

"...the effectiveness of our activity, high level of requirements we put on ourselves, the ability to adapt quickly to changes and as a result - continuous focus on the best fulfilment of customer needs."



Dear Shareholders,

Pekao S.A. Group has completed its eighty-sixth year of activity delivering once again one of the highest value for all its stakeholders. The reported net profit amounted to nearly PLN 2.3 billion, which if adjusted for extraordinary one-off costs associated with the bankruptcy of one co-operative bank would reach PLN 2.5 billion, in line with our plan. We continued supporting the economy and Polish families, growing volumes in key retail and corporate lending on double digit pace, reaching PLN 128 billion of total loans and being entrusted with PLN 132 billion of total deposits. The number of customers, who showed us their trust and use our services exceeded 5 million. We are recognized as one of the most attractive employers in the country and we consistently support number of social programs.

Year 2015 was a turbulent year, full of challenges in world economy. Downturn in the European economy, the debt crisis in Greece, deepening slowdown in the major emerging market economies, the crisis of migration in Europe, the unstable situation in Ukraine and the growing conflict in the Middle East, as well as high volatility in the currency and commodities markets have created uncertainty for the future trends for most economies and markets.

Despite such a difficult environment, Polish economy managed well and continued its upward trend. GDP growth accelerated to 3.5%, situation on the labour market improved and export of Polish companies was doing well. Private consumption remained the main driver of growth, supported by high investment level.

Good macroeconomic situation, which stimulated volumes growth in the banking sector and further improvement of asset quality, was however not reflected in the financial results of the sector, as it was a year full of challenges for banks. Further reduction of historically low interest rates and the cumulative effect of further interchange fee rate reduction, increased contributions to the Bank Guarantee Fund and a decrease of the Lombard rate level caused that despite ongoing strong

economic growth, the financial result of the sector declined. In addition, as a result of the bankruptcy of Cooperative Bank for Agriculture and Crafts in Wołomin, banks suffered a high and unexpected costs associated with the provision of payments of guaranteed deposits to customers of the bank.

In addition, the pressure on the situation of the sector was caused by a significant appreciation of the CHF, which increased systemic sector risk as well as the costs and capital requirements for banks with exposure to mortgages in that currency.

The discussion about possible solution of mortgage loans in foreign currencies problems and decision on taxation of the banking sector since February 2016 dominated the public discussion of the banks' situation, which was reflected in the significant decline of their shares prices. Bank Pekao share price was much less affected, thanks to strong fundamentals of the bank and responsible decision of the past not to grant FX mortgage loans to retail customers.

Pekao Group continued its strategy of sustainable growth, assuring an attractive level of profitability and further strengthen its market position. The pillars of our success has been constituted by the effectiveness of our activity, high level of requirements we put on ourselves, the ability to adapt quickly to changes and as a result - continuous focus on the best fulfilment of customer needs.

We worked on further efficiency improvement, systematically investing in innovation, so we remained a modern and professional organization looking forward to the future with optimism. This strategy has allowed us to maintain a high level of profitability with nominal ROE reaching 10%, while maintaining a high level of Core Tier 1 capital ratio at 17.7%.

For a consecutive year the Group remained a growth leader, providing financing to Polish families and supporting the development of Polish enterprises. We are proud that we can participate in the development of the Polish economy and improvement of Poles' lives.

We continued focus on financing the areas, which we found the most attractive, increasing stock of our key loans by almost PLN 10 billion, including PLN 5 billion growth in PLN mortgages and consumer loans.

Each year we expand our offer with new, innovative solutions and implement new initiatives focused on increasing market share in areas with high growth potential. We continued the program "Agromania" addressed to the clients, including the agriculture and food sector. Thanks to this initiative we gained more than 6 thousands customers in this sector and we provided PLN 6 billion financing. We started the next two programs - "Program for enterprises" and "Cards program", which allowed for further growth in attractive business areas.

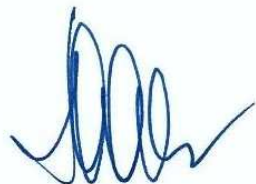
Investments in innovation we treat as condition required to continue the growth, and the growth is a condition to find funding for investment in innovations. We continue constant development of distribution channels, consistently expanding the functionality and convenience of offered solutions. As a result, we see an increase in the number of customers using these channels. Over 3 million customers use internet platform and almost 900 thousands mobile one. We are a pioneer in mobile payments offering as first convenient mobile payments based on HCE technology.

Systematic rationalization of the processes and effective cost management enabled us to reduce operating costs by 2.0% y/y. The quality of our portfolio remains the benchmark in the sector while the cost of risk among the lowest.

As the leading institution in Poland we feel responsible for the country development, not only economic but also social one. We want to actively participate in our clients, employees and business partners lives. 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" and continued supporting created by us Kanton Foundation.

The challenges facing the sector will require good preparation, proven business model, operational flexibility and determined people. I strongly believe that Pekao Group meets all these requirements. I am convinced that the success in the banking sector is determined not only by adopted strategy, but above all, by execution and delivery. Banking means everyday listening to the customers and fulfilling their financial needs in simple, fair and transparent way. The final effects are visible only after a long period of time. Year 2015 was a perfect example confirming this simple truth.

On behalf of Management Board, I would like to thank our Clients and Shareholders for their trust and loyalty, the Supervisory Board members for their professional support. My special thanks I address to our employees. Their commitment, energy and hard work are priceless. I feel happy to work with such committed people building together the future of our organization.



Luigi Lovaglio
President of the Management Board, CEO