

"We have in the Bank people who know how to deliver, and with them we are ready to face new challenges and assure sustainable profitability"

Luigi Lovaglio, CEO and President of the Management Board of Bank Pekao S.A.



Dear Shareholders,

Bank Pekao Group achieved last year 2 279 mln PLN net profit, successfully almost fully offsetting impact of introduced banking tax. I believe that this was another confirmation of our ability to mobilize ourselves and deliver sustainable profits despite adverse external factors.

We continued supporting the economy and Polish families, growing volumes in key retail on double digit pace, reaching PLN 128 billion of total loans and PLN 138 billion of total deposits. The number of customers, who showed us their trust and use our services, exceeded 5.2 million.

We achieved record level of consumer loans origination, maintained high level of activity in mortgages, allowing together for almost 15 bn of new retail loans. We continue investing in enhancing our digital solutions and we are rewarded by strong growth of customers actively using them.

We are number one bank of choice for Polish corporates, offering them highest quality product and services tailored to their needs.

Systematic rationalization of the processes and effective cost management enabled us to keep operating costs flat y/y, allowing for further improvement in cost to income ratio to 43.7%. The quality of our portfolio remains the benchmark in the sector and the cost of risk is among the lowest.

We achieved all this during very eventful year, both if one looks at the developments in global economy and politics and if one looks specifically at the developments directly involving our Bank.

In December 2016 a consortium of PZU and Polish Development Fund signed an agreement of purchasing from UniCredit 32.8% of outstanding Pekao shares. The finalization of this agreement is expected by the buyers in the second quarter 2017.

This transaction is closing the seventeen years chapter of Bank Pekao participation in UniCredit group. Bank benefited from this since an early stage of cooperation, thanks to transfer of know-how and expertise. Participation in UniCredit group has offered us also stability in management and shareholders structure, supporting healthy principle of long term value creation, which allowed for full concentration on executing our sustainable growth strategy.

During this time and in particular looking back at the last 6 years I have been appointed as a CEO the Bank delivered 16 bn PLN net profit, always keeping our profitability higher than cost of capital. We increased our loans portfolio by 42 bn PLN, providing Polish families with 25 bn PLN mortgages and companies with 18 bn PLN corporate loans, allowing them to develop and prosper. Last, but not least, we distributed to our shareholders 12.9 bn PLN dividends. We kept developing new innovative solutions for our customers, like first in the country mobile banking and mobile payments platforms.

I trust that new controlling shareholders will bring equal benefits to the Bank, as UniCredit did, especially thanks to their capital strengths, positively impacting on continuation of our growth strategy.

Coming back to present days, year 2016 was generally positive for Polish economy, which enjoyed sound GDP growth of 2.8%. We faced slow down compared with previous year 3.9% growth, however in the European context this is still very respectful number.

Economy was driven mainly by domestic consumption, benefitting from very strong labor market and also increased social transfers in the form of "500+" program of subsidies for families with more than one child.

Investments decreased as a result of growing uncertainty, which had an impact on demand for corporate loans.

From the perspective of banking sector the most important development was introduction of the banking tax, as high as 44 bp of adjusted assets. Bank Pekao paid 450 mn PLN of this tax, which is almost 20% of previous year net profit. Despite this, thanks to growth of our business, continued cost and risk control and also gains we achieved on disposal of VISA shares, we managed to achieve level of net profit almost the same as last year.

The sector also faced continuation of discussions on solving issue of FX mortgages, which materially increased volatility of banks shares on the market. These discussions had very limited impact on us, as we made several years ago strategic decision not to offer such products. There is still no tangible solution, keeping FX risk on Polish families and banking sector still existing.

We made strong progress last year, both for core business generation and for innovation agenda. We have in the Bank people who know how to deliver, and with them we are ready to face new challenges and keep delivering sustainable profitability.

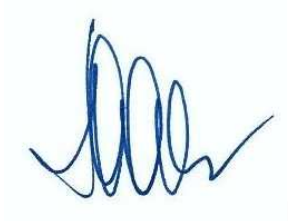
We are recognized as one of the most attractive employers in the country. As the leading institution in Poland we feel responsible for the country development, not only economic but also social one. We want to actively participate in our clients, employees and business partners' lives. We do this by 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.

Year 2017 will be very interesting one. We expect some acceleration in GDP growth in Poland, driven again mainly by domestic consumption. Central bank rates, despite come back of inflation, most likely will stay thorough 2017 at current level, making stabilization in sector net interest margin the most likely scenario. Lending growth will remain moderate, as demand especially in corporate sector is expected to stay at low level.

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 strong support.

As each year, my special thanks I address to our employees. Their dedication to our customers, hard work and respect for the values define what it really means Pekao. Our people are so good that we should say thank you every day.

I am proud to work at this company and with these outstanding people.



Luigi Lovaglio
President of the Management Board, CEO