

BANK
POLSKA KASA OPIEKI
SPOLKA AKCYJNA

Interim financial statements
of Bank Pekao S.A. Group
for the fourth quarter of 2008
prepared according to
International Financial Reporting Standards



Selected financial statements translated into EUR

Position		in PLN ths		in EUR ths	
		4 Quarters of 2008	4 Quarters of 2007	4 Quarters of 2008	4 Quarters of 2007
I.	I. Net interest income	4 509 485	2 715 186	1 276 715	718 912
II.	II. Net fee and commission income	2 341 816	2 204 308	663 010	583 644
III.	III. Operating profit	4 241 270	2 452 275	1 200 779	649 300
IV.	Profit before income tax	4 345 978	2 605 151	1 230 423	689 777
V.	Net profit (loss)	3 540 936	2 162 477	1 002 502	572 569
VI.	Net profit (loss) attributable to equity holders of the Company	3 527 964	2 155 478	998 829	570 716
VII.	Net profit (loss) attributable to minority interest	12 972	6 999	3 673	1 853
VIII.	Net cash from operating activities	(1 240 188)	8 631 616	(351 119)	2 285 431
IX.	Net cash used in investing activities	543 551	(1 911 240)	153 889	(506 047)
X.	Net cash from financing activities	(3 825 159)	(1 095 398)	(1 082 970)	(290 033)
XI.	Net increase / decrease in cash and cash equivalents	(4 521 796)	5 624 978	(1 280 200)	1 489 350
XII.	Total assets	132 030 453	124 096 151	31 643 767	34 644 375
XIII.	Amounts due to the Central Bank	4 817 499	1 485 921	1 154 611	414 830
XIV.	Amounts due to other banks	10 175 521	8 456 191	2 438 769	2 360 746
XV.	Amounts due to customers	90 889 048	89 944 078	21 783 398	25 110 016
XVI.	Minority interest	89 125	80 507	21 361	22 475
XVII.	Equity attributable to the Company's equity holders	15 947 313	14 666 788	3 822 096	4 094 581
XVIII.	Share capital	262 213	261 867	62 845	73 106
XIX.	Number of shares	262 212 629	261 866 657	262 212 629	261 866 657
XX.	Book value per share (in PLN/EUR)	60,82	56,01	14,58	15,64
XXI.	Diluted book value per share (in PLN/EUR)	60,77	55,97	14,56	15,63
XXII.	Earnings per 1 ordinary share (in PLN/EUR)	13,46	12,27	3,81	3,25
XXIII.	Diluted earnings per 1 ordinary share (in PLN/EUR)	13,45	12,26	3,81	3,25
XXIV.	Paid dividend per share (in PLN/EUR)	9,60	9,00	2,54	2,31
XXV.	Capital adequacy ratio %	11,06	12,12	x	x
XXVI.	Risk weighted assets (*)	106 438 455	90 872 463	25 510 127	25 369 197
XXVII.	Core funds (Tier I)	11 769 789	11 015 037	2 820 868	3 075 108
XXVIII.	Supplementary funds (Tier II)	-	-	-	-

(*) Data as at 31st December 2008 are disclosed in accordance with the Resolution 1/2007 of Banking Supervisory Commission Basel II.

Content

1	Summary	4
2	Accounting principles adopted in the preparation of the quarterly report	5
3	Consolidated financial information – prepared in a comparable basis	6
4	Financial statements	7
5	Additional information	15
5.1	The Group	15
5.2	Results achieved in 2008 and factors which influenced these results	16
5.2.1	Results of the Group	16
5.2.2	The structure of the net profit	19
5.2.3	Achievements of Bank Pekao S.A.	21
5.2.4	Achievements of subsidiaries	22
5.3	Segment reporting	23
5.4	Adjustments for provisions, deferred tax provision and assets	24
5.5	Write-offs for revaluation of assets	24
5.6	Information on contingent assets and liabilities	25
5.7	Post balance sheet events	25
5.8	Seasonality or cyclical nature of the Bank's activity	25
5.9	Issuance, redemption and repayment of debt securities	26
5.10	Dividend paid	26
5.11	Effects of changes in the Group's structure	27
5.12	The position of the Management Board regarding the possibility of achieving previously published forecasts	27
5.13	Information regarding shareholders owning at least 5% of the total number of votes at the General Meeting of Bank Pekao S.A.	27
5.14	The Issuer's shares held by the Management and Supervisory Board Members	27
5.15	Pending litigations	28
5.16	Assessment of the financial credibility of Bank Pekao S.A.	28
5.17	Changes in the Management Board of the Bank	29
5.18	Transactions of related entities	29
5.19	The signing an amendment to the agreement between Ministry of the State Treasury and UniCredit S.p.A.	30
5.20	Factors which will affect the results of at least the next quarter	31

1 Summary

In order to provide better comparability, the financial statements in respect of the four quarters of 2007 (hereafter referred to as „combined data” or „combined result”) are presented as a „combination” of the financial results of the Bank Pekao Group and Pekao285, i.e. that part of Bank BPH S.A. which was merged with Bank Pekao S.A. as a result of the Spin-off of Bank BPH S.A. as registered on November 29, 2007.

The Group's net profit attributable to equity holders generated in 2008 amounted to PLN 3,528.0 million and was only PLN 19.2 million (0.5%) lower than combined net profit in 2007, with operating income growing in that period from PLN 4,532.8 million to PLN 4,535.0 million, i.e. by PLN 2.2 million (0.05%).

The positive results of 2008 were achieved in an environment where, since the beginning of the year, market conditions remained under pressure from the difficult situation in the international financial markets and on the Warsaw Stock Exchange. As a result, a further decrease in the valuation of mutual funds assets was observed, accompanied by continued redemptions of mutual funds units.

Growth of operating income was supported by commercial activity, thanks to which the decrease of commissions related to investment products was partially compensated for the growth in net interest income. At the same time operating costs were reduced despite the cost incurred for the integration.

Results achieved in this period confirm high profitability of Pekao Group measured by return on average equity (ROE), which stood at 23.5% in 2008. The strength of the capital structure of Bank Pekao S.A. Group is reflected by capital adequacy ratio at the level of 11.1% at the end of 2008, that allows further sound and stable development of the Group's activity in spite of the weakening of the Polish zloty and growth of loans volumes.

The Bank continued its policy of offering only PLN mortgage loans. The portfolio of old mortgage loans denominated in foreign currencies constitutes only 7.2% of total loans, thanks to the Bank's consistent credit risk policy.

- In 2008, the Group's total income amounted to PLN 8,322.7 million and was only PLN 31.9 million (0.4%) lower than combined income in 2007.
- A growth in net interest income by PLN 299.6 million (6.9%) partially compensated for the decrease in net fee and commission income.
- The Group's net fee and commission income in 2008 decreased by PLN 633.0 million (21.3%) in comparison to combined net fee and commission income in 2007, affected by the decrease in commission on investment products. As a result of a significant decline in demand, lower sales of mutual funds translated into lower up-front fees while the decrease of mutual funds assets under management also impacted management commissions. Moreover, lower activity on the Warsaw Stock Exchange caused a decrease of fees and commissions related to brokerage. Net fee and commission income excluding commission on investment products and brokerage fees increased by PLN 33.4 million (1.8%) from PLN 1,861.6 million in 2007 to PLN 1,895.0 million in 2008.
- Total overhead costs (including depreciation) in 2008 amounted to PLN 3,787.7 million, were lower than the combined overhead costs in 2007 by PLN 34.1 million (0.9%),
- In 2008, impairment losses on loans and advances amounted to PLN 293.7 million and were PLN 26.4 million (8.2%) lower than the combined result for 2007 thanks to effective credit risk management.

At the end of 2008, the ratio of impaired receivables to total receivables amounted to 5.5% compared to 7.7% at the end of 2007. The ratio decreased due to the increased volume of total loans and a reduced volume of impaired loans, and as a result of the sale of non-performing receivables transaction through a transaction completed in September 2008.

- At the end of 2008, the total volume of liabilities to Group's customers (including customer deposits, structured certificates of deposits and repo and sell-buy-back transactions) amounted to PLN 91,902.0 million and was PLN 707.6 million (0.8%) higher than at the end of 2007. The total volume of deposits of retail customers and structured certificates of deposits amounted to PLN 42,893.8 million and was PLN 4,410.2 million (11.5%) higher than at the end of 2007. The total volume of corporate customer deposits and repo and sell buy back transactions amounted to PLN 49,008.2 and were PLN 3,702.6 million lower than at the end of 2007, of that ca. PLN 2.3 billion due to budgetary sector and non-banking financial institutions.
- The volume of loans of Group's clients at the end of 2008 amounted to PLN 85,323.4 million, increasing by PLN 12,446.2 million since the beginning of the year thanks to both retail and corporate segments. This excludes the impact of the sale of the non-performing receivables portfolio completed in September 2008, that decreased the volume of gross loans in the amount of ca PLN 955 million. The total volume of retail loans amounted to PLN 26,876.1 million and volume of corporate loans amounted to PLN 58,447.3 million at the end of 2008.

2 Accounting principles adopted in the preparation of the quarterly report

The interim consolidated report of the Capital Group of Bank Pekao S.A. and the stand alone report of Bank Pekao S.A. were prepared in compliance with International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board.

The presented report meets the requirements of International Accounting Standard (IAS) 34 relating to interim financial reports and of the Decree of the Council of Ministers dated October 19, 2005 on current and periodic information submitted by the issuers of securities.

The consolidated interim financial statements of the Group and enclosed interim financial statements of the Bank have been prepared in accordance with the accounting principles applied for the purpose of asset and liabilities valuation and measurement of financial results, as disclosed in the consolidated financial statements of the Capital Group of the Bank Pekao S.A. and the standalone financial statement of the Bank Pekao S.A. ended as at December 31, 2007 and published on March 21, 2008.

While the accounting principles applied in this quarterly report have not been changed in the scope of assets and liabilities valuation and income measurement, in the fourth quarter of 2008 the Bank made use of the amendment introduced in the IAS 39 „Financial Instruments: Recognition and Measurement” (European Commission Resolution 1004/2008 dated October 15, 2008), which under certain conditions allows for reclassification of financial instruments into other categories.

In relation to this and in line with the policy adopted by the UniCredit Group, the Bank has reclassified a part of its securities portfolio.

The reclassification, effective of October 1, 2008 considered a part of the debt securities portfolio:

- a part of corporate commercial papers were transferred from the available for sale category (AFS) to the loans and receivables category (CRD),
- a part of the sovereign debt portfolio was transferred from the trading category (TRD) into the held to maturity category (HTM).

The reclassification from the financial assets available for sale category to the loans and receivables category concerned the financial assets, which at the moment of reclassification met the definition of loans and receivables according to IAS 39. The reclassification was done due to a change of the Bank's intentions.

The reclassification of financial assets from the held for trading category to the financial assets held to maturity category was done due to the current financial crisis, which was considered to represent a rare circumstance, substantiating the possibility of the reclassification. The Bank has the intention and ability to hold those assets until maturity.

The change of accounting principles relating to the reclassification of the financial assets did not require the restatement of the comparative period.

The amount of financial assets reclassified based on the IAS 39 amendment (in thousand PLN):

	The value as of 01.10.2008		The value as of 31.12.2008	
	Book value	Fair Value	Book value	Fair Value
Financial assets transferred from the AFS into the CRD portfolio	2,865,657	2,865,657	2,864,410	2,864,006
Financial assets transferred from the TRD into the HTM portfolio	602,507	602,507	615,036	581,149

Data presented in the interim consolidated financial statements have been prepared in a manner assuring their comparability, with the exception of historical data relating to spin-off transactions made between Bank Pekao S.A. and Bank BPH S.A., realized by a transfer of the part of BPH S.A. property in the form of an organized part of the enterprise to Bank Pekao S.A.

For illustrative purposes financial information presented in chapters 3 and 5 of this report have been prepared on a comparative basis. In order to achieve the comparability of the historical information regarding the income statement for twelve months of 2007 has been restated by combining the income statement items of Pekao Group and Pekao285.

3 Consolidated financial information – prepared in a comparable basis

The tables below present financial information prepared on a comparable basis. In order to achieve comparability the historical information regarding the income statement for the twelve months of 2007 has been restated by combining the income statement items of Pekao Group and Pekao285 since January 1, to the Spin-Off date. Such combined data has been adjusted by the elimination of transactions made between Bank Pekao and Pekao285 during that period.

The combined financial information has been prepared for illustrative purposes only as it includes results of Pekao285 that were generated as part of Bank BPH operations. Accordingly it does not purport to be indicative of what the operating results or financial position would have been had Pekao285 operations been integrated with Bank Pekao S.A. during that period. The combined financial information for four quarters of 2007 does not reflect the strategy and organizational structure under which Pekao285 has been operating since its merger with part of Bank Pekao S.A.

QUARTERLY FINANCIAL REPORT

CONSOLIDATED INCOME STATEMENT - combined data (in '000 PLN)	4 Quarters 2008 period from 08-01-01 to 08-12-31	4 Quarters 2007 period from 07-01-01 to 07-12-31
Net interest income	4 509 485	4 320 086
Net fee and commission income	2 341 816	2 974 773
Other income	1 035 268	1 059 713
Gain on sale of discontinued operations	436 172	-
Total income	8 322 741	8 354 572
Overhead costs	(3 787 756)	(3 821 795)
Net operating income	4 534 985	4 532 777
Net impairment losses on financial assets and net provisions for guarantees and commitments	(293 715)	(320 057)
Share of profit (loss) of associates and joint venture entities valued at the equity method	104 708	152 876
Profit before income tax	4 345 978	4 365 596
Income tax expense from	(721 634)	(805 356)
Income tax expense on gain on sale of discontinued operations	(83 408)	-
Net profit	3 540 936	3 560 240
1. Attributable to equity holders of the Company	3 527 964	3 547 226
2. Attributable to minority interest	12 972	13 014

INDIVIDUAL INCOME STATEMENT

INCOME STATEMENT - combined data (in '000 PLN)	4 Quarters 2008 period from 08-01-01 to 08-12-31	4 Quarters 2007 period from 07-01-01 to 07-12-31
Net interest income	4 117 133	3 979 493
Net fee and commission income	2 073 394	2 560 942
Other income	1 481 490	1 314 606
Overhead costs	(3 430 134)	(3 487 274)
Net operating income	4 241 883	4 367 767
Net impairment losses on financial assets and net provisions for guarantees and commitments	(212 246)	(242 693)
Profit before income tax	4 029 637	4 125 074
Income tax expense	(683 792)	(743 238)
Net profit	3 345 845	3 381 836

4 Financial statements

Quarterly financial statements

CONSOLIDATED INCOME STATEMENT (in '000 PLN)	IV Quarter 2008			4 Quarters 2008			IV Quarter 2007			4 Quarters 2007		
	period from 08-10-01 to 08-12-31			period from 08-01-01 to 08-12-31			period from 07-10-01 to 07-12-31			period from 07-01-01 to 07-12-31		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Interest income	2 152 008	-	2 152 008	8 238 672	-	8 238 672	1 493 899	-	1 493 899	4 671 639	-	4 671 639
Interest expense	(1 042 542)	-	(1 042 542)	(3 729 074)	(113)	(3 729 187)	(634 572)	(648)	(635 220)	(1 953 537)	(2 916)	(1 956 453)
Net interest income	1 109 466	-	1 109 466	4 509 598	(113)	4 509 485	859 327	(648)	858 679	2 718 102	(2 916)	2 715 186
Fee and commission income	676 925	-	676 925	2 852 488	556	2 853 044	648 044	3 753	651 797	2 471 332	47 332	2 518 664
Fee and commission expense	(123 897)	-	(123 897)	(511 116)	(112)	(511 228)	(96 930)	(642)	(97 572)	(309 924)	(4 432)	(314 356)
Net fee and commission income	553 028	-	553 028	2 341 372	444	2 341 816	551 114	3 111	554 225	2 161 408	42 900	2 204 308
Dividend income	158	-	158	5 398	-	5 398	(1 823)	-	(1 823)	237	120	357
Result on financial instruments at fair value	15 409	-	15 409	57 060	(30)	57 030	(28 666)	(119)	(28 785)	21 547	265	21 812
Result on investment securities	(6 860)	-	(6 860)	78 405	-	78 405	21 251	-	21 251	37 958	-	37 958
Foreign exchange result	198 626	-	198 626	586 093	-	586 093	109 406	-	109 406	329 857	-	329 857
Other operating income	117 666	-	117 666	433 153	1	433 154	63 906	7	63 913	180 606	11	180 617
Other operating expenses	(41 956)	-	(41 956)	(124 713)	(99)	(124 812)	(43 000)	(45)	(43 045)	(91 804)	(49)	(91 853)
Net other operating income	75 710	-	75 710	308 440	(98)	308 342	20 906	(38)	20 868	88 802	(38)	88 764
Gain on sale of discontinued operations	-	-	-	-	436 172	436 172	-	-	-	-	-	-
Net impairment losses on financial assets and net provisions for guarantees and commitments	(134 325)	-	(134 325)	(293 715)	-	(293 715)	(59 774)	-	(59 774)	(192 346)	-	(192 346)
Overhead costs	(949 297)	-	(949 297)	(3 787 113)	(643)	(3 787 756)	(865 409)	(3 564)	(868 973)	(2 736 513)	(17 108)	(2 753 621)
Operating profit	861 915	-	861 915	3 805 538	435 732	4 241 270	606 332	(1 258)	605 074	2 429 052	23 223	2 452 275
Share of profit (loss) of associates and joint venture entities valued at the equity method	11 948	-	11 948	104 708	-	104 708	37 766	-	37 766	152 876	-	152 876
Profit before income tax	873 863	-	873 863	3 910 246	435 732	4 345 978	644 098	(1 258)	642 840	2 581 928	23 223	2 605 151
Income tax expense	(151 725)	-	(151 725)	(721 690)	56	(721 634)	(79 230)	(120)	(79 350)	(437 563)	(5 111)	(442 674)
Income tax expense on gain on sale of discontinued operations	-	-	-	-	(83 408)	(83 408)	-	-	-	-	-	-
Net profit	722 138	-	722 138	3 188 556	352 380	3 540 936	564 868	(1 378)	563 490	2 144 365	18 112	2 162 477
1. Attributable to equity holders of the Company	719 336	-	719 336	3 175 584	352 380	3 527 964	561 200	(1 378)	559 822	2 137 366	18 112	2 155 478
2. Attributable to minority interest	2 802	-	2 802	12 972	-	12 972	3 668	-	3 668	6 999	-	6 999
Earnings per share (in PLN per share)												
- basic for the period				12,12	1,34	13,46				12,17	0,10	12,27
- diluted for the period				12,11	1,34	13,45				12,16	0,10	12,26

CONSOLIDATED BALANCE SHEET (in PLN '000)	31.12.2008	31.12.2007
ASSETS		
Cash and amounts due from Central Bank	10 003 367	5 121 210
Debt securities eligible for rediscounting at the Central Bank	840	1 108
Loans and advances to banks	7 908 626	16 960 034
Financial assets as held for trading	2 744 415	3 165 113
Derivative financial instruments	4 440 541	1 922 958
Other financial instruments at fair value through profit or loss	4 713 116	3 777 729
Loans and advances to customers	79 077 983	66 658 037
Net investment in the finance lease	3 437 383	3 043 768
Derivatives used for hedging	157 899	40 672
Investment securities	15 128 906	17 620 419
1. Available for sale	13 249 845	17 033 529
2. Held to maturity	1 879 061	586 890
Assets of disposal group classified as held for sale	141 783	65 068
Investments in associated undertakings	308 756	388 169
Intangible assets	745 661	688 559
Tangible fixed assets	1 906 036	2 021 052
Investment property	70 852	58 559
Income taxes	388 337	421 486
1. Current tax assets	4 626	2 493
2. Deferred income tax assets	383 711	418 993
Other assets	855 952	2 142 210
TOTAL ASSETS	132 030 453	124 096 151
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Amounts due to the Central Bank	4 817 499	1 485 921
Amounts due to other banks	10 175 521	8 456 191
Financial liabilities as held for trading	405 979	491 382
Derivative financial instruments	5 145 498	1 661 282
Amounts due to customers	90 889 048	89 944 078
Derivatives used for hedging	373	28 965
Debt securities in issue	2 470 702	3 716 778
Liabilities directly associated with assets classified as held for sale	0	55 291
Current income tax liabilities	304 569	53 169
Provisions for deferred income tax	2 547	324
Provisions	306 739	379 828
Other liabilities	1 475 540	3 075 647
Total liabilities	115 994 015	109 348 856
Shareholders' equity		
Capital and reserves attributable to the Company's equity holders	15 947 313	14 666 788
Share capital	262 213	261 867
Other capital and reserves	12 194 504	12 393 624
Prior and current year profits	3 490 596	2 011 297
Minority interest	89 125	80 507
Total Shareholders' equity	16 036 438	14 747 295
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	132 030 453	124 096 151
	-	-
Capital adequacy ratio	11,06	12,12
Book value	15 947 313	14 666 788
Number of shares	262 212 629	261 866 657
Book value per share (in PLN per share)	60,82	56,01
Diluted numebr of shares	262 426 131	262 061 017
Diluted book value per share (in PLN per share)	60,77	55,97

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (in PLN '000)	2008 period from 08-01-01 to 08-12-31	2007 period from 07-01-01 to 07-12-31
Shareholders equity at the beginning of the period	14 747 295	8 892 627
a) adjustment related to IFRS/IAS introduction	-	-
b) change of consolidation method	-	-
c) adjustment due to fundamental errors	-	-
Adjusted shareholders equity at the beginning of the period	14 747 295	8 892 627
1. Share capital at the beginning of the period	261 867	166 808
a) Increase	346	95 059
- new shares issue	346	95 059
b) Decrease	-	-
- redemptions	-	-
1. Share capital at the end of the period	262 213	261 867
2. Earnings from previous years at the beginning of the period	2 011 297	1 680 938
a) Increase	-	-
- undistributed profits of prior period	-	-
- other	-	-
b) Decrease	(2 048 664)	(1 825 119)
- appropriation to general banking risk fund	-	(100 000)
- appropriation to other reserve capital	(518 365)	(158 756)
- appropriation to reserve capital	(35 030)	(27 856)
- dividend	(1 484 884)	(1 503 928)
- other	(10 385)	(34 579)
2. Earnings from previous years at the end of the period	(37 367)	(144 181)
3. Other capital and reserves at the beginning of the period	12 393 624	7 028 137
a) Increase	904 437	5 807 664
- appropriation of net profit	553 395	286 612
- share premium on issue of new shares	42 229	5 516 702
- valuation of securities available for sale (net); in which:	167 417	-
gains/losses from valuation of securities available for sale	206 452	-
provision for deferred income tax of the securities portfolio valuation	(39 035)	-
- hedging financial instrument valuation (net); in which:	137 748	-
gains/losses from valuation of hedging instruments	170 059	-
provision for deferred income tax of hedging instruments valuation	(32 311)	-
- employee share option proceeds	3 648	4 350
- foreign exchange differences from valuation of foreign entities	-	-
- other	-	-
b) Decrease	(1 103 558)	(442 177)
- cost of issues	(204)	(96 414)
- dividend	(1 032 357)	-
- valuation of securities available for sale (net) in which:	-	(212 958)
gains/losses from valuation of securities available for sale	-	(262 878)
provision for deferred income tax of the securities portfolio valuation	-	49 920
- hedging financial instrument valuation	-	(50 495)
- foreign exchange differences from valuation of foreign entities	(46 375)	(10 901)
- other	(24 622)	(71 409)
3. Other capital and reserves at the end of the period	12 194 503	12 393 624
4. Net profit	3 527 964	2 155 478
Shareholders' equity at the end of the period	15 947 313	14 666 788
Minority interest at the beginning of the period	80 507	16 744
a) Changes:	8 618	63 763
- net profit	12 972	6 999
- other	(4 354)	56 764
Minority interest at the end of the period	89 125	80 507
Total equity	16 036 438	14 747 295

	IV Quarter 2008	4 Quarters 2008	IV Quarter 2007	4 Quarters 2007
CONSOLIDATED STATEMENT OF CASH FLOW (in PLN '000)	period from 08-10-01 to 08-12-31	period from 08-01-01 to 08-12-31	period from 07-10-01 to 07-12-31	period from 07-01-01 to 07-12-31
Cash flow from operating activities - indirect method				
Net profit (loss)	719 336	3 527 964	559 822	2 155 478
Adjustments:	(869 039)	(4 768 152)	2 720 289	6 476 138
Depreciation	105 272	413 043	95 431	338 750
Share of profit (loss) associates	(11 948)	(104 708)	(37 766)	(152 876)
Foreign exchange differences	(358 097)	(295 170)	79 578	306 767
(Profit) loss on investing activities	8 372	(74 235)	(34 644)	(64 280)
Impairment	-	-	(18 211)	(18 211)
Interest and dividend	33 957	(78 857)	(227 173)	(835 297)
Change in loans and advances to banks	263 580	(352 545)	2 361 527	2 204 613
Change in financial assets as held for trading and other financial instruments at fair value through profit or loss	1 276 902	(514 689)	9 924 544	10 034 807
Change in derivative financial instruments	(2 692 378)	(2 517 583)	(1 281 805)	(1 396 316)
Change in loans and advances to customers	(7 594 413)	(12 419 678)	1 036 554	(2 240 973)
Change in net investment in the finance lease	(163 488)	(393 615)	(1 844 572)	(2 077 161)
Change in investment securities available for sale	2 988 762	3 012 595	(1 031 441)	(1 071 198)
Change in deferred income tax assets	13 528	(36 064)	339 673	345 078
Change in other assets	161 651	646 292	101 560	(402 332)
Change in amounts due to banks	(915 248)	5 050 908	(3 443 899)	672 622
Change in liabilities as held for trading	(670 698)	(85 403)	(845 168)	(618 698)
Change in derivative financial instruments and other financial liability at fair value through profit or loss	3 335 411	3 484 216	1 061 198	1 157 082
Change in amounts due to customers	4 228 448	944 970	(2 944 595)	1 249 445
Change in debt securities in issue	11 707	49 346	(192 433)	(150 633)
Change in provisions	(51 362)	(73 089)	52 017	51 393
Change in other liabilities	(790 438)	(1 682 995)	(58 895)	(325 947)
Income tax paid	(185 872)	(583 963)	(494 339)	(973 277)
Current tax	137 313	843 072	123 148	442 780
Net cash from operating activities	(149 703)	(1 240 188)	3 280 111	8 631 616
Cash flows from investing activities				
Investing activity inflows	6 643 133	24 785 991	12 708 369	42 121 088
Sale of subsidiaries and associates	50	87	-	22 598
Sale of investment securities	6 603 230	24 606 734	11 482 241	40 399 084
Sale of intangible assets and tangible fixed assets	2 891	11 349	1 574	2 203
Other investing inflows	36 962	167 821	198 514	671 163
Merger of "Pekao 285"	-	-	1 026 040	1 026 040
Investing activity outflows	(5 238 026)	(24 242 440)	(11 273 335)	(44 032 328)
Purchase of subsidiaries and associates	-	(5 182)	-	-
Purchase of investment securities	(4 996 867)	(23 731 036)	(11 037 540)	(43 528 315)
Purchase of intangible assets and tangible fixed assets	(241 159)	(506 222)	(147 944)	(416 162)
Other investing outflows	-	-	(87 851)	(87 851)
Net cash used in investing activities	1 405 107	543 551	1 435 034	(1 911 240)
Cash flows from financing activities				
Financing activity inflows	32 281	254 560	3 120 208	3 152 126
Proceeds from loans and advances from other banks	-	-	-	-
Proceeds from other loans and advances	-	-	-	-
Issue of debt securities	32 281	211 985	3 116 153	3 116 153
Increase of subordinated liabilities	-	-	-	-
Issue of ordinary shares	-	42 575	4 055	35 973
Sale of own shares	-	-	-	-
Other financing inflows	-	-	-	-
Financing activity outflows	(1 143 916)	(4 079 719)	(2 743 596)	(4 247 524)
Repayments of loans and advances from other banks	-	-	-	-
Repayments of other loans and advances	-	-	-	-
Redemption of debt securities	(1 143 916)	(1 562 478)	(2 743 596)	(2 743 596)
Decrease of subordinated liabilities	-	-	-	-
Other financial liabilities	-	-	-	-
Payments of financial lease liabilities	-	-	-	-
Dividends and other payments to shareholders	-	(2 517 241)	-	(1 503 928)
Other than payments to shareholders expenditures due to appropriation of profit	-	-	-	-
Purchase of own shares	-	-	-	-
Other financing outflows	-	-	-	-
Net cash from financing activities	(1 111 635)	(3 825 159)	376 612	(1 095 398)
Total net cash flow	143 769	(4 521 796)	5 091 757	5 624 978
Net change in cash and cash equivalents	143 769	(4 521 796)	5 091 757	5 624 978
Cash and cash equivalents at the beginning of the period	11 592 750	16 258 315	11 166 558	10 633 337
Cash and cash equivalents at the end of the period	11 736 519	11 736 519	16 258 315	16 258 315

QUARTERLY INDIVIDUAL REPORT

INCOME STATEMENT

(in '000 PLN)

	IV Quarter 2008 period from 08-10-01 to 08-12-31	4 Quarters 2008 period from 08-01-01 to 08-12-31	IV Quarter 2007 period from 07-10-01 to 07-12-31	4 Quarters 2007 period from 07-01-01 to 07-12-31
Interest income	2 008 555	7 672 910	1 391 682	4 404 556
Interest expense	(998 872)	(3 555 777)	(610 160)	(1 913 245)
Net interest income	1 009 683	4 117 133	781 522	2 491 311
Fee and commission income	609 252	2 561 039	557 358	2 077 842
Fee and commission expense	(117 415)	(487 645)	(90 081)	(281 225)
Net fee and commission income	491 837	2 073 394	467 277	1 796 617
Dividend income	114	525 537	65	243 184
Result on financial instruments at fair value	15 056	53 696	(26 020)	27 731
Result on investment securities	(8 049)	77 470	21 279	37 331
Foreign exchange result	161 223	535 107	108 204	325 744
Other operating income	97 784	392 776	65 886	148 051
Other operating expenses	(33 895)	(103 096)	(35 254)	(74 644)
Net other operating income	63 889	289 680	30 632	73 407
Net impairment losses on financial assets and net provisions for guarantees and commitments	(79 002)	(212 246)	(41 476)	(128 768)
Overhead costs	(857 406)	(3 430 134)	(785 182)	(2 469 010)
Operating profit	797 345	4 029 637	556 301	2 397 547
Profit before income tax	797 345	4 029 637	556 301	2 397 547
Income tax expense	(152 445)	(683 792)	(71 149)	(390 947)
Net profit	644 900	3 345 845	485 152	2 006 600
Earnings per share (in PLN per share)				
- basic for the period		12,76		11,42
- diluted for the period		12,75		11,41

BALANCE SHEET (in PLN '000)	31.12.2008	31.12.2007
ASSETS		
Cash and amounts due from Central Bank	9 975 000	5 082 829
Debt securities eligible for rediscounting at the Central Bank	840	1 108
Loans and advances to banks	10 213 642	17 551 065
Financial assets held for trading	2 727 581	2 828 802
Derivative financial instruments	4 489 752	1 917 960
Other financial instruments at fair value through profit or loss	4 713 069	3 777 679
Loans and advances to customers	75 105 146	63 955 254
Derivatives used for hedging	157 899	40 672
Investment securities	15 242 759	17 715 886
1. Available for sale	13 363 698	17 128 996
2. Held to maturity	1 879 061	586 890
Non-current assets held for sale	128 734	514
Shares in subsidiaries	1 506 442	1 631 694
Shares in associates	56 845	56 530
Intangible assets	721 888	668 183
Tangible fixed assets	1 808 694	1 908 424
Investment property	63 283	55 730
Income taxes	286 699	349 412
1. Current tax assets	-	-
2. Deferred income tax assets	286 699	349 412
Other assets	869 874	2 026 814
TOTAL ASSETS	128 068 147	119 568 556
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Amounts due to the Central Bank	4 817 499	1 485 921
Amounts due to other banks	8 091 435	6 884 279
Financial liabilities held for trading	405 979	491 382
Derivative financial instruments	5 150 384	1 683 306
Amounts due to customers	90 458 074	89 160 124
Derivatives used for hedging	373	29 083
Debt securities in issue	1 719 894	2 097 070
Current income tax liabilities	244 898	51 793
Provisions for deferred income tax	-	-
Provisions	298 177	374 998
Other liabilities	1 310 100	2 932 216
Total liabilities	112 496 813	105 190 172
Shareholders' equity		
Share capital	262 213	261 867
Profit for the year and retained earnings	3 345 845	2 006 600
Other capital and reserves	11 963 276	12 109 917
TOTAL SHAREHOLDERS' EQUITY	15 571 334	14 378 384
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	128 068 147	119 568 556
Capital adequacy ratio	10,33	11,13

STATEMENT OF CHANGES IN EQUITY
(in PLN '000)

	2008 period from 08-01-01 to 08-12-31	2007 period from 07-01-01 to 07-12-31
Shareholders equity at the beginning of the period	14 378 384	8 620 165
a) adjustment related to IFRS/IAS introduction	-	-
b) adjustment due to fundamental errors	-	-
Adjusted shareholders equity at the beginning of the period	14 378 384	8 620 165
1. Share capital at the beginning of the period	261 867	166 808
a) Increase	346	95 059
- new shares issue	346	95 059
b) Decrease	-	-
- redemptions	-	-
1. Share capital at the end of the period	262 213	261 867
2. Retained earnings (loss) from previous years at the beginning of the period	2 006 600	1 728 539
a) Increase	-	-
- profit for previous year	-	-
b) Decrease	(2 006 600)	(1 728 539)
- appropriation to legal capital	-	(15 000)
- appropriation to general banking risk fund	-	(100 000)
- appropriation to reserve capital	(521 716)	(109 611)
- dividends	(1 484 884)	(1 503 928)
2. Retained earnings (loss) at the end of the period	-	-
3. Other capital at the beginning of the period	12 109 917	6 724 818
a) Increase	885 920	5 745 663
- appropriation of net profit	521 716	224 611
- issue of shares under its' nominal value	42 229	5 516 702
- sold of own shares	559	-
- valuation of securities available for sale (net); in which	176 431	-
<i>gains/losses from valuation of securities available for sale</i>	215 696	-
<i>provision for deferred income tax</i>	(39 265)	-
- valuation of hedging financial instruments (net); in which:	137 747	-
<i>hedging financial instrument valuation</i>	170 058	-
<i>provision for deferred income tax of the hedging financial instrument valuation</i>	(32 311)	-
- valuation of management options	3 390	4 350
- foreign exchange differences on branches abroad	3 848	-
b) Decrease	(1 032 561)	(360 564)
- cost of issues	(204)	(96 414)
- dividends	(1 032 357)	-
- valuation of securities available for sale (net); in which:	-	(212 878)
<i>gains and losses from valuation of securities available for sale</i>	-	(262 778)
<i>provision for deferred income tax of the securities portfolio valuation</i>	-	49 900
- valuation of hedging financial instruments (net); in which:	-	(50 039)
<i>hedging financial instrument valuation</i>	-	(61 776)
<i>provision for deferred income tax of the hedging financial instrument valuation</i>	-	11 737
- foreign exchange differences on branches abroad	-	(1 233)
3. Other capital at the end of the period	11 963 276	12 109 917
4. Net profit	3 345 845	2 006 600
Shareholders' equity at the end of the period	15 571 334	14 378 384

CASH FLOW STATEMENT (in PLN '000)	IV Quarter 2008 period from 08-10-01 to 08-12-31	4 Quarters 2008 period from 08-01-01 to 08-12-31	IV Quarter 2007 period from 07-10-01 to 07-12-31	4 Quarters 2007 period from 07-01-01 to 07-12-31
Cash flow from operating activities - indirect method				
Net profit (loss)	644 900	3 345 845	485 152	2 006 600
Adjustments:	(2 897 553)	(7 024 910)	4 690 963	8 545 839
Depreciation	94 429	371 294	88 875	316 695
Foreign exchange differences	(300 061)	(223 747)	131 887	355 271
(Profit) loss on investing activities	8 809	(76 676)	(35 065)	(63 768)
Impairment	-	-	(2 002)	-
Interest and dividend	(284 685)	(926 258)	(232 806)	(1 080 144)
Change in loans and advances to banks	(2 206 518)	(2 788 694)	2 528 567	2 318 736
Change in financial assets as held for trading and other financial instruments at fair value through profit or loss	1 381 151	(834 169)	9 850 261	10 045 479
Change in derivative financial instruments	(2 731 463)	(2 571 792)	(1 277 025)	(1 391 317)
Change in loans and advances to customers	(7 153 541)	(11 149 624)	(312 477)	(2 032 690)
Change in investment securities available for sale	2 864 245	2 859 200	(820 201)	(824 442)
Change in deferred income tax assets	(284 086)	(8 863)	307 245	349 139
Change in other assets	591 725	593 746	113 752	(284 351)
Change in amounts due to banks	(721 325)	4 538 734	(3 058 072)	(182 935)
Change in liabilities as held for trading	(670 698)	(85 403)	(849 432)	(614 997)
Change in derivative financial instruments	3 313 915	3 467 078	1 083 265	1 179 112
Change in amounts due to customers	4 104 485	1 297 950	(2 866 295)	689 419
Change in debt securities in issue	9 148	46 856	31 545	31 545
Change in provisions	(59 179)	(76 821)	51 348	50 409
Change in other liabilities	(829 785)	(1 661 352)	319 857	201 857
Income tax paid	(141 994)	(489 023)	(474 922)	(907 742)
Current tax	117 875	692 654	112 658	390 563
Net cash from operating activities	(2 252 653)	(3 679 065)	5 176 115	10 552 439
Cash flows from investing activities				
Investing activity inflows	7 070 110	25 584 453	12 713 713	42 157 453
Sale of subsidiaries and associates	49	87	-	-
Sale of investment securities	6 634 185	24 611 555	11 472 031	40 290 930
Sale of intangible assets and tangible fixed assets	340	851	407	700
Other investing inflows	435 536	971 960	215 235	839 783
Merger of "Pekao 285"	-	-	1 026 040	1 026 040
Investing activity outflows	(5 319 455)	(24 161 958)	(11 861 493)	(44 948 235)
Purchase of subsidiaries and associates	-	(5 182)	-	(474 729)
Purchase of investment securities	(5 090 424)	(23 710 793)	(11 240 098)	(43 643 758)
Purchase of intangible assets and tangible fixed assets	(229 031)	(445 983)	(129 823)	(338 176)
Other investing outflows	-	-	(491 572)	(491 572)
Net cash used in investing activities	1 750 655	1 422 495	852 220	(2 790 782)
Cash flows from financing activities				
Financing activity inflows	(681)	325 329	4 055	35 973
Loans received from banks	-	-	-	-
Loans received from other financial institutions	-	-	-	-
Issue of debt securities	(1 240)	282 195	-	-
Increase in subordinated liabilities	-	-	-	-
Issue of ordinary shares	-	42 575	4 055	35 973
Sale of own shares	559	559	-	-
Other inflows	-	-	-	-
Financing activity outflows	(653 641)	(3 302 705)	(56 905)	(1 560 837)
Repayment of bank loans	-	-	-	-
Repayment of loans received from other financial institutions	-	-	-	-
Redemption of debt securities	(653 641)	(785 464)	(56 905)	(56 909)
Decrease of subordinated liabilities	-	-	-	-
Repayment of other financial liabilities	-	-	-	-
Repayment of principal amounts under finance lease agreements	-	-	-	-
Dividends and other payments to shareholders	-	(2 517 241)	-	(1 503 928)
Outflows from profit appropriation other than payments to shareholders	-	-	-	-
Purchase of own shares	-	-	-	-
Other financing outflows	-	-	-	-
Net cash from financing activities	(654 322)	(2 977 376)	(52 850)	(1 524 864)
Total net cash flow	(1 156 320)	(5 233 946)	5 975 485	6 236 793
Net change in cash and cash equivalents	(1 156 320)	(5 233 946)	5 975 485	6 236 793
Cash and cash equivalents at the beginning of the period	12 736 572	16 814 198	10 838 713	10 577 405
Cash and cash equivalents at the end of the period	11 580 252	11 580 252	16 814 198	16 814 198

5 Additional information

5.1 The Group

The Bank Pekao S.A. Capital Group as at December 31, 2008 consists of Bank Pekao S.A as the parent entity and 23 subsidiary entities.

The following entities are included in the consolidated financial report as at December 31, 2008:

Company's name	Core activity	% of shareholder's share capital	Status
Parent entity			
Bank Pekao S.A.	Banking	-	-
Entities fully consolidated			
UniCredit Bank Ltd. (before Bank Pekao (Ukraina) Ltd.)	Banking	100.00	full
Centralny Dom Maklerski Pekao S.A.	Brokerage	100.00	full
Pekao Fundusz Kapitałowy Sp. z o.o.	Financial	100.00	full
Pekao Leasing Sp. z o. o.	Leasing	100.00	full
Pekao Faktoring Sp. z o.o.	Financial	100.00	full
Pekao Pioneer Powszechne Towarzystwo Emerytalne S.A.	Financial	65.00	full
Pekao Telecentrum Sp. z o. o. (before Drukbank Sp. z o.o.)	No activities performed	100.00	full
Centrum Kart S.A.	Financial	100.00	full
Pekao Financial Services Sp. z o. o.	Financial	100.00	full
Pekao Bank Hipoteczny S.A. (before BPH Bank Hipoteczny S.A.)*	Banking	100.00	full
Pekao Leasing Holding S.A. (before BPH PBK Leasing S.A.)	Leasing	80.10	full
Finanse plc *	Financial agency	100.00	full
Final Holding Sp. z o. o.	Holding management	100.00	full
Indirect subsidiary – subsidiary of Pekao Leasing Holding S.A.			
Pekao Leasing I Finance S.A. (before BPH Leasing S.A.)	Leasing	80.10	full
Pekao Auto Finance S.A. (before BPH Auto Finanse S.A.)	Car lease and fleet management	80.10	full
Indirect subsidiary – subsidiary of UniCredit Bank Ltd.			
BDK Consulting Sp. z o. o.	Consulting, hotels, transportation	99.99	full
Subsidiary entities non-consolidated			
Pekao Property S.A. (before BPH Real Estate S.A.)	Real estate	100.00	non- consolidated
Property Sp. z o. o. (in liquidation)	Real estate	100.00	non- consolidated
Centrum Bankowosci Bezposredniej Sp. z o. o.	Call-center	100.00	non- consolidated
Indirect subsidiary – subsidiary of Final Holding Sp. z o. o.			
PBKL S.A. (in bankruptcy)	N/A	84.51/84.79	non- consolidated
Indirect subsidiary – subsidiary of Property Spółka z o.o. (in liquidation)			
FBP Media Sp. z o. o.	Real estate	100.00	non- consolidated

**Indirect subsidiary – subsidiary of Pekao Property S.A.
(before BPH Real Estate S.A.)**

Metropolis Sp. z o. o.	Real estate – venture capital	100.00	non- consolidated
Jana Kazimierza Development Sp. z o. o.	Real estate – venture capital	100.00	non- consolidated

Associated with Bank Pekao S.A.

Central Poland Fund LLC	Financial brokerage	53.19	Equity
Xelion. Doradcy Finansowi Sp. z o.o.	Supporting, financial and insurance	50.00	Equity
Pioneer Pekao Investment Management S.A.	Financial brokerage	49.00	Equity
Pirelli Pekao Real Estate Sp. z o.o	Real estate	25.00	Equity
Krajowa Izba Rozliczeniowa S.A.	Clearing House	34.44	Equity
CPF Management	Financial brokerage no activities performed	40.00	not valuated under equity method
Polish Banking System S.A.. (in liquidation)	In liquidation	48.90	not valuated under equity method
PPP Budpress Sp. z o. o. (in liquidation)	In liquidation	36.20	not valuated under equity method

* Percentage shares of entities which make up the Pekao S.A. Capital Group at the General Shareholder Meeting/General Partner Meeting are as follows:

- Final Holding Sp. z o. o. – a subsidiary of Bank Pekao S.A. - holds 0.04 % share in Pekao Bank Hipoteczny S.A. (before BPH Bank Hipoteczny S.A.) Total share of the Group in Pekao Bank Hipoteczny S.A. equity is 100%,
- Final Holding Sp. z o. o. – a subsidiary of Bank Pekao S.A. - holds 0.02 % share in equity of Finanse plc. Total share of the Group in Finanse plc equity is 100%.

As at December 31, 2008 the composition of the Capital Group was changed as compared to September 30, 2008 which was due to the divestment of two subsidiaries: Final S.A. and Centrum Usług Księgowych Sp. z o. o.

As at December 31, 2008 the Group engagement at subsidiaries and associated entities non-consolidated or not valued under the equity method were included at the historical cost. Financial data of these companies are immaterial and have no influence on Group consolidated financial report.

5.2 Results achieved in 2008 and factors which influenced these results

In order to assure better comparability of dynamics of the main components of the profit and loss statement, data covering the year 2007 are presented as „combined data” (hereafter referred to as „combined data” or „combined result”) of Pekao Group and Pekao285, i.e. the part of Bank BPH S.A. merged with Bank Pekao S.A. as a result of the Spin-off of Bank BPH S.A. as registered on November 29, 2007.

5.2.1 Results of the Group

The Group's net profit attributable to equity holders generated in 2008 amounted to PLN 3,528.0 million and was PLN 19.2 million (0.5%) lower than combined net profit in 2007 with operating income growing in that period from PLN 4,532.8 million to PLN 4,535.0 million, i.e. by PLN 2.2 million (0.05%).

The positive results of 2008 were achieved in an environment where, since the beginning of the year, market conditions remained under pressure from the difficult situation in the international financial markets and on the Warsaw Stock Exchange. As a result, a further decrease in the valuation of mutual funds assets was observed, accompanied by continued redemptions of mutual funds units.

Growth of operating income was supported by commercial activity, thanks to which the decrease of commissions related to investment products was partially compensated for the growth in net interest income. At the same time operating costs were reduced despite the cost incurred for the integration.

Results achieved in this period confirm the high profitability of Pekao Group measured by return on average equity (ROE), which stood at 23.5% in 2008. The strength of the capital structure of Bank Pekao S.A. Group is reflected by capital adequacy ratio at the level of 11.1%

at the end of 2008, that allows further sound and stable development of the Group's activity in spite of the weakening of Polish zloty and growth of loan volumes.

The Bank continued its policy of offering only PLN mortgage loans. The portfolio of old mortgage loans denominated in foreign currencies constitutes only 7.2% of total loans, thanks to the Bank consistent credit risk policy.

The structure of Income Statement both in 2008 and 2007 was influenced by one-off transactions:

- in 2008 the sale of part of enterprise of CDM conducting corporate brokerage and investment banking services with an impact on pre-tax profit of PLN 435.7 million and on net profit of PLN 352.4 million,
- in 2008 the sale of non-performing receivables portfolio with an impact on the Group's net profit of PLN 77.2 million,
- in 2007 the sale of shares in Commercial Union PTE with an impact on pre-tax profit of PLN 178.0 million and on net profit of PLN 144.2 million.

The consolidated profit and loss account for 2008 and combined data for 2007 are presented below:

(PLN million)			
	2008	2007 combined	Change
Net interest income*	4,642.4	4,342.8	6.9%
Fee and commission income	2,341.8	2,974.8	(21.3%)
Dividend income	5.4	5.0	8.0%
Trading income / FX gains	588.6	916.0	(35.7%)
Other operating income / cost net	308.3	116.0	165.8%
Gain on sale of discontinued operations	436.2	0.0	x
Total income	8,322.7	8,354.6	(0.4%)
Overhead costs (including depreciation)	(3,787.7)	(3,821.8)	(0.9%)
Operating income	4,535.0	4,532.8	0.0%
Impairment losses on loans and advances	(293.7)	(320.1)	(8.2%)
Share in net profit (loss) of the associates	104.7	152.9	(31.5%)
Pre-tax profit	4,346.0	4,365.6	(0.4%)
Tax charge	(805.1)	(805.4)	(0.0%)
Net profit	3,540.9	3,560.2	(0.5%)
Attributable to equity holders of the Company	3,528.0	3,547.2	(0.5%)
Attributable to minority interest	12.9	13.0	(0.8%)

* Including income on SWAP transactions.

The Group's income

In 2008, the Group's total income amounted to PLN 8,322.7 million and was only PLN 31.9 million (0.4%) lower than combined income in 2007.

A growth in net interest income by PLN 299.6 million (6.9%) partially compensated for the decrease in net fee and commission income.

The Group's net fee and commission income in 2008 decreased by PLN 633.0 million (21.3%) in comparison to combined net fee and commission income in 2007, affected by the decrease in commission on investment products. As a result of a significant decline in demand, lower sales of mutual funds translated into lower up-front fees while the decrease of mutual funds assets under management also impacted management commissions. Moreover, lower activity on the Warsaw Stock Exchange caused a decrease of fees and commissions related to brokerage. Net fee and commission income excluding commission on investment products and brokerage fees

increased by PLN 33.4 million (1.8%) from PLN 1,861.6 million in 2007 to PLN 1,895.0 million in 2008.

The Group's overhead costs (including depreciation)

Total overhead costs (including depreciation) in 2008 amounted to PLN 3,787.7 million, were lower than the combined overhead costs in 2007 by PLN 34.1 million (0.9%).

			(PLN million)
	2008	2007 combined	Change
Overhead costs (including depreciation)	(3,787.7)	(3,821.8)	(0.9%)
Personnel costs	(1,852.7)	(1,932.7)	(4.1%)
Non-personnel costs	(1,522.0)	(1,496.1)	1.7%
Depreciation	(413.0)	(393.0)	5.1%

Overhead costs were kept under control, despite the additional expenditures related to integration.

In 2008, cost / income ratio amounted to 45.5% and improved in comparison with 45.7% in 2007.

At the end of 2008, the Bank had 19,718 employees, compared to 20,636 at the end of 2007. The Group had 21,992 employees at the end of 2008, compared to 22,926 as at the end of 2007.

Impairment losses on loans and advances

In 2008, impairment losses on loans and advances amounted to PLN 293.7 million and were PLN 26.4 million (8.2%) lower than the combined result for 2007 thanks to effective credit risk management.

			(PLN million)
	31.12.2008	31.12.2007	Change
Gross receivables *	86,322.4	74,334.9	16.1%
not impaired	81,605.1	68,574.4	19.0%
impaired	4,717.3	5,760.5	(18.1%)
Impairment losses	(4,113.6)	(4,855.5)	(15.3%)
Interest	303.2	219.1	38.4%
Total value	82,512.0	69,698.5	18.4%

* Including debt securities eligible for rediscounting at the Central Bank, net investment in the finance lease, non quoted securities, reverse repo and BSB transactions.

At the end of 2008, the ratio of impaired receivables to total receivables amounted to 5.5% compared to 7.7% at the end of 2007. The ratio decreased due to the increased volume of total loans and a reduced volume of impaired loans, and the sale of non-performing receivables through a transaction completed in September 2008.

Loans

			(PLN million)
	31.12.2008	31.12.2007	Change
Gross loans (principal)*	85,323.4	73,832.2	15.6%
corporate (principal)	58,447.3	49,595.9	17.8%
retail (principal)	26,876.1	24,236.3	10.9%

* Including debt securities eligible for rediscounting at the Central Bank and net investment in the finance lease, excluding non quoted securities, reverse repo and BSB transactions.

The volume of loans of Group's clients at the end of 2008 amounted to PLN 85,323.4 million, increasing by PLN 12,446.2 million since the beginning of the year thanks to both retail and corporate segments. This excludes the impact of the sale of the non-performing receivables portfolio completed in September 2008, that decreased the volume of gross loans in the amount of ca. PLN 955 million. The total volume of retail loans amounted to PLN 26,876.1 million and volume of corporate loans amounted to PLN 58,447.3 million at the end of 2008.

Savings

	(PLN million)		
	31.12.2008	31.12.2007	Change
Corporate customers deposits	47,284.8	50,006.9	(5.4%)
non-financial institutions	36,847.8	37,309.9	(1.2%)
financial non-banking institutions	3,602.3	4,249.1	(15.2%)
budgetary institutions	6,834.7	8,447.9	(19.1%)
Retail deposits	41,176.9	36,434.0	13.0%
Structured Certificates of Deposits (SCD)	1,716.9	2,049.6	(16.2%)
Repo and sell buy back transactions	1,723.4	2,703.9	(36.3%)
Total liabilities to customer (including SCD, repo and sell-buy-back transactions)*	91,902.0	91,194.4	0.8%
Mutual funds managed by PPIM	12,308.4	28,717.5	(57.1%)
incl. distributed through the Group's network	11,075.9	27,000.3	(59.0%)

* excluding interest accrued and due in transit

At the end of 2008, the total volume of liabilities to Group's customers (including customer deposits, structured certificates of deposits and repo and sell-buy-back transactions) amounted to PLN 91,902.0 million and was PLN 707.6 million (0.8%) higher than at the end of 2007.

The total volume of deposits of retail customers and structured certificates of deposits amounted to PLN 42,893.8 million and was PLN 4,410.2 million (11.5%) higher than at the end of 2007. The growth attributable to the fourth quarter of 2008 amounted to PLN 1,249.7 million.

The total volume of corporate customer deposits and repo and sell buy back transactions amounted to PLN 49,008.2 and were PLN 3,702.6 million lower than at the end of 2007, of that ca. PLN 2.3 billion due to budgetary sector and non-banking financial institutions. In the fourth quarter of 2008 volume of corporate customer deposits increased by PLN 3,384.6 million.

At the end of 2008, the net assets value of mutual funds under management of Pioneer Pekao TFI S.A. amounted to PLN 12,308.4 million. The decrease of PLN 16,409.1 million compared to the end of 2007 was driven by unfavorable market conditions that led to significant decrease of shares and other securities prices and reduced the valuation of assets under management. The negative impact of valuation amounted ca. PLN 8,359.7 million in that period.

5.2.2 The structure of the net profit

The structure of the net profit of the Group is shown in the following table:

	(PLN million)	
	2008	2007 combined
Net profit of Bank Pekao S.A.	3,345.8	3,381.8
Entities consolidated under full method		
Centralny Dom Maklerski Pekao S.A.*	418.9	182.0
Pekao Leasing Holding S.A.**	36.1	41.8
UniCredit Bank Ltd.***	35.2	(17.7)
Pekao Leasing Sp. z o.o.	24.8	17.1
Pekao Bank Hipoteczny S.A. (before BPH Bank Hipoteczny S.A)	18.9	16.8
Pekao Pioneer PTE S.A.	16.5	13.6
Final Holding Sp.z o.o.	15.8	0.0
Pekao Financial Services Sp. z o.o.	15.2	15.3
Pekao Faktoring Sp. z o.o.	9.3	8.0
Centrum Kart S.A.	7.0	4.3
Pekao Fundusz Kapitalowy Sp. z o.o.****	3.7	20.4
Pekao Telecentrum Sp. z o. o. (before Drukbank Sp. z o.o.)	0.3	0.2

Finanse plc (before BPH Finance plc)	(0.1)	0.9
Pekao Access Sp. z o.o.	-	(0.1)
Entities valued under the equity method		
Pioneer Pekao Investment Management S.A.	95.4	138.9
Krajowa Izba Rozliczeniowa S.A. *****	12.7	5.4
Pirelli Pekao Real Estate Sp. z o.o.	4.0	13.2
Biuro Informacji Kredytowej	-	0.6
Central Poland Fund LLC	(0.3)	0.0
Xelion. Doradcy Finansowi Sp. z o.o.	(7.6)	(6.6)
Exclusions and consolidation adjustments *****	(523.6)	(288.7)
Net profit of the Group attributable to shareholders	3,528.0	3,547.2

* The result of 2008 includes the effect of sale of the corporate business part of the company.

** The result of the subsidiary includes results of it's subsidiaries Pekao Leasing i Finanse S.A and Pekao Auto Finanse S.A.

*** The result of 2007 does not include the result of Commercial Bank HVB-Bank Ukraine for the first quarter of 2007.

**** The result of 2007 includes the impact of the sale of shares of Anica System S.A.

***** The Bank's share in the company's result amounted to 22,96% till 29.11.2007, and 34,44% till 30.11.2007.

***** Includes transactions within the Group, including dividends from subsidiaries for the previous year and net profit attributable to minority interest.

The results of Bank Pekao S.A.

The main items from the profit and loss account of the Bank for 2008 and combined data for 2007 are as follows:

			(PLN million)
	2008	2007 combined	Change
Net interest income*	4,250.1	4,002.2	6.2%
Non-interest income	3,421.9	3,852.8	(11.2%)
Total income	7,672.0	7,855.0	(2.3%)
Overhead costs (including depreciation)	(3,430.2)	(3,487.3)	(1.6%)
Operating income	4,241.8	4,367.7	(2.9%)
Impairment losses on loans and advances	(212.2)	(242.6)	(12.5%)
Pre-tax profit	4,029.6	4,125.1	(2.3%)
Net profit	3,345.8	3,381.8	(1.1%)

* Including income on SWAP operations.

Total income of the Bank at the end of 2008 in comparison with combined data for 2007 was lower by PLN 183.0 million and was impacted by the following:

- an increase in net interest income of PLN 247.9 million,
- a decrease in non-interest income by PLN 430.9 million, therein a decrease of fee and commission income by PLN 487.5 million, mainly due to unfavorable market conditions impacting income on investment products and fees on brokerage activity.

The Bank's combined results for 2007 were influenced by the sale of shares in Commercial Union PTE with an impact of transaction on pre-tax profit of PLN 178.0 million and on net profit of PLN 144.2 million. The Bank's results for 2008 were influenced by the sale of non-performing receivables with an impact on the Bank's net profit of PLN 77.2 million.

At the same time operating costs were kept under control despite the integration cost incurred and impairment losses on loans and advances has decreased at the end of 2008.

The main items of the Bank's balance sheet at the end of 2008 in comparison with the end of 2007 are as follows:

	31.12.2008	31.12.2007	Change
Total gross loans in PLN million*	77,594.0	67,701.6	14,6%
Impaired receivables to total receivables in %	5.4	7.7	(2.3 p.p.)
Total deposits in PLN million*	88,025.5	85,658.8	2.8%
Structured Certificates of Deposits in PLN million	1,716.9	2,049.6	(16.2%)
Repo and sell buy back transactions	1,723.4	2 703,9	(36.3%)
Total assets in PLN million	128,068.1	119,568.6	7,1%
Mutual funds distributed through the Bank's network in PLN million	9,926.3	24,153.9	(58.9%)
Capital adequacy ratio in %	10.3	11.1	(0.8 p.p.)

* The nominal value.

The volume of loans of the Bank's clients as at the end of 2008 amounted to PLN 77,594.0 million, increasing by PLN 10,847.4 million since the beginning of the year thanks to both retail and corporate segments. This excludes the impact of the sale of the non-performing receivables portfolio completed in September 2008, that decreased the volume of gross loans in the amount of ca. PLN 955 million). At the end of 2008 total volume of retail loans amounted to PLN 25,454.6 million and volume of corporate loans amounted to PLN 52,139.4 million.

At the end of 2008, the total volume of liabilities to the Bank's customers (including customer deposits, structured certificates of deposits, repo and sell-buy-back transactions) amounted to PLN 91,465.8 million and was PLN 1,053.5 million (1.2%) higher than at the end of 2007.

5.2.3 Achievements of Bank Pekao S.A.

Bank Pekao S.A. is a universal, commercial bank, offering a full range of banking services to both individual and corporate clients, operating in Poland and abroad. Pekao Group's subsidiary financial institutions operate in banking, asset management, pension funds, brokerage, leasing and factoring markets.

The Bank continued its policy of offering only PLN mortgage loans. Thanks to this consistent credit policy, the Bank is not exposed to exchange rate risks, with portfolio of old mortgage loans denominated in foreign currencies constituting only 7.2% of total loans.

The Bank has a superior physical distribution available to its clients, with a comprehensive and convenient countrywide network. The distribution network is supplemented with teams of Relationship Managers and a network of Private Banking offices. The number of customers using alternative distribution channels such as the call centre and internet banking platform is growing systematically. Pekao24 service (for the retail clients), PekaoBiznes24 (for corporate clients) and PekaoFIRMA24 (for SME clients) facilitate the management of financial assets, and the scope of services is being systematically extended.

Since the fourth quarter of 2008 the customers of the Bank and Dom Maklerski Pekao using Pekao24 service have the ability to connect the customer current account with the investment account. Thanks to this functionality the customers can execute fast transfer of funds from the selected current account to the selected investment account. Moreover, the range of operations within Pekao24 service available in the branch has been significantly extended.

The corporate clients – owners of Corporate Pekao VISA and MasterCard can benefit from discounts on selected services within the framework of the program "Korzysci dla korporacji" ("Benefits for Corporate Clients").

In the fourth quarter of 2008 the Bank adhered to The Single Euro Payments Area – SEPA. SEPA aims at creating a homogeneous payment market which allows both the corporate and the individual clients to conduct payment transfers easily, quickly, safely and cheaply.

Bank Pekao S.A. is playing an important role in all processes connected with EU funds availability for enterprises within the framework of the EU budget for the years 2007-2013. Our customers are actively supported by the Bank's experts in accessing EU funds through

consultation and the development of the Bank's instruments supporting this process. One of such unique instrument in the Polish market is the Internet search engine for information about the EU funds. This search tool as well as Bank's EU newsletter, providing up to date information about legislation changes and support programs in place, are available on the Bank's website.

	31.12.2008	31.12.2007
Total number of PLN current accounts (in thousand) *	4,337,6	4,179.7
of which packages (in thousand)	3,228,6	3,205.1
Number of mortgage loans accounts (in thousand) **	180.4	181.0
of which PLN mortgage loans accounts (in thousand)	123.8	117.1
Number of customers with consumer loan account (in thousand) ***	618.3	605.3
Total number of outlets (in items)	1 041	1,058
Total number of ATMs (in items)	1 891	1,885

* Number of accounts including accounts of pre-paid cards

** Retail customers accounts

*** Includes "Pozyczka Ekspresowa" and "Pozyczka od reki"

5.2.4 Achievements of subsidiaries

Pioneer Pekao TFI S.A.

At the end of 2008, the net assets value of mutual funds under management of Pioneer Pekao TFI S.A. (a company managed by Pioneer Pekao Investment Management S.A. in which the Bank holds a 49% share), amounted to PLN 12,308.4 million and was lower by PLN 16,409.1 million compared with the end of 2007. This decrease was driven by unfavorable market conditions that led to significant decreases of shares and other securities prices and resulted in a reduced valuation of assets under management (the negative impact of valuation amounted ca. PLN 8,359.7 million in that period) and customer funds withdrawals. At the end of 2008, the Company had 1,065.0 thousand opened registers (a decrease by 16.2% in 2008).

The net assets value of mutual funds under management of Pioneer Pekao TFI S.A. is presented in the table below:

	31.12.2008	31.12.2007
Net assets value	12,308.4	28,717.5
bond and money market funds	3,526.1	4,550.5
equity funds	3,101.6	10,564.7
balanced funds	5,680.7	13,602.3

(PLN million)

In the fourth quarter of 2008 the Company extended its offer with Strategie Fundusze SFIO.

Centralny Dom Maklerski Pekao S.A. (CDM)

At the of 2008, CDM maintained 156.9 thousand investment accounts and its market share amounted to 15.3%. CDM also offered on-line access to investment accounts, allowing its customers to buy and sell all instruments listed on the Warsaw Stock Exchange and on the OTC market (CeTO) through the Internet. At the end of 2008 CDM maintained 31.0 thousand on-line accounts, 4.6 thousand more than at the end of 2007.

In 2008 the Company achieved:

- a 20.4% share in the bond trading volume on the Warsaw Stock Exchange,
- a 2.9% share in the stock trading volume on the Warsaw Stock Exchange,
- a 4.2% share in the futures trading volume on the Warsaw Stock Exchange.

In line with Bank's strategy of concentration on retail brokerage services, being a part of the integrated services offered by Bank to retail clients, CDM on the basis of a sale agreement dated January 28, 2008 sold to UniCredit CA IB Polska S.A. part of the enterprise conducting corporate brokerage and investment banking services.

UniCredit Bank Ltd.

UniCredit Bank Ltd. in Ukraine operates in Ukrainian market as 100% subsidiary of Bank Pekao S.A. It pursues its activity through a network of 61 branches developed as a “green field project” over last three years, providing services for 139.9 thousand individual customers and almost 2.3 thousand corporate clients. UniCredit Bank Ltd. in 2008 achieved net profit on the level of 35.2 million PLN with positive evolution of revenues and tight cost control. The bank keeps a sound capital structure with capital adequacy ratio at the level of 13.06% at the end of 2008.

The bank loan portfolio is well diversified and its structure does not indicate significant concentration risks, its performance was not substantially affected by the deterioration of macroeconomic environment observed since the second half of 2008, resulting from the global financial crisis. Performance of the bank is under continued monitoring, in particular credit risk monitoring procedures were reinforced and the credit granting process was tightened in order to preserve an adequate quality of loans portfolio.

5.3 Segment reporting

Segment reporting of the Pekao Group covers following areas:

- Retail banking area – full-range of banking activity related to retail clients and small and micro companies with annual turnover not exceeding PLN 10 million, and also income of companies consolidated under the full method and assigned to retail activity,
- Corporate banking area – full-range of banking activity related to medium and large companies, and also income of companies consolidated under the full method and assigned to corporate activity,
- Treasury and Investment activities area – Bank’s involvement on inter-bank market, in debt securities and capital investments in companies, which are not a part of other segments, and also income of companies consolidated under the full method and assigned to this activity.

Information on main segments’ results for 2008

Information on main segments' results for 2009

					(PLN million)	
	Retail activity	Corporate activity		Treasury and Investment activity	Total Group (Continuing operations)	Total Group (Continuing and discontinuing operations)
		Continuing operations	Discontinuing operations			
External interest income	2,973.8	3,054.7		2,210.2	8,238.7	8,238.7
External interest expense	1,259.1	1,797.0	0.1	673.0	3,729.1	3,729.2
Net external interest income	1,714.7	1,257.7	(0.1)	1,537.2	4,509.6	4,509.5
Internal interest income	2,790.9	3,511.3		(6,302.2)	0.0	0.0
Internal interest expense	1,620.4	2,996.6		(4,617.0)	0.0	0.0
Net internal interest income	1,170.5	514.7		(1,685.2)	0.0	0.0
Net interest income	2,885.2	1,772.4	(0.1)	(148.0)	4,509.6	4,509.5
Non-interest income	2,076.3	1,201.4	436.5	99.0	3,376.7	3,813.2
Total income	4,961.5	2,973.8	436.4	(49.0)	7,886.3	8,322.7
Allocated assets	34,671.1	43,183.2		36,670.7	119,525.0	119,525.0
Unallocated assets					12,505.5	12,505.5
Total assets					132,030.5	132,030.5
Allocated liabilities	56,484.9	39,552.1		12,065.2	108,102.2	108,102.2
Unallocated liabilities					23,928.7	23,928.3
Total liabilities					132,030.5	132,030.5

Information on main segments' results for 2007*

(PLN million)						
	Retail activity	Corporate activity		Treasury and Investment activity	Total Group (Continuing operations)	Total Group (Continuing and discontinuing operations)
		Continuing operations	Discontinuing operations			
External interest income	1,384.2	1,744.8	0.0	1,542.6	4,671.6	4,671.6
External interest expense	410.7	1,158.1	2.9	384.7	1,953.5	1,956.4
Net external interest income	973.5	586.7	(2.9)	1,157.9	2,718.1	2,715.2
Internal interest income	1,402.1	1,322.4	0.0	(2,724.5)	0.0	0.0
Internal interest expense	670.4	1,204.0	0.0	(1,874.4)	0.0	0.0
Net internal interest income	731.7	118.4	0.0	(850.1)	0.0	0.0
Net interest income	1,705.2	705.1	(2.9)	307.8	2,718.1	2,715.2
Non-interest income	2,032.4	517.1	43.2	90.3	2,639.8	2,683.0
Total income	3,737.6	1,222.2	40.3	398.1	5,357.9	5,398.2
Allocated assets	32,868.0	39,676.2	57.9	42,931.6	115,475.8	115,533.7
Unallocated assets					8,562.4	8,562.4
Total assets					124,038.2	124,096.1
Allocated liabilities	51,237.7	41,696.2	55.3	10,486.1	103,420.0	103,475.3
Unallocated liabilities					20,620.8	20,620.8
Total liabilities					124,040.8	124,096.1

* Data of Pekao Group contains, since the integration with the part of Bank BPH S.A, the Bank's profit after integration and subsidiary's profit, in line with those published for 2007.

5.4 Adjustments for provisions, deferred tax provision and assets

(PLN million)				
	Group		Bank Pekao S.A.	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Total provisions	306.7	379.8	298.2	375.0
of which:				
provisions for off-balance sheet liabilities	140.6	186.2	142.3	186.2
provisions for liabilities to employees	132.0	123.6	126.7	121.9
other provisions	34.1	70.0	29.2	66.9
Provision for deferred tax	2.5	0.3	0.0	0.0
Deferred tax assets	383.7	419.0	286.7	349.4

5.5 Write-offs for revaluation of assets

(PLN million)				
	Group		Bank Pekao S.A.	
	2008	2007*	2008	2007*
Total	(293.7)	(192.3)	(212.2)	(128.8)
for loan receivables and other financial assets	(349.2)	(161.1)	(266.1)	(96.6)
for off-balance sheet liabilities	50.5	(19.3)	48.9	(19.3)
other	5.0	(11.9)	5.0	(12.9)

* Data of Pekao Group contains, since the integration with the part of Bank BPH S.A, the Bank's profit after integration and subsidiary's profit, in line with those published for 2007.

5.6 Information on contingent assets and liabilities

	(PLN million)	
	31.12.2008	31.12.2007
Contingent liabilities granted and received	51,065.0	61,325.0
Liabilities granted:	36,807.7	38,716.8
Financial	31,442.9	34,264.6
Guarantees	5,364.8	4,452.2
Liabilities received:	14,257.3	22,608.2
Financial	1,960.0	2,199.5
Guarantees	12,297.3	20,408.7
Financial derivatives	250,180.2	298,579.7
currency transactions	106,042.6	109,653.5
interest rate transactions	138,361.6	188,215.7
securities transactions	5,776.0	710.5
Other	23,503.2	17,663.0
Total off-balance sheet items	324,748.4	377,567.7

5.7 Post balance sheet events

On January 30, 2009 the District Court for the Capital City of Warsaw, XIII Business Branch of the Domestic Registry Court registered the increase of share capital of Xelion.Doradcy Finansowi Sp. z o.o. (Bank's affiliated company) by the amount of PLN 6,000,000.

On January 9, 2009, the Extraordinary General Meeting of Xelion. Doradcy Finansowi Sp. z o.o. adopted a resolution on increasing the share capital of Xelion. Doradcy Finansowi Sp. z o.o. by the amount of PLN 6,000,000.

The increase in the share capital of Xelion. Doradcy Finansowi Sp. z o.o. was a consequence of acquisition by Bank Pekao SA of 6,000 newly created shares in Xelion. Doradcy Finansowi Sp. z o.o. with the par value of PLN 500 per share in the share capital of Xelion. Doradcy Finansowi Sp. z o.o. totalling PLN 3,000,000 nominal value which issue price was PLN 7,500,000 i.e. PLN 1,250 per share as well as take-up by UniCredit S.p.A. of 6,000 newly created shares in Xelion. Doradcy Finansowi Sp. z o.o. with the par value of PLN 500 per share in the share capital of Xelion. Doradcy Finansowi Sp. z o.o. totalling PLN 3,000,000 nominal value which issue price was PLN 7,500,000 i.e. PLN 1,250 per share.

Upon registration by the District Court of capital increase, the share capital of Xelion. Doradcy Finansowi Sp. z o.o. has been increased from PLN 54,050,000 to the amount of PLN 60,050,000.

Bank Pekao S.A. currently holds 60,050 shares of Xelion. Doradcy Finansowi Sp. z o.o. worth the total of PLN 30,025,000 of nominal value, comprising 50% of share capital of Xelion. Doradcy Finansowi Sp. z o.o., carrying 50% of votes at the General Meeting of Shareholders in Xelion. Doradcy Finansowi Sp. z o.o.

5.8 Seasonality or cyclical nature of the Bank's activity

The demand for the financial services offered by the Bank is stable, and so the impact of seasonal changes is immaterial. Due to the nature of the Bank's activity, it is not subject to seasonal or cyclical changes.

5.9 Issuance, redemption and repayment of debt securities

Issuance of bonds of Bank Pekao S.A.

On the basis of Resolution No. 6 of the Bank's Extraordinary General Meeting dated July 25, 2003 on the issue of registered bonds under an incentive program, the Bank issued registered A and B series bonds with pre-emptive rights to take up the Bank's F series shares as well as registered C and D series bonds with pre-emptive rights to take up the Bank's G series shares.

All the pre-emptive rights to take up F series shares pursuant to the implementation of the right of priority ensuing from the A and B series bonds and all the pre-emptive rights to take up G series shares pursuant to the implementation of the right of priority ensuing from the C series bonds were executed.

The execution of the pre-emptive rights to take up G series shares can be exercised in respect of D series bonds from January 1, 2009 to December 31, 2012.

The issue price of G series share amounts to PLN 123.06.

D series bonds could have been purchased from the Trustee agent by eligible persons until December 30, 2008.

On January 27, 2009 the Bank redeemed 117,234 series D bonds.

Issuance of bonds of UniCredit Bank Ltd.

As of December 31, 2008 total outstanding volume of bonds issued by UniCredit Bank Ltd. in 2006 amounts to UAH 79 million (face value) with the maturity date on January 19, 2010.

UniCredit Bank Ltd. bonds issued in 2007 in the amount of UAH 540 million (face value), maturity date on November 12, 2009 and put date on November 13, 2008 were (i) early redeemed in October 2008 in the amount of UAH 215 million and (ii) bought-out on the put-date in the amount of UAH 325 million.

Structured Certificates of Deposits

Structured Certificates of Deposits are investment products for Bank's clients that are an alternative for traditional banks' deposits. The total value of Bank's liabilities relating to these products amounted to PLN 1,716.9 million at the end of 2008 (principal value). In Bank's balance sheet there are 32 issues of Structured Certificates of Deposits in PLN, Euro and USD with the maximum maturity date set at March 8, 2011. Liabilities with the date of maturity in 2009, 2010, and 2011 account for 51.0%, 34.5% and 14.5% of total liabilities, respectively.

Pekao Leasing Holding S.A. (former BPH PBK Leasing S.A.) bonds

The total value of liabilities due to that bonds (principal) amounted to PLN 24.9 million at the end of 2008 with the date of maturity up to 3 months.

Pekao Bank Hipoteczny S.A. mortgage-backed securities

The total value of liabilities due to mortgage-backed securities amounted to PLN 925.8 million at the end of 2008 (principal value). The nominal value of these securities with the date of maturity are: 1 – 3 years – 67.2% and 3 – 5 years – 32.8% of total nominal value.

5.10 Dividend paid

Pursuant to Resolution of the Ordinary General Meeting of Bank Pekao S.A. dated April 23, 2008, PLN 9.60 per ordinary share was appropriated for payment of a dividend in respect of 2007, i.e. 6.7% higher as compared to the dividend paid in respect of 2006 (PLN 9.00 per one share). The ex-dividend date was declared for the May 15, 2008 and the dividend was paid on June 3, 2008. All the Bank's shares are ordinary shares.

5.11 Effects of changes in the Group's structure

Changes in the Group's structure are disclosed in point 5.1.

5.12 The position of the Management Board regarding the possibility of achieving previously published forecasts

On August 1, 2008 Management Board of Bank Pekao S.A. published in the current report no 69/2008 the forecast of Bank Pekao S.A.'s financial results in years 2008-2010.

Given the high volatility of the macroeconomic scenario, influenced by the global financial crisis, the Management Board of Bank Pekao S.A. has decided to refrain for the time being from the forecast's evaluation of the Bank's results for years 2008-2010. Once the macroeconomic situation stabilizes the Bank's Strategic Plan assumptions will be reassessed.

5.13 Information regarding shareholders owning at least 5% of the total number of votes at the General Meeting of Bank Pekao S.A.

The shareholders of Bank Pekao S.A. owning directly or indirectly through their subsidiaries at least 5% of the total number of voting rights at the General Meeting of Bank Pekao S.A. are as follows:

Shareholder's name	# of shares and votes at the General Meeting	Share in share capital and total number of votes at the General Meeting	# of shares and votes at the General Meeting	Share in share capital and total number of votes at the General Meeting
	December 31, 2008		December 31, 2007	
UniCredito Italiano S.p.A.	155,433,755	59.28%	155,433,755	59.36%
Other shareholders	106,778,874	40.72%	106,432,902	40.64%
Total	262,212,629	100.00%	261,866,657	100.00%

In 2008 share capital of the Bank has been increased by the total amount of PLN 345,972 as a result of issue of 345,972 series G ordinary bearer shares which have been taken up by participants of share option program.

5.14 The Issuer's shares held by the Management and Supervisory Board Members

According to information available to the Bank as at the date of submitting of this report, the members of the Bank's management and supervisory bodies held 87,946 shares of Bank Pekao S.A. The table below presents the number of shares held by the Management Board Members:

	As at the date of submitting the report		Change
	For the fourth quarter 2008	For the third quarter 2008	
Jan Krzysztof Bielecki	25,000	25,000	0
Diego Biondo	9,500	n/a*	n/a
Luigi Lovaglio	40,357	40,357	0
Marian Wazynski	13,089	13,089	0
Total	87,946	78,446	x

* On December 11, 2008 the Supervisory Board of Bank Pekao S.A appointed Mr. Diego Biondo to the positions of Vice President of the Management Board.

The Bank Pekao S.A. Capital Group is running an incentive program in the form of management stock options. The Program covers the Management Board of the Bank, the remaining managerial staff, key employees for realization of Bank's strategy, as well as employees of subsidiaries. The persons who meet the requirements set in the Program will be able to acquire the Bank's shares.

As at the date of submitting this report the incentive program for 2004 includes 36 persons for a total 293,275 shares, 86,791 of which will be able to be purchased by the management. The

Members of the Supervisory Board did not participate in the management stock options program.

The table below presents the number of management stock options held by the Management Board Members:

	As at the date of submitting the report		Change
	For the fourth quarter 2008	For the third quarter 2008	
Jan Krzysztof Bielecki	40,000	40,000	0
Luigi Lovaglio	32,678	32,678	0
Paolo Iannone	n / a*	23,000	n/a
Marian Wazynski	14,113	14,113	0
Total	86,791	109,791	x

* Mr. Paolo Iannone resigned from the position of Vice President and Member of the Management Board of Bank Pekao S.A. effective January 1, 2009

5.15 Pending litigations

In the fourth quarter of 2008 the number of the legal proceedings in courts, appropriate bodies of arbitration or public administration bodies, in respect to the liabilities of the Group was 459 and a total value amounted to PLN 533.8 million. The number of legal proceedings in respect to receivables was 2,879 with a total value of PLN 937.3 million. The value of legal proceedings relating to the liabilities of the Group in the fourth quarter of 2008 does not exceed 10% of the issuer's equity.

In the opinion of the Bank any proceeding that was in progress in courts, appropriate bodies of arbitration or public administration bodies during the fourth quarter of 2008, as well as all the proceedings taken together do not create any threat to the financial liquidity of the Bank.

5.16 Assessment of the financial credibility of Bank Pekao S.A.

As at December 31, 2008, Bank Pekao S.A. had the following financial credibility ratings:

Fitch Ratings	
Long-term rating (IDR)	A
Short-term rating	F1
Individual rating	B/C
Support rating	1
Outlook of IDR	Negative
Standard and Poor's	
Long-term rating	A
Short-term rating	A-1
Outlook	Stable
Moody's Investors Service Ltd. (The Bank has not ordered Moody's rating)	
Long-term deposit rating in foreign currency	A2
Long-term deposit rating in local currency	Aa3
Short-term deposit rating	Prime-1
Financial strength	C
Outlook	Stable

On December 10, 2008 Standard & Poor's Ratings Services affirmed hitherto prevailing ratings of the Bank. Among others, it had been stated in rationale that the ratings reflect its long-term importance as a core subsidiary of Italy-based UniCredito Italiano SpA, for which it acts as a cornerstone of activities in the strategically key markets of Central and Eastern Europe and are also supported by robust capitalization and good financial performance of the Bank.

On January 14, 2009 Moody's Investors Service Ltd. affirmed hitherto prevailing ratings of the Bank. The ratings derive from the banking group's strong franchise in retail and corporate banking, from its strong income generation capability, supported by an extensive nationwide multi-channel distribution network, from its improving efficiency, from its decreasing yet still high level of non-performing loans, and its adequate capitalization.

5.17 Changes in the Management Board of the Bank

On December 11, 2008 the Supervisory Board of Bank Pekao S.A appointed Mr. Diego Biondo and Mr. Marco Iannaccone to the positions of Vice Presidents of the Management Board for the current common term of office of the Management Board.

At the same time Mr. Paolo Iannone resigned from the position of Vice President and Member of the Management Board of the Bank effective January 1, 2009 being requested to cover important responsible managerial position within UniCredit Group.

Composition of the Management Board

As at the date of submitting the report		31.12.2008	
1.	Jan Krzysztof Bielecki President of the Management Board, CEO	1.	Jan Krzysztof Bielecki President of the Management Board, CEO
2.	Luigi Lovaglio First Vice President of the Management Board, General Manager	2.	Luigi Lovaglio First Vice President of the Management Board, General Manager
3.	Diego Biondo Vice President of the Management Board	3.	Diego Biondo Vice President of the Management Board
4.	Marco Iannaccone Vice President of the Management Board	4.	Marco Iannaccone Vice President of the Management Board
5.	Andrzej Kopyrski Vice President of the Management Board	5.	Paolo Iannone Vice President of the Management Board
6.	Katarzyna Niezgoda Vice President of the Management Board	6.	Andrzej Kopyrski Vice President of the Management Board
7.	Grzegorz Piwowar Vice President of the Management Board	7.	Katarzyna Niezgoda Vice President of the Management Board
8.	Marian Wazynski Vice President of the Management Board	8.	Grzegorz Piwowar Vice President of the Management Board
		9.	Marian Wazynski Vice President of the Management Board

5.18 Transactions of related entities

Reduction of share capital of Centralny Dom Maklerski Pekao S.A.

On October 31, 2008, the Local Court for the Capital City of Warsaw, XIII Business Department KRS registered the reduction of share capital of Centralny Dom Maklerski Pekao S.A. (CDM).

The share capital of CDM stands at PLN 56,331,898.

On June 9, 2008, the Extraordinary General Meeting of CDM adopted a resolution on the reduction of share capital of CDM by PLN 125,383,902 from PLN 181,715,800 to the amount of PLN 56,331,898.

Bank Pekao S.A. holds a stake worth PLN 56,331,898, totaling 100% of share capital of CDM and carrying 100% of votes in the General Meeting of CDM.

Sale of stakes of Centrum Usług Księgowych Ltd.

On November 18, 2008 Bank sold in favour of Company Korycka, Budziak & Audytorzy Ltd. located in Warsaw 100 shares of Centrum Usług Księgowych Ltd. with the total nominal value of PLN 50,000, summing up to 100% of the Company's share capital and representing 100% of the votes at the Shareholders Meeting of the Company.

It was a long-term investment. The sale price of the Company shares was PLN 105,000 (one hundred five thousand). The book value of the shares in the balance sheet of the Bank is PLN 50,000.

The buyer has the right to a partial price refund in case of certain circumstances arising as described in the agreement. Nevertheless the sale price can not be lower than PLN 60,000.

Divestment of financial assets

On December 31, 2008, Final Holding Sp. z o.o. (a 100% subsidiary of the Bank) divested to Yawal S.A. based in Herby 55,365,308 shares of FINAL S.A. based in Dabrowa Gornicza, with the nominal value of PLN 1 per share, with the total nominal value of PLN 55,365,308.00, comprising 99,8197% of the share capital of FINAL S.A. carrying 99,8414% votes in the General Meeting of FINAL S.A.

The assets divested were classified as a long-term investment. The sales price was PLN 62 million. The book value of FINAL S.A. shares subject to divestment in the ledgers of Final Holding Sp. z o.o. stood at PLN 45,362,393.00.

Pursuant to the transaction referred to above, Final Holding Sp. z o.o., and indirectly the Bank, hold no shares in FINAL S.A.

Other transactions

In 2008 Centralny Dom Maklerski Pekao S.A. (a wholly owned subsidiary of the Bank) and UniCredit CA IB Polska S.A., signed an agreement for the sale of part of the enterprise of CDM responsible for conducting corporate brokerage and investment banking services. The impact of the transaction on the Pre-tax profit of the Group is PLN 435.7 million and on the Net profit of the Group is PLN 352.4 million.

In 2008, the Bank and its subsidiaries have not concluded any other transactions with related entities except as above mentioned, other than typical and routine transactions, with a value in excess of the equivalent of EUR 500 thousand.

In 2008, the Bank and its subsidiaries did not provide any sureties or guarantees in respect of loans or advances to any single entity or a subsidiary of that entity, as a result of which the total value of existing sureties and guarantees would have equal or exceeded 10% of the Bank's equity.

5.19 The signing an amendment to the agreement between Ministry of the State Treasury and UniCredit S.p.A.

The Management Board of Bank Pekao S.A. received information that on December 11, 2008 the Ministry of the State Treasury (MST) and UniCredit S.p.A. signed an amendment to the agreement regarding Put Option and Call Option of Bank's shares dated September 2, 2008.

On the basis of the amendment, the MST and UniCredit S.p.A. agreed to finally waive their respective Put Option and Call Option with respect to the 3.95% shareholding of Bank held by the MST.

In connection with the waiver of MST's Put Option, UniCredit S.p.A. agreed to pay to the MST PLN 300 million and to grant to the MST a Put Spread Option to be settled in cash with respect to the MST Stake.

5.20 Factors which will affect the results of at least the next quarter

Bank Pekao S.A. and its subsidiaries operate predominantly on the territory of Poland. Therefore, the Bank's performance will be influenced by the economic events in Poland and international events that have an impact on Poland's economy.

The fourth quarter of 2008 was characterized by a significant economic slowdown in Poland. The forecast indicates that this trend will be continued in 2009. Poland's GDP growth rate it is expected to decrease, however the decline will be lower compared to other EU countries – Poland's biggest trade partners. The GDP decrease, most probably will result from a slowdown in exports, investment and individual consumption.

Falling foreign demand will be the major factor responsible for a deterioration of economic activity in the domestic company sector. Lower expectations regarding the demand side as well as constrained access to credit markets will be chiefly responsible for falling investment in 2009.

The main risk factors determining individual consumption dynamics in forthcoming quarters will be a reduction in employment and greater constraints in access to credit for households. Individual consumption will be positively affected by the reduced PIT rate, anti-crisis measures declared by the government and facilitating the procedures of granting EU funds and thus should contribute to the strengthening of domestic demand.

The banking sector was influenced by limits to the scale of transactions on the inter-bank market in the fourth quarter of 2008. A considerable fall in the inter-bank market and disproportion in liquidity among financial institutions resulted in credit rationing and simultaneously household deposits have been accumulated. Concerns about the liquidity structure of the financial sector and the performance of the real economy will have unfavorable effects on the banking sector's performance.

Worsened economic perspectives have pushed the key central banks to lower credit costs significantly. A faster than expected deterioration in the prospect for Polish economic growth and weaker inflation pressures have caused the Monetary Policy Council (MPC) to lower interest rates for the first time since 2006. Further cuts are expected to be made in the forthcoming quarters. It will be accomplished with the fiscal regime keeping and implementation of savings program. Such a combination of monetary and fiscal policy should contribute to boost the Polish economy.

In 2009 both, the expected slowdown of the Polish economy and a decrease in loans and deposit volume may have a negative impact on the banking sector. It will result in a reduction of income and increase cost of credit risk; the complete offset of these components through the cutting of operating costs may not be possible.

Taking into consideration the strategy of increasing activity on the Ukrainian market, the Group results might also be dependent on the economic trends in Ukraine.

In the first three quarters of 2008 Ukrainian economy was growing strongly driven by booming domestic demand and favorable external conditions. However, in the 4th quarter of 2008 following the steep fall in domestic and external demand due to the global commodity prices, sharp economic slowdown in major trading partners, frozen credit activity and UAH depreciation there was significant slowdown of Ukrainian economy. As a result real GDP growth for the year 2008 amounted to 2.1% after 7.9% increase in 2007. The industrial output has been falling by 20-30% year on year in the last quarter of 2008 and was mostly impacted by the significant drop in the steel industry. Overall, industrial production shrunk by 3.1% in 2008.

The inflation rate (end-of-period) was 22.3% in 2008 and was driven by the surging food prices in the first half of the year, substantial upward adjustments of administrative tariffs later in the year, a sharp increase in prices of imported goods and devaluation of the UAH exchange rate to the US dollar.

In the banking sector the volume of total loans grew 72% in UAH terms (that is only slightly slower than in 2007 – 74%), however part of the growth was driven by UAH depreciation. Banks had to limit substantially or stop granting new loans after the domestic banking system faced a

liquidity crunch. The global liquidity crisis and increasing country risk caused an increase of funding cost for Ukrainian banks. In order to calm the market situation National Bank of Ukraine tightened its policies in course of 2008: increased capital allocation in relation to mismatch in LT lending vs ST funding, increasing reserves from 4% to 20% for short-term foreign currency loans from non-residents raised by Ukrainian banks, increasing requirements for banks on consumer loan loss reserves. In 2008 the banking sectors equity grew by 74.5% however the capital adequacy ratio has fallen (from 13.9% at end-2007 to 13.2% as of end-November 2008).

Two international organizations, the IMF and the EBRD participated in the support aimed to restore financial and macroeconomic stability of Ukraine struck by the global financial crisis. The recapitalization of the banking system will be covered by National Bank of Ukraine, Ukrainian government, the IMF, the EBRD and foreign banking groups.