

"Delivering good results in sustainable way requires a lot of hard work, fair approach to customers and employees and consistency in improving the way we operate."



Dear Shareholders,

Bank Pekao reports strong results with net profit for year 2014 reaching 2 662 mln PLN. This year brought another confirmation, that our business model of focusing on sustainable revenue sources, constant efficiency improvements and drive for excellence in risk management, delivers satisfactory results and makes the bank less sensitive to external shocks compared with competitors.

Year 2014 was challenging for global economy. Rising political tension in number of European countries, following again disappointingly low growth in Europe, emergence of new conflicts in Ukraine and Middle East having truly global impact, significant movements of different assets prices created together very difficult combination.

Polish economy proved that its fundamentals are sound, which made our market resilient to these external shocks. GDP growth reached 3,3%, banking sector loans increased by 6% and deposits by 9%. Improvement in domestic demand was strong enough to offset negative impact of weaker growth in EU and consequences of Ukrainian conflict. This positive for banking sector scenario was however negatively impacted by further cuts of already record low interest rates. Banks also faced, similarly as in many other banking sectors, increased regulatory burden, impacting both revenues and costs.

We perform in this environment very well, progressing on the path of 2020 plan. We reinforced our growth attitude, focusing on customers acquisition, significantly increasing volumes and investing in innovations, while maintaining high standards in risk management. We improve the agility of the company and our capability to adapt to the changes. Thanks to this, we continue to deliver high profitability, with nominal

ROE reaching 11,6% in deflationary environment, while keeping very safe level of capital with Core Tier I ratio at 17,1%.

We continued improving our market shares in lending, increasing our financing to Polish enterprises and families by more than 11 bln PLN. Key retail loans increased by 13,6% y/y, and corporate loans by 10,7% y/y. We were one of the main lenders for key infrastructure projects, which improved quality of life and increased economy competitiveness.

We invested in each of our distribution channels to provide the most value to our customers. In 2014 we invested heavily in developing our mobile banking and internet platforms, increasing their functionalities. Almost 600 ths. customers use already our mobile banking and more than 2,7 million use our internet banking.

Our leading position in banking technological innovations was confirmed by being the first bank in Poland and second in Europe who offered customers convenient mobile payment system PeoPay based on HCE technology. Easy and fast to use system, transferring mobile phone into payment tool will reshape the whole payment system.

Regardless of the channel that a customer chooses, our focus is on providing exceptional service every time, as it increases customer loyalty and grows referrals.

Constant focus on cost efficiencies is one of key strategic pillar of our Bank. In 2014 we reduced our costs again by 0,2%, despite that following new regulations we had to pay significantly higher contribution to Bank Guarantee Fund.

Managing expenses well allows us to realize the full benefits of our scale without diminishing customer experiences or increasing operational risk.

We launched in 2014 new initiative, "Agromania", focused on one the sectors of Polish economy where we were not present – agriculture. Dedicated product offer, separate internal structure and full commitment of the whole network allowed us to deliver quickly first tangible results. We provided 3 bln PLN new financing to this sector and acquired more than 3 thousand agriculture customers.

I strongly believe that banks who strive for long term success must act beyond simple focusing on short term profits. We believe that being a leading institution requires us to contribute not only thorough our business activity, but also supporting key values of our society. We do this by sponsoring and promoting art, culture, social and environmental projects. We are the long term partner of "The Great Orchestra of Christmas Charity", the leading social and beneficence initiative in Poland.

Year 2014 brought challenges to Cooperative Credit-Saving Unions (SKOK) system, with number of them facing very material losses from lending activity and in consequence, risk of bankruptcy. Two such Unions were declared bankrupt, creating

financial burden for the whole financial market. We were asked and we decided to take over SKOK Kopernik, small entity operating locally in South-West part of Poland. In this way we provide support to the stability of the financial system ensuring full safety of deposits kept by customers in this SKOK.

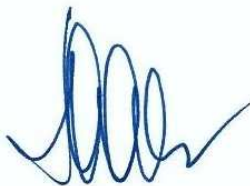
Recently Polish banking sector faced challenge of mortgage in CHF because of significant appreciating of this currency. Pekao was not involved in this popular few years ago competition of offering such mortgages. Ethical concerns were the main reason, why since 2003 we decided not to participate in CHF mortgage business. We always believed in long term value of ethical business. This decision costed us in the past significant amount of lost profits, but we struggled against the market pressure and kept such approach. Today benefit of such decision for our customers and investors is visible to everybody. I believe that in the banking there is no room for shortcuts.

Delivering good results in sustainable way requires a lot of hard work, fair approach to customers and employees and consistency in improving the way we operate.

Our reputation will continue to be one of our most important assets, influenced by what we do and how we deal with our customers and our society. We believe that consistent focus on responsible, traditional banking practices was and is the key for sustainable success.

Our long term strategy of sustainable returns was recognized also in recent results of the AQR and Stress Test, where our Bank was positioned on the top among all European key players.

On behalf of Management Board, I would like to thank our Clients and Shareholders for their trust and loyalty and Supervisory Board members for their strong support. Let me close by thanking all our Employees. I believe we have great people. The enthusiasm, commitment, energy and hard work of each of them to achieve our goals are evident. Together we have built a successful, future proof organization, based on healthy fundamentals and values. I am really grateful.



Luigi Lovaglio
President of the Management Board, CEO