

Dear Ladies and Gentlemen,

I am delighted to be presenting to you the Annual Report of PKO Bank Polski and its Capital Group in respect of the year 2010. In it we discuss what was, by all accounts, a vigorous first-year implementation of our 2010-2012 Strategy, a three-year programme aimed at installing PKO BP in the position of unassailable and explicit leadership in the Polish banking market. The Strategy anticipates manifest increase in the scale of our operations translating into over 30 per cent. asset base growth; to PLN200 billion. Supporting measures will include robust cost control bringing cost to income ratio below 45 per cent. and maintenance of capital adequacy above the 12 per cent. mark.

As it worked to achieve these objectives, in 2010 PKO Bank Polski Capital Group build up its positioning and increased its market shares in the key fields of its operation. Our domestic market position is dominant not just in servicing retail customers, but also in small and medium enterprise and corporate finance as well as in financial services for local government entities and budget units.

Under pressures of vigorously competitive market, PKO Bank Polski Capital Group generated in 2010 net profit of over PLN3.2 billion; one that was nearly 40 per cent. higher than a year earlier and represented over 27 per cent. of the entire Polish banking sector's net earnings. At the same time all of our effectiveness ratios improved. The loan portfolio expanded by nearly 12.5 per cent. reaching PLN135.5 billion while total deposits increased by more than 6.3 per cent. reaching PLN133 billion. The robust lending growth edged forward balance sheet total by 8.4 per cent. to PLN169.7 billion, with capital funds of PLN21.4 billion. The Capital Group has thereby attained historic highs in terms of profit, shareholders' equity and assets.

We complemented customer deposits – our traditional funding source –with funds raised through a successful first tranche five-year Eurobond issue of EUR800 million. Consequent to that diversification exercise, our funding ratio stands at 92 per cent.

The Bank has experienced further opening to new technologies as it proceeded with mass scale rollout of a series of innovative banking solutions. In 2010 we relaunched our Inteligo brand and launched a project targeting issuance of 6.5 million EMV technology compliant contactless smart cards.

Key contributors to the systematic improvement in PKO Bank Polski operational results and to its continual modernisation also include organisational changes, which have elicited renewed commitment on the part of the personnel. The improved, more effective management structure combined with the new solutions adopted in our employee skill improvement and incentives scheme have served well the ultimate goal of improving customer service.

The achievements to date and assuredly our future successes depended and will continue to depend on joint effort of the entire PKO BP Capital Group employee team. It is through their daily care that Bank has made great strides in recognition and responding to the needs and expectations of its customers; which I personally appreciate very much.

PKO Bank Polski faces up to new challenges. We aim most of all at systematic gains in service quality and product offer expansion. These we will manage to achieve through concerted efforts for the benefit of the Bank's shareholders and customers.

Zbigniew Jagiełło

President of the Management Board of PKO Bank Polski