

*"We listen closely to our customers. We don't take their trust for granted, we know we have to earn it every day in our conversations and actions. We feel responsible for being leaders to promote the long term economic development and quality of life for everyone in our country. Their prosperity is the key to our success".*



Dear Shareholders,

2012 was another good year for the Bank Pekao S.A., confirming solidity of our results also in challenging environment of rapid economic slowdown. Bank's net profit increased by 4.0% year over year and reached PLN 2 938 million, the highest level since the beginning of the crisis. Business model focused on sustainability of results, cost efficiency and strict risk management were main drivers of achieved net profit growth, despite deteriorating environment.

Polish economy significantly slowed down, from 4.6% GDP growth in the fourth quarter of 2011 to 1.1% GDP growth in the fourth quarter of 2012, mainly as a result of weaker domestic demand, which had material adverse impact on demand for financial services. Loans and deposits growth decelerated significantly, impacting net interest income, while series of interest rate cuts started by Monetary Council put additional pressure on the margins. Level of competition in the Polish banking sector remained high, which created additional pressure on pricing. Finally, sector faced revers of last year's positive trend in asset quality, particularly in the corporate segment.

Facing all these headwinds, the Bank was able to achieve both sound profitability consolidation and market share gains in key product areas. Our ROE reached 13.5% even while keeping very safe capital level of Core Tier I at 18.7%, and our ROA reached 2.0%. We continued policy of financing Polish families and full support for development of the economy. We were steadily improving our position in key retail lending products, granting PLN 11 bln new such loans and we participated in the biggest and most attractive projects financing development of infrastructure in Poland. We had our share in the success of Euro 2012 Championship by financing construction of the stadiums, airports, highways and railways.

We achieved it thanks to as well early preparation for the slowdown and ability to quickly adjust to new environment, as advantages coming from very strong capital base with Core Tier 1 ratio at 18.7%, strong funding base with loans to deposits ratio well below 90% as well as committed and talented team of more than seventeen thousand colleagues.

Our financial strengths enable us to continue to innovate and invest in growth. We continued constant enhancement of existing products and introduction of new innovative ones, like award winning mobile banking solutions, which gives us strong competitive advantage in attracting younger customers. Having one of the strongest internet platforms in Poland, both for retail and corporate customers, we are well prepared for changing customers' needs.

Our reputation and satisfaction of our stakeholders remained for us the key focus area, which will determine our future. We listen closely to our customers. We don't take their trust for granted, we know we have to earn it every day in our conversations and actions.

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Cost efficiency continues to be one of our strengths, especially important in more difficult periods. For us "cost efficiency" means managing our expenses well – not cutting costs just for the sake of it, but making sure everything we do is as efficient and simple as possible. Following such simple principles we managed to reduce costs by 1.3% y/y, still spending on brand refreshment and Euro 2012 Championship support. We also continued last year delivering on our commitment to support our society thorough number of initiatives, like "The Great Orchestra of Christmas Charity" or our Marian Kanton Bank Foundation.

Year 2013 will be another challenging one, but I believe that the Bank is very well prepared to meet this challenge. We will continue to do business guided by our values and what we stand for: doing what's right for our customers, being determined for the highest ethical standards, respecting and supporting our people.

On behalf of the Management Board, I would like to thank our Clients and Shareholders for another year when you entrusted us your financial needs and savings and the Supervisory Board for their strong support to our proposals and decisions. Let me close by thanking our employees. Each day they serve our clients with distinction and dedication. They make me very proud, and I feel lucky to have a front row seat.