

Dear Ladies and Gentlemen,

It is in my capacity of the representative of the Management Board that I submit to your attention the consolidated financial statements and annual directors' report on operations of PKO Bank Polski Group in respect of the year 2011.

The Bank, being the Capital Group's parent company, and all its subsidiaries, being the remaining Group companies, continued in their implementation of the Leader Strategy adopted for the years 2010-2012, which delivered: further gains in operational efficiency; achievement of sustainable competitive advantages; and improvement of market position; thus building value our shareholders justifiably expect of us.

The Capital Group's financial results, as at the end of the year 2011, stand at their historically highest. The consolidated net profit was PLN3.8 billion, or 18.4 per cent. higher than a year earlier and represented nearly 25 per cent. of profits the entire Polish banking sector generated in that year. In fact, in the first two years of implementing the current strategy, the Capital Group's consolidated net profit rose by 65 per cent. Attractiveness of the loan product offer enabled gross loan portfolio value to increase by 8.7 per cent. to a total of PLN147.3 billion in 2011 while the trust we have carefully built over the years among our customers translated into a 10.1 per cent. growth in our deposit base to a total of PLN146.5 billion in the same year. At the same time, capital adequacy ratio remained at the prudent level of 12.37 per cent. Taken together, this reaffirms PKO Bank Polski Group's position of leadership in the Central and East Europe region in terms of assets, equity and profit earnings while the Group continues to act as the stabilising linchpin of Poland's banking system.

With its highly dynamic net profit growth accompanied by considerable increase in financial effectiveness ratios, the Capital Group stands out positively among European banks, also those operating in Poland through their subsidiaries. Its net ROE rose in the course of 2011 by 2.6 percentage points to 17.5 per cent. while cost to income ratio—reflecting our high cost discipline—improved by 2.1 percentage points driven down to record 39.6 per cent.

The measures aimed at utilising the potentialities of the Group subsidiaries most fully and effectively also yielded their intended effects. The initiatives we undertook in this respect focused on achieving synergies and maximising benefits arising from these Group entities developing financial products and services complementary to those forming part of the Bank's core business. In parallel, we have put into motion a process of centralising common functions of the Capital Group entities, with the aim of optimising operating costs.

With the view of safety of our depositors' funds and preserving the value of our shareholders' invested capital, we have pursued a business development model based on prudent management of risk and drawing on diverse funding sources as we steadily developed our deposit base which we complemented with bond issuance. As a result, we preserved efficient balance sheet structure, in which the ratio of loans to stable funding sources stands at 88.4 per cent.

Homing in on the robust growth of the economy in the year 2011, PKO Bank Polski launched its new retail product offer with much success; supported the economic growth by intensifying its collaboration with the enterprise sector; and grew the scale of its investment banking activity.

Under conditions of Eurozone debt crisis and the uncertainties mounting in 2011 as to the future direction of global financial markets, the Bank validated its abiding immunity to external risk factors. Sensitivity tests conducted at the national and the European level once again proved that PKO Bank Polski is one of the most stable of the tested financial institutions. Even under conditions of the most extreme of the market development scenarios the Bank preserved its ability to generate profit and to remain within standard value ranges of all the tested indicators.

The Bank has also continued to pursue its programmes aimed at substantially improving customer service. These focused on increasing efficiency of the sales process and the customer service standards, which they measured through regularly conducted customer satisfaction surveys. The same purpose is served by the branch network modernisation process began in 2011 and involving replacement of interior equipment and refreshment of the visual identity of Bank's outlets.

Of instrumental importance to achievement of our strategic objectives is the paradigm change in our corporate culture; underpinned by a truly modern human resource management policy we have pursued. In addition to the various projects seeking to facilitate career development of the staff at all levels of the organisation, in the year 2011 PKO Bank Polski also implemented a pay system based on analysis of value of respective job positions and on adjustment of pay levels to those prevailing in the labour market.

PKO Bank Polski Group achieved its financial results through a sustained effort of all the Group company employees. This joint endeavour has prepared the Capital Group well for the new ambitious targets it intends to achieve in the next business year.

Zbigniew Jagiełło

President of the Management Board of PKO Bank Polski