbitration bodies or public administration authorities in respect of the Bank's liabilities was 1,234 with the total value amounting to PLN 19,052.8 million. The number of legal proceedings in respect of receivables was 14,675 with the total value of PLN 1,263.0 million.

In 2013 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 2013, nor the proceedings in aggregate pose any threat to the Bank's financial liquidity.

Related party transactions

In 2013, the Bank and its subsidiaries have not concluded any significant transactions (single or aggregate) with related entities other than those executed on arm's length.

In 2013, the Bank and its subsidiaries did not provide any sureties or guarantees in respect of loans or advances to an entity or a subsidiary of such entity, as a result of which the total value of existing sureties and guarantees would have equaled or exceeded 10% of the Bank's equity.

Information on significant agreements

In 2013, there have been no significant agreements concluded by the Bank.

Information on derivative financial instruments and hedge accounting

Information on derivative financial instruments and hedge accounting is included in the Notes 24 and 26 to the Unconsolidated Financial Statements of Bank Pekao S.A. for the period ended on December 31, 2013.

Accounting principles adopted in the preparation of the report

Accounting principles adopted in the preparation of the report are described in the Note 3 to the Unconsolidated Financial Statements of Bank Pekao S.A. for the period ended on 31 December 2013.

Issuance, redemption and repayment of debt securities

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 334.0 million (principal value) as at the end of December 2013. There are 5 issues of Structured Certificates of Deposit open in PLN with the maturity date in 2014.

Certificates of Deposit

Certificates of Deposit are investment products denominated in PLN that guarantee 100% protection of invested funds also in the case of termination before redemption date. The total value of the Bank's liabilities under these products amounted to PLN 1,901.9 million (principal value) as at the end of December 2013. There are 4 issues of Certificates of Deposit. Those certificates, that mature up to 1 month, up to 3 months and up to 6 months accounts for 73.6%, 16.6% and 9.8% of its total value respectively.

Subsequent events

On January 8, 2014 Management Board of Bank Pekao S.A. in the current report no. 1/2014 informed that the Bank received notification from Aberdeen Asset Management PLC (and/or acting on its behalf and its' affiliates) with its registered office in Aberdeen about reduction of the total number of votes at the General Meeting of the Bank below 5%, as the result of the sale of 50,000 shares in the Bank through a sale order executed on January 3, 2014. Prior to the sale, Aberdeen Asset Management PLC held 13,121,767 shares in the Bank, accounting for 5.0% of the overall number of shares in the Bank, representing the same number and percentage of the total votes at the General Meeting of the Bank. After the transaction, Aberdeen Asset Management PLC holds 13,071,767 shares in Bank, i.e. 4.98% of the overall number of shares in the Bank, representing the same number and percentage of votes at the General Meeting of the Bank.

After December 31, 2013, but before the approval of the financial statements, the Bank refused to realize the call of the guarantee's beneficiary for pay the amount of PLN 85,200 thousand from the guarantee. Based on the current knowledge as regard factual and legal aspects of this case, no provisions were established as at December 31, 2013.

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 outlooks that have an impact on the Polish economy.

In 2014 further acceleration of economic growth, the clear symptoms of which were already visible in the second half of 2013 should be expected. It is probable that the composition of growth will change. Whereas in the previous two years it was mostly supported by net exports, in 2014 it is expected stronger revival of domestic demand, mostly of consumer demand, which will be supported with improvement in the labor market and with stabilization of consumer sentiment. In the second half of 2013, signals of improvement in the labor market were visible, which in 2014 should gradually translate into acceleration of employment and wages' growth (and consequently, of wage bill in the corporate sector), which usually led to increase of private consumption. In the case of investments, positive occurrence of 2014 will be significantly smaller year-over-year decline of public investments, while at the end of year stronger inflow of EU money from the new financial perspective (2014-2020) is expected to begin, which in 2015 will be again a strong driver of growth. Private sector investments in 2014 will probably stay at a level only marginally higher than in 2013. In spite of good financial stance of the enterprise sector and improvement in the outlook for demand, still uncertainty makes enterprises very cautious with regard to starting new investments.

The change of the structure of economic growth and shifting of its main driver towards domestic demand should bring positive results for activity and financial results of the banking sector. The Monetary Policy Council will likely maintain interest rates at an unchanged level throughout the year (it has been officially announced that rates will stay unchanged "at least till mid-year").

A significant risk factor in relation to the pace of economic growth in Poland is political events in Ukraine directly affecting both the economy of that country as well as the increased geopolitical tensions in relations with Russia. Ukraine's financial needs over the next few years are evaluated for at least USD 35 billion with no defined specific assistance plans. A direct result of the events in Ukraine is the weakening of the local currency, which in combination with partial control of the capital will deter the international settlements, adversely affecting the export of Polish goods to Ukraine (2.9% of the total Polish exports). Given the increased risk of the imposition of economic sanctions on Russia, and the declarations of the Russian authorities for possible retaliation in the economic field, the difficulties in the export of Polish goods into the country should be considered, in particular foodstuffs.

In the fourth quarter of 2013, the volume of corporate deposits recorded strong growth. It accounted for 10.0% year on year against 7.6% in 2012. Household deposits also recorded an increase by 5.6% year on year, but its scale was smaller than in 2012 (7.7% year on year). In 2014, it should be expected a slowdown in growth of corporate deposits and it will be related to the recovery in investments. In the case of households, the general economic situation (stabilization on the labor market, a slightly higher growth of wages) should result in faster growth of income, but it will hardly translate into faster growth of deposits as propensity to save is expected to decline and risk appetite (which results in shifting savings to mutual funds) remains elevated. It results in transfer savings outside banking sector, e.g. to investment funds. Thus the stabilization in growth of households deposits on the similar level to those achieved in 2013 is more likely.

The year on year growth rate for loans to households was 4.5% as at the end of 2013. Taking into consideration fundamental factors in 2014, it is expected further, gradual recovery in housing loans. The segment of these loans will be supported by the introduction of a new government program "Apartment for the Young" (Mieszkanie dla młodych), record-low interest rates and the fact that prices in the housing market started to rise (this should attract to the market those waiting for a price bottom). Under high level of penetration with loans financing consumption expenditures, it is hardly to expect significant improvement in this category. In the case of corporate loans an increase in demand is expected. The demand should be driven by the growing need for working capital as well as gradual recovery in corporate investments.

Due to legal changes, in 2014, further reduction of interchange fee rates is expected. Lower rates will adversely affect the fee and commission income of banks related to card transactions.

In 2014, it should not be expected a decline in treasury bond yields and therefore impact of profits from banks bond portfolios can be lower. At the same time the banks results will remain adversely affected by the low interest rate environment (NBP and market rates), which lead to narrowing interest margins negatively impacting on net interest income of banks.

The banking business may be affected by the following regulatory and tax solutions:

– introduction of new banking charges aimed at improving the safety of the entire banking sector (the so-called prudential charge has already been introduced, it cannot be ruled out that another fee related to the creation of the banks recovery and resolution framework will be introduced),

– supervisory recommendations related to offering and settlement bancassurance products.

As a risk factor, the possibility of introducing unfavorable for the banking sector solutions related to the existing portfolio of mortgages denominated in foreign currencies it should be considered.

9.2 Directions of the activities and business priorities

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

In 2013, the Bank strengthened its market position in the area of retail and corporate loans. Competitive advantage, stemming out from the strong capital and liquidity base, have been sustained. The Bank has achieved satisfying financial results thanks to high operational efficiency, effective risk management and high level of customer and employee satisfaction.

Prospects for the Polish economy for 2014 are optimistic. Economic growth rate should accelerate significantly, what should support demand for loans and positively influence financial results of the banking sector. The Bank is going to continue its commercial activity development focused on increasing of active customers number, further enhancement in strategic areas, reinforcement of products and services multichannel distribution, increasing of brand awareness, strengthening market leader reputation, continuation of customer and employees satisfaction improvement programs and projects aimed at optimization of the risk management processes and operating costs in order to improve its commercial efficiency.

The business model and competitive advantages
The Bank will continue its commercial activities in the financial services market within the framework of the developed model based on customer segmentation:

- in respect to the individual clients, retail, affluent and private banking segments were separated. Segmentation is based on the monthly inflows on current account or assets under management. Each segment has its own business model, tailored to the customers' needs,
- in respect to the small and micro enterprises (SME), professional products and services are provided by dedicated advisors, tailored to the customers' needs,
- in respect to the corporate customers, medium-sized and large companies segments were separated. Segmentation is based on the turnover, economic sectors, ownership type (private / public, domestic / international, other). Customers are served by dedicated advisors with a support of products specialists, what enables to optimize the level of service quality and costs. Customer advisors are focused on providing high quality and efficient service, using the best practices and integrated sales management tools.

The Bank offers competitive products and services on the Polish market, high level of customer service quality and remarkably well developed network of the branches and ATMs easily accessible across Poland, as well as professional call center and a competitive Internet platform and mobile banking for individual and corporate clients, and small and micro enterprises.

The scale of operations, solid capital and liquidity structure as well as strong balance sheet confirmed by a high level of capital adequacy ratio and high surplus of deposits to loans, give the Bank competitive advantage to successfully compete on the market.

Business priorities
In 2014, the Bank will continue its focus on the further development of the business and strengthen its market position while maintaining high risk management standards and further improvement of the operational effectiveness.

The priority in the area of commercial activities will be further extending of customer base and continuation of sale of consumer loans and PLN mortgage loans for individual clients, and loans to the SME segment, in particular, financing of medium-size enterprises and infrastructure projects.

The Bank will seek to maintain a balanced balance-sheet structure by increasing the volume of deposits. At the same time, the Bank will offer its clients the possibility of investing in other investment products.

Individual clients
The Bank is consistently working on number of clients increase and strengthening its market position on the PLN mortgage loans and consumer loans market.

The Bank intends to strengthen its market position in the consumer loans segment by effective and timely adjusting of its offer to the clients' needs, while maintaining ethical principles in lending and reasonable risk levels.

The Bank will also intend to further improve its strong position on the market of PLN mortgage loans leveraging on experience and specialization in sale of this product.

In the area of savings products the Bank will continue to offer attractive deposit, savings and investments products in order to meet the client's expectations and market trends.

The completion of the above goals will be supported by innovative changes in the electronic distribution channels, including mobile banking, continuation of processes automation and further development of sales model of the Bank.

Private Banking

The Bank will focus on further development of the products and services offer, maintenance of high service quality provided by a group of professional advisers and on increasing number of customers.

Corporate and small and micro enterprises

Bank Pekao S.A. is committed to strengthen its leading position in the corporate banking, corporate finance, transactional banking segments as well as organization and servicing of corporate bonds issuance. It is also the Bank's goal to remain the leading partner of the public sector in financing major infrastructure projects and supporting development of the Polish cities.

Ensuring the highest quality service to the corporate and small and micro enterprises, the Bank will continue to develop its comprehensive offer and to provide innovative banking products that meet the most demanding requirements of the clients while using experience and relationships within UniCredit Group.

The Bank's goal is to reinforce its position as the most recognizable among corporate clients in Poland for its expertise and professionalism, customer satisfaction, and value creation for the client.

The activities of Bank Pekao S.A. on the financial services market will be connected to delivery of the added value for the customers and improvement of their satisfaction from the provided services through meeting their needs, continuous improvement of the service quality and offering customers simple and comprehensible solutions, which will allow them to reach 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 2013 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 2013 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 2013 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 2013

According to the ordinance of Minister of Finance dated February 19, 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 that it falls within the following set of corporate governance rules, including standards that issuer applies voluntarily and corporate governance practices used by issuer beyond the requirements of national law.[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 Banking Ethics 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 Banking Ethics of Polish Bank Association.[3]

In 2013 the Bank applied corporate governance rules laid down in the Code of Best Practice for WSE Listed Companies[4] set by WSE Board's Resolution No. 19/1307/2012 of November 21, 2012 excluding Rules I.12 and IV.10 point 2 regarding enabling the shareholders to participate in a General Meeting using electronic communication.

In the announcement on convening the Ordinary General Meeting of Bank Polska Kasa Opieki Spółka Akcyjna published in the current report 17/2003 on 17 May 2013 the Bank informed that: " Considering the fact that the Shareholding of the Bank is characterized by a large number of shareholders, geographical and linguistic diversity, which means that for the Bank to meet the requirements necessary to identify the shareholders correctly and to ensure the appropriate level of security of electronic communication it would be necessary to provide on the Bank's side highly advanced technical solutions which currently the Bank is not in possession of, in accordance with Art. 406[5] § 2 of the Commercial Companies Code and § 8a sec. 2 of the Statute of the Bank, the Management Board of the Bank resolved not to allow participation with the use of electronic communication means in the Ordinary General Meeting of the Bank for the year 2012."

In each case of convening the General Meeting, the Management Board of the Bank defines whether the participation in the General Meeting with the use of electronic communication means is possible and what are the requirements and limitations necessary to identify of shareholders and to ensure the safety of electronic communication.

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.

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 February 19, 2009

3 The document is publicly accessible on the Polish Bank Association web site: http://zbp.pl/dla-bankow/zespoly-rady-i-komitety/dzialania-w-obszarze-legislacyjno-prawnym/komisja-etyki-bankowej

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

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

Acting in compliance with par. 91.5.4.c–k of above mentioned ordinance of Minister of Finance dated February 19, 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.

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]

UniCredit S.p.A. has been the Bank's major shareholder since August 1999. As at December 31, 2013, UniCredit S.p.A. held 50.10% share in the Bank's share capital and the same percentage of the total votes at the Bank's General Meeting of Shareholders, Aberdeen Asset Management PLC held 5.03% and the remaining shareholders' 44.87% share. Information about decreasing of UniCredit S.p.A. shares in the total number of votes at the General Meeting of the Bank which was the result of the sale of 23,936,267 shares in the Bank, accounting for 9.12% of the total number of votes at the General Meeting of the Bank, through a sale order executed on January 31, 2013 via off-session transactions concluded on the Warsaw Stock Exchange S.A. according to the Secondary Placing Agreement made on January 29, 2013 was included in the published current report no. 7/2013[8].

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.

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

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

8 The document is publicly accessible on the Polish Bank Association web site
http://www.pekao.com.pl/informacje_dla_inwestorow/raporty/?r,main,reportId=44056

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, 2013		DECEMBER 31, 2012	
UniCredit S.p.A.	131,497,488	50.10%	155,433,755	59.22%
Aberdeen Asset Management PLC	13,194,683	5.03%	13,194,683	5.03%
Other shareholders	117,777,863	44.87%	93,841,596	35.75%
Total	**262,470,034**	**100.00%**	**262,470,034**	**100.00%**

On January 8, 2014 Management Board of Bank Pekao S.A. in the current report no. 1/2014 informed that the Bank received notification from Aberdeen Asset Management PLC (and/or acting on its behalf and its' affiliates) with its registered office in Aberdeen about reduction of the total number of votes at the General Meeting of the Bank below 5%, as the result of the sale of 50,000 shares in the Bank through a sale order executed on January 3, 2014. Prior to the sale, Aberdeen Asset Management PLC held 13,121,767 shares in the Bank, accounting for 5.0% of the overall number of shares in the Bank, representing the same number and percentage of the total votes at the General Meeting of the Bank. After the transaction, Aberdeen Asset Management PLC held 13,071,767 shares in Bank, i.e. 4.98% of the overall number of shares in the Bank, representing the same number and percentage of votes at the General Meeting of the Bank.

3) Identification of holders of any securities with special control rights with description of those rights[9]

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

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

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 co-operation of a company, rights resulting from securities are separated from the fact of holding those securities[10]

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[11]

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[12]

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 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.

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

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

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

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

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 the 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. 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.

7) Description of rules governing amendment of the Statute of the Bank[13]

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[14] 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 intends 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 basic organizational structure of the bank, the procedures applicable to making legally binding statements regarding property rights and obligations, the procedures for issuing internal regulations and the procedure for making decisions concerning the undertaking of commitments or disposal of assets whose total value with regard to a single entity exceeds 5% of the bank's own funds,
- the principles of functioning of the internal control system,
- the own funds and financial management principles,
- voting preference or limitation attached to shares at a bank.

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

14 Adopted by virtue of the Resolution of the General Shareholders Meeting No. 19 of April 8, 2003

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[15]

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 and Resolution No. 41 of June 1, 2012 which defines detailed rules of conducting General Shareholders Meetings and adopting resolutions. The Rules of Procedure are available to the public on the Bank's website[16].

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 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,
- 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 the entity authorized to examine financial statements and review the financial statements,
- to deal with other matters falling within the scope of the Bank's activities which are submitted to the Bank's General Shareholders Meeting.

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.

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

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

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 Statute allows the participation in the General Meeting with the use of electronic communication means if the Management Board adopts such decision. Management Board adopts decision mentioned in the previous sentence in the case of fulfilling by the Bank technical conditions necessary for participation in the General Meeting with the use of electronic communication means what covers in particular:

1) real-life broadcast of General Meeting,

2) real-time bilateral communication where shareholders may take the floor during a General Meeting from location other than the General Meeting,

3) exercising the rights to vote during a General Meeting either in person or through a plenipotentiary.

According to the Statute, in each case of convening the General Meeting, the Management Board of the Bank defines whether the participation in the General Meeting with the use of electronic communication means is possible and what are the requirements and limitations necessary to identify of shareholders and to ensure the safety of electronic communication. Detailed conditions of participation in the General Meeting with the use of electronic communication means are specified in regulation adopted by the General Meeting and notice of calling the General 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 Bank's website and in paper form which is available in the 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 the Bank's shareholders include in particular:

– the right of shareholders holding at least a half of the share capital or at least 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 website,
– 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 the 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[17]

Management Board
As at January 1, 2013, the Bank's Management Board was composed of the following persons:

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

On March 12, 2013, Mr. Marco Iannaccone resigned from the function of Vice President of the Management Board of the Bank, effective from March 31, 2013. On March 12, 2013, the Supervisory Board of the Bank appointed, effective from April 1, 2013, Mr. Stefano Santini as Vice President of the Management Board of Bank Polska Kasa Opieki S.A. for the current, common term of office of the Management Board of the Bank.

On June 12, 2013 the mandates of Members of the Management Board of the Bank expired. Therefore, the Supervisory Board of Bank Polska Kasa Opieki Spółka Akcyjna at the meeting held on June 12, 2013 appointed the following persons for a new common term of office of the Management Board of the Bank, lasting three years, beginning as of June 13, 2013:

Luigi Lovaglio	as President of the Management Board of the Bank,
Diego Biondo	as Vice President of the Management Board of the Bank,
Andrzej Kopyrski	as Vice President of the Management Board of the Bank,
Grzegorz Piwowar	as Vice President of the Management Board of the Bank,
Stefano Santini	as Vice President of the Management Board of the Bank,
Marian Ważyński	as Vice President of the Management Board of the Bank.

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

As at December 31, 2013 the Bank's Management Board was composed of the following persons:

Luigi Lovaglio	President of the Management Board, CEO,
Diego Biondo	Vice President of the Management Board,
Andrzej Kopyrski	Vice President of the Management Board,
Grzegorz Piwowar	Vice President of the Management Board,
Stefano Santini	Vice President of the Management Board,
Marian Ważyński	Vice President of the Management Board.

The Bank's Management Board acts according to the Bank's Statute and 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 on the Bank's website[18]. The members of the Management Board shall coordinate and supervise the activity of the Bank pursuant to the binding division of competence adopted by the Management Board and approved by the Supervisory Board.

According to the Bank's Statute, the Management Board shall conduct the matters of the Bank and represent the Bank. Issues not reserved by virtue of the provisions of the law or of the Statute to fall within the scope of competence of other Bank's statutory bodies, 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.

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 co-operating with the Bank in its business activity.

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

Supervisory Board

As at January 1, 2013, the Bank's Supervisory Board was composed of the following persons:

Jerzy Woźnicki	Chairman of the Supervisory Board,
Roberto Nicastro	Deputy Chairman of the Supervisory Board,
Leszek Pawłowicz	Deputy Chairman of the Supervisory Board,
Alessandro Decio	Secretary of the Supervisory Board,
Paweł Dangel	Member of the Supervisory Board,
Laura Penna	Member of the Supervisory Board,
Wioletta Rosołowska	Member of the Supervisory Board,
Doris Tomanek	Member of the Supervisory Board.

On June 12, 2013, the Ordinary General Meeting of Bank Pekao S.A. appointed Ms. Małgorzata Adamkiewicz as a member of the Supervisory Board for current, common term of office.

As at December 31, 2013, the Bank's Supervisory Board was composed of the following persons:

Jerzy Woźnicki	Chairman of the Supervisory Board,
Roberto Nicastro	Deputy Chairman of the Supervisory Board,
Leszek Pawłowicz	Deputy Chairman of the Supervisory Board,
Alessandro Decio	Secretary of the Supervisory Board,
Małgorzata Adamkiewicz	Member of the Supervisory Board,
Paweł Dangel	Member of the Supervisory Board,
Laura Penna	Member of the Supervisory Board,
Wioletta Rosołowska	Member of the Supervisory Board,
Doris Tomanek	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 on the Bank's website[19].

The role of the Supervisory Board is to exercise a general and permanent supervision over the Bank's activities, taking into consideration the 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.

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

Report on the activities of Bank Pekao S.A. for the year 2013

Each year, according to regulations in force, the Supervisory Board prepares and submits to the Bank's General Shareholders Meeting an assessment of the report on the activities of the Bank and the Group prepared by the Bank's Management Board, assessment of the Bank's financial statements and consolidated financial statements of the 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, 2013, the Audit Committee was composed of the following persons:

Paweł Dangel	President of the Committee,
Alessandro Decio	Member of the Committee,
Leszek Pawłowicz	Member of the Committee,
Laura Penna	Member of the Committee,
Jerzy Woźnicki	Member of the Committee.

The composition of the Audit Committee did not change till December 31, 2013.

The scope of the Audit Committee's remit has been determined by the Supervisory Board's Resolution No. 9/12 of March 8, 2012. Previously in force Supervisory Board's Resolution No. 42/07 of October 2, 2007 expired.

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 of Committee 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, 2013, the Remuneration Committee was composed of the following persons:

Roberto Nicastro,

Wioletta Rosołowska,

Doris Tomanek,

Jerzy Woźnicki.

The composition of the Remuneration Committee did not change till December 31, 2013.

The Remuneration Committee operates on the basis of the Supervisory Board's resolution. Moreover on December 13, 2013, the Supervisory Board adopted Regulation of the Remuneration Committee. The goal of the Committee is supporting the Supervisory Board in performing its statutory duties, by submission of recommendations regarding conditions of agreements that regulate employment relationship or other legal relationship between members of the Management Board and the Bank, including the amount of remuneration to be paid to members of the Management Board, and regarding approval of the policy on variable components of the remuneration for persons holding managerial positions in the Bank in the meaning of resolution No. 258/2011 of Polish Financial Supervision Authority of October 4, 2011, and in order to submission of recommendations to the General Shareholders Meeting regarding the amount of remuneration to be paid to members of the Supervisory Board.

Financial Committee

As at January 1, 2013, the Financial Committee was composed of the following persons:

- Alessandro Decio,
- Roberto Nicastro,
- Laura Penna.

The composition of the Financial Committee did not change till December 31, 2013.

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

Date	Name/Surname	Position/Function	Signature
10.03.2014	Luigi Lovaglio	President of the Management Board, CEO	
10.03.2014	Diego Biondo	Vice-President of the Management Board	
10.03.2014	Andrzej Kopyrski	Vice-President of the Management Board	
10.03.2014	Grzegorz Piwowar	Vice-President of the Management Board	
10.03.2014	Stefano Santini	Vice-President of the Management Board	
10.03.2014	Marian Ważyński	Vice-President of the Management Board	