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The Influence of Foreign Investors on the Development of Polish Enterprises: A Case Study of Bank Polska Kasa Opieki Spółka Akcyjna

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Abstract

Pursuant to the definition proposed by Eurostat, foreign direct investment takes place when a resident entity in one economy seeks to obtain a lasting interest in an enterprise resident in another economy. A lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise, and an investor's significant influence on the management of the enterprise. Foreign investors do not only exert impact on a given company's board of directors but, importantly, provide production capital in privatized companies. Additionally, they equip them with both know-how on the performed economic activity and technical know-how. They send their specialists, who introduce international standards in daughter companies smoothly. In this paper, the author deals with the impact of a foreign investor on the development of Bank Pekao. A literature review is applied for this aim. It covers a detailed analysis of transaction documentation and post-audit statements of the Supreme Audit Office and delegations of the Ministry of State Treasury. Thanks to research, it can be assessed how UniCredito Italiano has positively influenced the operation of Polish bank after the acquisition of shares. Thereby, the results of this study contest popular opinion about exploitation of domestic employees by foreign companies.

Keywords: foreign direct investment, know-how, performance

1. Introduction

From the methodological point of view, there are many definitions of foreign direct investment. The subject of this article leads to a special emphasis on definitions which refer to the creation of a long-term relationship between an investor and the company in which the shares are acquired [1]. According to the IMF definition, direct investment reflects the aim of obtaining a lasting interest by a resident entity of one economy (direct investor) in an enterprise that is resident in another economy (the direct investment enterprise). The "lasting interest" implies the existence of a long-term relationship between the direct investor and the direct investment enterprise

and a significant degree of influence on the management [2] of the latter. Direct investment involves both the initial transaction establishing the relationship between the investor and the enterprise and all subsequent capital transactions between them and among affiliated enterprises, both incorporated and unincorporated [3]. The similar dimension gives the definition proposed by the Organization for Economic Cooperation and Development (OECD). Due to its interpretation, foreign direct investment means investment that aims at causing long-lasting relationships. In turn, the latter reflects an interest of an economic entity of one country in an economic entity of a country other than the country of permanent residency of the direct investor [4].

In Polish conditions, private economic entities did not have sufficient savings to acquire shares in state enterprises at appropriate prices. The state does not have the possibility to maximize profit with only domestic investors [5]. For this reason, it seems advantageous from the financial point of view to expand the investment circle to include foreign investors (or privatization with the help of foreign investors only) [6]. Moreover, the rapid incorporation of foreign, especially international, enterprises into the national economy compensates for the lack of competitiveness of national entities [7, 8]. The reason for this is a lack of know-how, outdated technology and inadequate product quality. Companies with foreign shareholding usually have a high share of equity, use modern technology [9] and pay above-average salaries [10].

On the basis of the investment data of foreign companies, it can be concluded that they carry out restructuring faster and more intensively than comparable companies with a purely domestic shareholding [11]. This can lead to higher unemployment in the short term [12]. In the long term [13], however, the development of the acquired company will be more evenly matched by subsequent investments [14]. The role of foreign investors in privatized companies refers to providing not only production capital but, above all, business know-how and technical know-how. Both types of knowledge can be passed on by foreign specialists, who should eliminate the previously insufficient level of efficiency [15] and parallelly smoothly introduce international standards in new subsidiaries [16]. Due to a specific “dissemination” of imported know-how, the effect of improved efficiency also influences domestic companies that have not yet been privatized [17].

At this point, it is worth showing how the issue of the impact of foreign investors on domestic firms is presented by other scholars (**Table 1**).

The above-mentioned positive aspects of foreign investors' activity in Poland were accompanied by relevant changes in the law. The Act on Companies with Foreign Participation played an important role here. It came into force on June 4, 1991. The following legal regulations were enshrined in the law:

- the creation of a general obligation to obtain a permit to set up a company (the exceptions were ports, airports, real estate trade, part of the arms industry, wholesale trade in imported consumer goods, legal services)
- free transfer of profits and capital
- transfer of the total amount remaining after the sale or liquidation of the company
- liquidation of the minimum amount at foreign initial capital
- liquidation of permission to acquire shares in privatized Polish enterprises

Author	Article	Abstract
Abdul Majeed, Ping Jiang, Mahmood Ahmad, Muhammad Asif Khan, Judit Olah	The Impact of Foreign Direct Investment on Financial Development: New Evidence from Panel Cointegration and Causality Analysis	The aim of this paper is to analyze the relationship between foreign direct investments and financial development in Bahrain. The estimation of financial development effects was performed for the period 1978 to 2015, which covers the political conflicts that happened in Middle East area (Arab Spring).
Made Gitanadya Aryani, Annisa Pratamasari	The Relationship between Foreign Direct Investment Influx, Economic Growth, and Financial Institutions in ASEAN-6	The object of this research is ASEAN members, because Southeast Asia is a dynamically growing region in terms of economy; hence, it attracts FDI influx. ASEAN is also a challenging object in terms of the degree of variability in financial market among its members.
Manpreet Kaur, Surendra S. Yadav, Vinayshil Gautam	Financial System Development and Foreign Direct Investment: A Panel Data Study for BRIC Countries	The article analyzes the impact of financial system development on FDI with respect to BRIC countries for the period 1991 to 2010. Using the panel data analyses, fixed and random effect, our results conclude that FDI inflows to BRIC countries are influenced by banking sector and stock market variables, used as a proxy for financial development.
Luca Papi	Foreign Direct Investment in the Banking Sector: A Transitional Economy Perspective	In this paper, we use new statistics on Foreign Direct Investment (FDI) in Transitional Economies (TEs) to analyze the issue of foreign ownership in the banking sector, examining the implications for the host banking sector. After considering the potential benefits and risks associated with foreign investment in the banking sector, and on the basis of some empirical results, we reach the conclusion that FDI provides valuable opportunities for the development of the host banking sector.
Hameed Khan, Umair Khan	Financial development and FDI inflows in China	In this paper, the authors revisit the nexus of financial development and FDI inflows, in Chinese perspective, incorporating the vital role of institutional quality and other important variables in this paradigm. Using ARDL bound testing and VECM procedures, they establish causality by exploiting variations in financial development and FDI.
Ritika Sharma	FDI in Indian banking sector	The present study aims at providing detailed information about FDI inflows in India during the subsequent years. The analysis is fully based on secondary data collected through different websites and journals. The project aims at providing information of present FDI policy, year-wise FDI inflows, advantages and disadvantages of FDI, RBI policy, foreign portfolio investment, impact and importance of FDI in banking sector, etc.
Laura Alfaro, Jasmina Chauvin	Foreign Direct Investment, Finance, and Economic Development	Research has sought to understand how foreign direct investment affects host economies. This paper reviews the empirical literature, specifically addressing the question: How does FDI affect economic development of host countries, and what is the role of local financial markets in mediating the potential benefits?

Source: [18–23].

Table 1.
The impact of foreign investors on domestic enterprises—A review of exemplary research articles.

- equal status of foreign companies and parent companies (tax exemptions for investments over EUR 2 million, liquidation of the turnover tax)
- taking over the accounting standards applicable in the European Union [24]

This liberalization of the conditions for foreign entities in terms of acquiring Polish companies resulted in rapid capital inflow to Poland. In this paper, the author presents the positive side of privatization in his home country. He deals with the impact of a foreign investor on the development of Bank Pekao S.A. A literature review is applied for this aim. It covers detailed analysis of transaction documentation and post-audit statements of both the Supreme Audit Office and delegations of the Ministry of State Treasury. Thanks to research, it can be assessed how UniCredito Italiano has positively influenced the operation of Pekao S.A. after the acquisition of shares. The objective of this analysis is to show, on the basis of these documents, what changes have taken place in the bank following the entry of a strategic investor. Furthermore, the author shows, on the basis of precise figures, what financial support there was from the new shareholder. It is also important in this context that it is not only about showing the material impact but also about presenting the contributed know-how, e.g. in the form of trainings. Thereby, the results of this study contest popular opinion about exploitation of domestic employees by foreign companies. Furthermore, novelty of my research lies in detailed description of ownership changes in banking with regard to its impact on certain companies and, thereby, the development of capital market in Poland.

2. Agreement between the state Treasury of the Republic of Poland and UniCredito Italiano S.p.a. and Allianz AG.: Sale of shares of Pekao S.A.

Privatization of Bank Pekao S.A. took place in the form of public offering – State Treasury sold 52.1% of shares in Bank Polska Kasa Opieki Spółka Akcyjna. The buyer was a consortium of entities: Credit Suisse First Boston, UniCredito Italiano S.p.A. and Allianz AG. It prepared an investment plan. It undertook to guarantee a capital increase of PLN 1000 million over a two-year period. Investors, in turn, assumed that Pekao would invest PLN 2000 million over five years. In the final offer for the purchase of shares, the consortium indicated that it fully appreciated the importance of Pekao for the Polish economy. For this reason, it intended to develop Pekao into a modern financial institution. According to purchase agreement, it was supposed to:

- financially support infrastructure development,
- financially support the development of small and medium enterprises, as well as large companies,
- participate in creating the market for Treasury debt securities,
- support Polish exports.

The partners of the consortium considered the privatization of Pekao as a unique opportunity to create a leader in Poland. He was to be able to face the challenges of Poland's membership in the European Union. In addition, his task was to create a strong base for development in the broader regional context of Central Europe [25].

3. New distribution network in the bank

In the area of retail banking, the investor's goal was to transform Pekao into the largest provider of financial services for the population in Poland. This was achieved by maintaining and further penetrating the existing customer base. Penetration, in turn, took place by "bringing" the bank closer to customers and expanding the customer base (through selective expansion of the bank's geographical coverage). In accordance with that, Pekao has rapidly developed the branch network in Silesia, Poznań, Gdańsk (the bank had a limited presence there) and strengthened its presence in Warsaw. This process was accompanied by events that also affected the qualitative development of the bank and, thus, the capital market in Poland:

- transfer of employees from the so-called back office (administration) to sales and customer contact (so-called front office); this process was supported by IT systems and incentive programs;
- increasing the range of branch networks; this was done by carrying out further transformation – from large universal branches into small specialized branches;
- development of distribution range and level of services (mobile sales teams were introduced and permanent distribution channels were supplemented with automated channels, i.e. ATMs, telephone service, etc.);
- improving the coverage of the distribution network (as for individual customers).

In the field of business services, specifically in the field of business financing, Pekao had a leading market share at the time. The consortium successfully strengthened this position. This was due to the support of Pekao's financing of infrastructure projects, e.g. in the energy sector, telecommunications and construction of toll motorways. The consortium, in addition, strengthened the position of Bank Pekao as a market leader by:

- building the so-called network of account managers,
- introducing a customer contact management system,
- making greater use of distribution networks,
- improving the position in handling foreign transactions,
- facilitating access to funds from the European Union.

As a result, the improvement of the distribution network closely linked to the regrouping of employees in the company significantly strengthened Pekao's position in the banking market. Thanks to that, Pekao bank developed in terms of quality, which in turn contributed to the qualitative development of capital market in Poland.

4. Product support in the bank

In the field of services for small and medium enterprises, their development was very important from the point of view of maintaining strong economic growth in

Poland. Bearing this in mind, the strategic investor sought to strengthen Pekao's position in the small and medium-sized enterprise market. In this way, it influenced the qualitative development of the capital market in Poland. This was done by:

- further improvement of product quality (introduction of products with the features of the best products on the market; in addition, systematic combination of new products with ROR, e.g. mortgage development, credit cards, asset management and insurance),
- introduction of standard product packages (especially prepared for this category of medium-sized enterprises),
- simplification of credit processes (in order to reduce service time without compromising the quality of the loan portfolio).

The qualitative impact on the Polish bank and on the Polish capital market on the part of the Uni Credit consortium was also reflected in another fact. According to the Italian bank's declaration, it passed its knowledge about developing and managing banking products in the following areas, among others:

- credit cards with revolving credit;
- consumer loans (in the field of valuation methodology and credibility assessment system – so-called scoring system);
- products related to asset management (trust funds, portfolio management and financial planning techniques),
- cash flow management (so-called cash management),
- electronic banking products,
- project financing.

Knowledge in the field of credit, asset management, cash management, electronic banking and project financing has enriched Bank Pekao with new know-how and, thus, has made a significant qualitative contribution to its development and the capital market in Poland.

In addition, in terms of asset management and bancassurance, a consortium of investors has contributed to the professional implementation of the bancassurance concept at Pekao. This created additional revenue for Pekao. The consortium's activities in this area strengthened the position of Bank Pekao towards customers. This was also done by introducing the offer of a full range of financial services (so-called one-stop shopping, financial supermarket approach). The above activities of the strategic investor made a significant qualitative contribution to the development of Bank Pekao, the banking system in Poland, and thus the Polish capital market.

The consortium's intentions in the area of bancassurance were also made more concrete in the fact that branches and mobile teams of advisers-sales representatives of Bank Pekao were used to sell insurance products and banking products (e.g. mortgage loans, car loans). Bank Pekao has also used Allianz's operations in Poland.

It used the existing products of the German insurer to create its own insurance business from scratch. It happened without the need to involve capital and human resources. To sum up, the consortium of investors, by developing bancassurance activities at Bank Pekao, significantly supported the qualitative development of Bank Pekao, the banking market, and thus the capital market in Poland.

In addition, the UniCredit consortium provided Pekao with a range of Polish and international investment funds for use in its distribution network. It is worth noting that at the level of people's wealth then in the country, it was not expected that this would be a significant strengthening of the bank's revenues. Despite this, owning such products has strengthened Pekao's image as a universal financial institution. It also meant readiness to take advantage of the growing popularity of these products. Thanks to the strategic investor's involvement in investment funds, the bank's brokerage activities were further strengthened. Obviously, this translated into the qualitative development of Pekao bank, the banking system, and, thus, the capital market in Poland.

The consortium introduced portfolio management techniques at Pekao bank with a fixed risk/return relationship. It based its activity on the position of the leader of the Central Brokerage House Pekao in brokerage activities. As a result, it increased the quality of services offered at Pekao Bank and reduced their cost. An important element of the qualitative impact on Bank Pekao was also the fact that the consortium had unique qualifications that were needed to implement these activities. It resulted from experience in creating and introducing products and sales methods. The above activities of the UniCredit consortium improved the position of Bank Pekao on the banking market and made a significant qualitative contribution to the development of the Polish capital market.

The qualitative impact of the UniCredit-Allianz consortium in the field of bancassurance on Bank Pekao was conditioned by the fact that the entities UniCredit and Allianz were partners in the field of bancassurance in Italy. UniCredit sold life and property policies. It did this through a network of over 2000 branches. Unicredit also had an important position in asset management (it managed over EUR 60 million). It was one of the leading brokerage houses in Italy. In turn, Allianz was the world leader in insurance – it concluded a bancassurance agreement with partners in 12 countries. The above facts meant that UniCredit brought significant know-how to Bank Pekao, supported its qualitative development, and, thus, contributed to the development of the capital market in Poland.

The guarantee of a positive qualitative impact on the part of UniCredit on the Polish capital market was additionally the fact that it is one of the leading banks in Italy. In fact, it transferred know-how from its home market to the Polish market. As a result, Bank Pekao received knowledge from the Italian investor in the field of business services. In addition, thanks to Italian financial institution, 500 account managers started servicing companies. The strategic investor also used modern systems to manage contacts with Pekao clients. Not without significance in this context was the fact that UniCredit's credit processes (guarantee methods and so-called early warning systems) corresponded to the latest developments in this field on a global scale. They were considered exemplary in the Italian banking system. Thanks to this, the impact of know-how on the part of UniCredit on Bank Pekao and the Polish banking system and, thus, the capital market in terms of quality was significantly positive.

5. New management methods in the bank

UniCredit declared that it could support Pekao in introducing new IT systems. The Italian bank had experience in transferring systems to other banks. Evidence of this was,

for example, the completion by the subsidiary UniCredit (dealing in IT) of the integration of Banca CRT, Banca Cariveron and Cassamarca in 2000. It did so by adding 1000 branches to a common IT platform. Similarly, the implementation of the new IT system – one of the most important processes at Bank Pekao – has been successfully completed. It happened, thanks to the knowledge and experience of specialists from UniCredito Italiano delegated to Polish bank. In addition, UniCredito Italiano has taken actions in the area of credit, market and operational risk management at Bank Pekao. They were oriented towards improving the degree of integration of Pekao's policy with the overall operations of the UniCredito Italiano group. They were also successful. Therefore, it is justified to state that UniCredito Italiano, through its activities in the Pekao bank in the area of IT system and risk, has strengthened its qualitative position. In this way, it made a qualitative contribution to the development of the capital market in Poland.

UniCredit also provided support for Pekao in other areas:

- creation and management of customer service centers, so-called call center;
- establishment of branches (UniCredit had extensive knowledge in the field of branch restructuring and in the introduction of new types of branches);
- marketing using databases (UniCredit was a precursor in supporting sales using databases);
- creating and managing sales teams, specializing of sales teams (UniCredit has introduced sales methods tailored to specific customer segments);
- sales team management (UniCredit has developed knowledge in improving the efficiency of its sales teams; this was done by introducing individual incentive systems based on financial goals);
- credit risk management (UniCredit has introduced modern credit procedures, credit application assessments and behavioral assessment systems),
- Management Information System, so-called MIS (UniCredit has introduced a modern MIS system at the individual customer and group level),
- motivation of the management, investment banking (UniCredit provided its knowledge in the field of analysis, reaching certain level of turnover, marketing and risk management; this complemented Pekao skills),
- operating activities (Pekao's systems and its operating environment lagged far behind the best international standards; thanks to UniCredit, Bank Pekao reached global standards; this means that it skipped the trial-and-error stage that Western banks, including UniCredit, had to pass in the eighties).
- introducing organizational changes, so-called change management (merger of banks is a huge task; it includes remodeling of responsibilities, retraining and, as a last resort, dismissal; UniCredit had vast experience in this field – it was the effect of merging seven banks).

The impact of the above factors on the quality position of Bank Pekao was considerable. It remained in connection with the qualitative development of the Polish capital market.

6. New programs in the company aimed at development of employees

Regarding the social program, the consortium introduced a number of activities at Bank Pekao. They were aimed at improving the education and motivation of employees. It was about incentive pay, management exchange program and training. UniCredit, while caring for the intellectual development of Pekao bank employees, also made a significant qualitative contribution to its development. Thus, it contributed to the qualitative development of a capital market in Poland.

The needs of the Pekao employees on the part of the UniCredit consortium were also secured, thanks to:

- pension fund introduced,
- stocks program for management and employees,
- health care,
- scholarships.

The above elements, brought in by a strategic investor, also had a significant impact on the qualitative development of Pekao bank, and thus the capital market in Poland.

In accordance with the Pekao program for local communities, UniCredit supported higher education in Poland. This was due to the fact that the strategic investor has close links with the Università Commerciale Luigi Bocconi (the most prestigious and recognized economic university in Italy). In addition, UniCredit also supported the commercial activities of the Pekao bank (with the use of database constructed on the basis of the customer portfolio). The activity of a strategic investor in the educational and operational field at Bank Pekao has made a qualitative contribution to the development of Bank Pekao, and thus – the capital market in Poland.

7. Consortium's investment obligations

The UniCredit consortium has fulfilled its commitment that Pekao's capitalization should be sufficient to implement its development plans. At the same time, it helped maintain the capital adequacy ratio of Pekao at a certain level. It was recognized by international financial markets as safe for a bank from the Central Europe region. The UniCredit consortium, by helping to implement Pekao's plans and maintaining the required level of solvency ratio, has contributed to the qualitative development of Pekao, and thus the capital market in Poland.

The Guaranteed Investment Program should also be mentioned as an important element of the qualitative impact on the development of the Polish capital market in the aspect of UniCredit offer. Under this program, the UniCredit consortium was to

invest at least PLN 1 billion in Pekao over a three-year period. In addition, the consortium prepared an investment plan. It assumed that the bank would invest PLN 2 billion over a five-year period.

As for the implementation of individual strategic investor's obligations, it was presented in the "Information on the implementation of non-price obligations" [26]. It shows that:

- the consortium made a commitment to Pekao; at the General Meeting of Shareholders of the bank undertook to vote for the allocation of the bank's profits to share capital, supplementary capital or reserve capitals; in this way, it was to contribute to the qualitative development of capital market in Poland; by voting for the allocation of profits to share capital, the consortium strengthened the bank's quality position; according to the report of Ernst and Young Audit Sp. z o.o. of June 30, 2003, the performance of this obligation was confirmed in 1998, 1999 and 2000; thus, it was decided that there were no grounds for charging contractual penalties; thereby UniCredit made a contribution to the qualitative development of the capital market in Poland
- during the guaranteed investment period, UniCredit was to retain 50.09% of the share capital of Pekao Bank, and Allianz – 2% plus 25,000 shares; in addition, they were not to conclude any agreement obliging to sell Pekao bank shares; according to the report of Ernst and Young Audit Sp. z o.o. of June 30, 2003, the performance of the undertaking was confirmed; additional statements of the Ministry of Treasury were also a document confirming the performance of the undertaking (Application); thus, it should be stated that UniCredit has made a qualitative contribution to the development of the capital market in Poland; by not selling Pekao bank shares, it strengthened the bank's quality position and contributed to its development
- the investor has made a commitment regarding the management of Bank Pekao's assets; according to it, it was not to cause the bank to be liquidated or dissolved (until the end of the guaranteed investment period); additional statements of the Ministry of Treasury were also a document confirming the performance of the commitment (Application); in conclusion, it should be stated that UniCredit has made a qualitative contribution to the development of the capital market in Poland; without liquidating Pekao, it strengthened the bank's quality position and contributed to its development
- as regards the management of Bank Pekao's assets, the investor was also not to cause the bank to sell all or part of its assets (until the end of the guaranteed investment period); additional statements of the Ministry of Treasury were also a document confirming the fulfillment of this obligation (Application); in conclusion, it should be stated that UniCredit has made a qualitative contribution to the development of the capital market in Poland; by not selling Pekao's assets, it strengthened the bank's quality position and contributed to its development.

The UniCredit investor also undertook that within a period of five years from the signing of the contract, it will support the development of Pekao. This process was to be in line with the provisions of the Bank's Development Program and take place by:

- investing in development programs,
- strengthening the bank's position on the market,
- improving access to information technology, know-how and organizational methods,
- providing licenses and other rights and solutions necessary to implement the Bank's Development Program.

According to the report of Ernst and Young Audit Sp. z o.o. of June 30, 2003, it was found that the above obligations were met and there were no grounds for charging contractual penalties. The document confirming their implementation was also the investor's annual report for 2000 and additional speeches by the Ministry of Treasury (Application); UniCredit made a qualitative contribution to the development of the capital market in Poland. By investing in development programs and improving access to information technologies, know-how and organizational methods at Pekao Bank, it strengthened its quality position and contributed to its development.

The investor also undertook to fully support Pekao's strategy. It consisted of developing and consolidating his position. It was to be the leading universal bank in Poland and a leading financial institution in Central and Eastern Europe. Other important commitments were that UniCredit:

- a. undertook to give Pekao the status of UniCredit's main investment in Central Europe;
- b. was to give Pekao a right of priority in connection with all purchase transactions (they were made by UniCredit in the republics of the former USSR, as well as in the Czech Republic and Slovakia, with the exception of investments in Polno Banka S.A.);
- c. was to support Pekao's strategic plans for expanding into other countries;
- d. was to make joint decisions with Pekao regarding transactions carried out in Romania and Bulgaria (in the event that UniCredit indicated a potential investment, the bank was to have pre-emptive rights over such investment).

All the above liabilities, according to the report of Ernst and Young Audit Sp. z o.o. of June 30, 2003, were carried out in a timely manner. In this way, the strategic investor strengthened the quality position of Pekao Bank and thus contributed to the qualitative development of the capital market in Poland.

At that time, the main goal of the bank and the UniCredito Italiano group was to increase the value for the shareholders of Bank Pekao. The strategic investor did this by maintaining and strengthening the leading position of Bank Pekao in selected areas of activity:

- retail banking with an emphasis on investment funds,
- mortgages,
- credit cards,

- support for microenterprises.

This goal was achieved, thanks to the implemented improvements from the UniCredit group. It introduced in the Pekao bank such elements as product innovation, modern distribution channels and a comprehensive customer service model (a combination of VIP customer service and small and medium-sized enterprises). UniCredit has dynamically developed more advanced distribution channels, such as online banking, telephone banking and direct sales. All the elements listed above, implemented in the Pekao bank by a strategic investor, strengthened its quality position. In this way, UniCredit has contributed to the qualitative development of the capital market in Poland.

In accordance with art. 3 par 12 paragraph 2 sales contracts, the strategic investor undertook to provide technical, technological and organizational solutions to Pekao. Therefore, UniCredit initiated a comprehensive restructuring process of the Pekao bank. It began after the investor purchased the majority stake.

In art. 4 par 2 of the sales contract, the investor assumed that Pekao bank, thanks to the support of UniCredit, will make investments in the amount of PLN 1000 million (Guaranteed Investments). This was in accordance with Annex 11 of the contract. The auditor found that the commitment had been carried out. The UniCredito Italiano consortium stated that in the period up to August 2002, its capital expenditure at Pekao bank amounted to PLN 1010.8 million. In addition, by the end of 2002, he allocated PLN 140 million for investments at Pekao Bank.

Capital expenditures were also subordinated to Pekao's development strategy. They were related to the development of Pekao's business. This was done through its subsidiaries and affiliates. During the Guaranteed Investments period, the bank developed its activities as planned (to the extent provided in Annex 9 to the contract). Thanks to the aforementioned significant capital and investment outlays, UniCredito Italiano has strengthened the quality position of Pekao. Thus, it contributed to the qualitative development of the capital market in Poland.

In art. 4 par 2 of sales contracts, the UniCredito consortium undertook to acquire shares in Bank Pekao for a total amount of PLN 1 billion. This was specified in the contract as a guaranteed capital increase. As a result of the guaranteed capital increase, the capital of Bank Pekao increased by PLN 1000.1 million. Thanks to the increase in capital by UniCredito Italiano, Bank Pekao strengthened its quality position. The increase in the amount of capital gave the bank extensive investment opportunities. Thus, UniCredito Italiano has contributed to the qualitative development of the capital market in Poland [27].

8. Conclusions

In fact, UniCredit (according to source documents) provided Pekao with considerable knowledge and experience at the strategic and operational levels. The innovative activities of the strategic investor were also particularly important here¹. This manifested itself, for example, in the fact that permanent distribution channels were supplemented with automated channels (i.e. ATMs, telephone service). Moreover, the

¹ At this point, it should be mentioned that those who study innovative activities in banking should, in future, pay more attention to all digitization processes, which are currently progressing at a dizzying pace in the banking sector.

Italian investor introduced products with the features of the best products on the market and combined new products with mortgage development, credit cards, asset management and insurance. Similarly, the implementation of the new IT system, which stood for innovative support of Pekao's operational activity, has been successfully completed. It happened, thanks to the knowledge and experience of specialists from UniCredito Italiano delegated to Polish financial institution. In this way, Italian bank made a significant contribution to the qualitative development of Bank Pekao, and thus the Polish capital market. Thus, according to Gustav Dieckheuer's theory (see: Introduction), it compensated for the lack of outdated technology and inadequate product quality. By sharing knowledge and experience in these areas, the strategic investor strengthened the quality position of the bank. Evidence of the possibilities for a positive impact of the Italian bank was its growth and profitability. It also had experience in integrating different banks into the group. As a result of the partnership with the Pekao consortium, it strengthened its leadership position in Polish banking. Thanks to this, the quality of the bank's products and services has also improved, and its international prestige has increased. This was reflected in the qualitative development of the bank and, thus, of the capital market in Poland. At the same time, the strategic investor maintained Pekao's identity so outside – through its brand and image – and internally in Poland.

The investor consortium reviewed Pekao's activities and trends on the Polish market. It did so by having a clear and properly implemented Pekao development plan. In this way, the consortium of investors assisted Pekao's management board in facing the competition. At the same time, it reversed the erosion of market share and strengthened the bank's operational efficiency. The following areas have been strengthened:

- retail banking,
- service for small and medium enterprises,
- asset management,
- bancassurance,
- business services,
- investment banking,
- international activities,
- operational efficiency.

The above actions of the strategic investor have made a significant qualitative contribution to the development of the bank and, thus, to the development of the capital market in Poland. By strengthening individual areas at Bank Pekao, the Uni Credit consortium has significantly improved the bank's quality position on the market.

Classifications

JEL Classifications: F21, L33

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