

**Report of the Supervisory Board
of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna
containing the results of the assessment of the Financial Statements
of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna
for the year ended 31 December 2012,
the PKO Bank Polski SA Directors' Report for the year 2012,
the request of the Management Board relative to distribution of the profit of PKO Bank Polski
SA achieved in 2012 and unappropriated profits**

and the Report on the activities of the Supervisory Board as a company body in 2012

Pursuant to the relevant provisions of the Commercial Companies Code, the Supervisory Board submits to the Ordinary General Meeting of Shareholders of PKO Bank Polski the report including the results of the assessment of:

- 1) the Financial Statements of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna for the year ended 31 December 2012,
- 2) the PKO Bank Polski SA Directors' Report for the year 2012,
- 3) the request of the Management Board relative to the distribution of profit of PKO Bank Polski SA achieved in 2012 and unappropriated profits

and the Report on the activities of the Supervisory Board as a company body in 2012.

Assessment of the Financial Statements of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna for the year ended 31 December 2012

The Supervisory Board heard the opinion of the certified auditor on the audit of the Financial Statements of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna for the year ended 31 December 2012. The certified auditor's opinion on the statements referred to above was unqualified. No significant adjustments were required, and all adjustments identified in the course of the audit were included in the appropriate statements. According to the certified auditor, the Financial Statements of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna for the year ended 31 December 2012 in all material respects:

- a) reliably and clearly present the financial standing and the assets of the Bank as at 31 December 2012, as well as the financial result for the financial year from 1 January to 31 December 2012 in compliance with the International Financial Reporting Standards as approved by the European Union,

- b) are compliant in their form and content with the legal provisions applicable to the Bank and the Bank Statute,
- c) were drafted on the basis of appropriately maintained accounting books in compliance with the applicable accounting standards.

The Supervisory Board shares the opinion of the certified auditor.

Pursuant to Article 382 Section 3 of the Commercial Companies Code, having considered and evaluated the Financial Statements of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna for the year ended 31 December 2012, taking into account the positive recommendation of the Audit Committee of the Supervisory Board and on the basis of the unqualified auditor's opinion on the audit of the financial statements of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna for the financial year ended 31 December 2012, the Supervisory Board issued a positive opinion on the said statements as being drafted in compliance with the accounting books, documents and the facts.

In accordance with Article 4a of the Accounting Act the Board also gives an assurance that all the components of the Financial Statements of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna for the year ended 31 December 2012 meet the requirements provided for in the Accounting Act.

Evaluation of the PKO Bank Polski SA Directors' Report for the year 2012.

Pursuant to Article 382 Section 3 of the Commercial Companies Code, having considered and evaluated the Report of the Management Board on the operations of PKO Bank Polski SA in 2012, including information on the activities of the Management Board as a company body, the Supervisory Board issued a positive opinion on the PKO Bank Polski SA Directors' Report for the year 2012 as being drafted in compliance with the accounting books, documents and the facts.

In accordance with Article 4a of the Accounting Act the Supervisory Board also gives an assurance that all the components of the PKO Bank Polski SA Directors' Report for the year 2012 meet the requirements provided for in the Accounting Act.

Evaluation of the request of the Management Board relative to the distribution of profit of PKO Bank Polski SA achieved in 2012 and unappropriated profits

The Supervisory Board presents a positive opinion on the request of the Management Board relative to distribution of the net profit of PKO Bank Polski SA of PLN 3,592,617,000, achieved in 2012, as well as unappropriated profits in the amount of PLN 88,533,000 in the following man-

ner: PLN 2,250,000,000 to be paid out as dividend for shareholders, PLN 1,400,000,000 to be held as reserve capital and PLN 31,150,000 as other reserves.

Evaluation of the company standing, including assessment of the internal control system and the significant risk management system

Evaluation of the company standing

The financial results generated by PKO Bank Polski in 2012 were high, and the volumes of loans and deposits were among the highest as compared to other banking industry players in Poland. In 2012, the objective of PKO Bank Polski SA was to develop its business operations on the basis of a stable financing structure. The Bank made efforts to achieve this objective, simultaneously being aware of the necessity to ensure efficiency, including efficient cost control. The Bank's balance sheet structure shows, on the liabilities side, sound sources of financing in the form of deposits and issues of debt securities in the domestic and international markets. As far as the assets are concerned, the company discloses a high share of interest-bearing assets that provide the expected returns.

In 2012, the Bank consistently continued and successfully completed implementation of the "Leader" Strategy for the years 2010-2012, which enabled it to strengthen its leading position not only in the Polish banking market, but also in Central and Eastern Europe.

In 2012, PKO Bank Polski SA generated a net profit of PLN 3,592.6 million, and profitability of PKO Bank Polski SA was high, with an ROE of 15.2% at the end of 2012.

The net profit was determined by the following:

- 1) a record result on business activities which amounted to PLN 11,114.2 million (YoY growth of 3.1%) – the growth was due to net interest income connected with an increase in interest income on loans and advances to customers (+6.2% YoY) and an increase of interest income on securities, as well as an improvement of the result of financial operations¹,
- 2) high cost management efficiency: the C/I ratio was 37.7%, i.e. much better than the average level for the Polish banking industry, which amounted to 50.9%,
simultaneously, the net impairment allowance and write-downs decreased YoY by PLN 646.5 million, mainly due to higher impairment allowance on corporate loans, while the result on consumer loans improved. Also, in order to reflect the present recoverable value of subsidiaries, impairment allowances of shares in Kredobank SA of and Inter-Risk Ukraina Additional Liability Company were recognised due to adverse events in the Ukrainian market in 2012.

The achieved net financial result was additionally supported with a safe and efficient structure of the balance sheet, i.e.:

- 1) at the end of 2012, the balance sheet total was PLN 191.0 billion, i.e. 14.1%² of assets of the entire banking industry in Poland. A well-established - thanks to a good financial standing - customer confidence brought about a high growth of liabilities to customers, by PLN 4.7 billion, up to PLN 154.7 billion. Issues of securities and funds provided by financial institutions constituted an additional source of financing, supporting the deposit base. In 2012, thanks to a positive image of the Bank in the capital markets as well as high credit reliability ratings confirmed by rating agencies, the Bank had the opportunity to obtain significant funds by means of bond issues in Poland and in the international markets. Therefore, the Bank diversifies its financing sources and adjusts them to future regulatory requirements to be introduced under Basel III.
- 2) At the end of 2012, the loans to deposits (liabilities to clients) ratio was 91.8%, while the loans to stable sources of funding ratio was ³ 89.6%.

As a result of profit accumulation, the equity increased by 8.1%, to PLN 24.6 billion as at the end of 2012. Thus, the Bank reported a capital adequacy ratio of 12.93%, which guarantees the safety of its operations. Capital adequacy remained at a safe level despite the dividend paid out on the net profit for 2011 (40.15%) and a growth of the loan portfolio.

1. For the purposes of this document, the result on financial operations is understood as a total of the result on financial instruments carried at fair value and the result on investment securities.
2. Source: the Polish Financial Supervision Authority
3. Stable sources of financing cover liabilities to clients (including funds under bond issues) and external financing in the form of subordinated liabilities, own issue of debt securities and loans provided by financial institutions.

Assessment of the internal control system

PKO Bank Polski SA possesses an internal control system being part of the Bank's management system and consisting of: control mechanisms, evaluation of compliance with universally applicable provisions of law and the Bank's internal regulations, and internal audit. The internal control system supplements functional internal control.

The internal control system covers the entire Bank, including the organisational units, the Head Office units and the subsidiaries forming the Capital Group of the Bank.

The purpose of the internal control system is to support the Bank management, including the decision-making processes so as to ensure, in particular, efficiency and effectiveness of the Bank's operations, reliability of financial reporting and compliance with universally applicable provisions of law and the Bank's internal regulations. The internal control system enables the Bank to identify the risk connected with every operation, transaction, product and process, as well as the risks relative to the organisational structure of the Bank and the Capital Group.

The purpose of the control mechanism is to ensure appropriate performance of operations and accomplishment of tasks within the Bank. The units and the Head Office units are obligated to perform their tasks in compliance with the universally applicable provisions of law and the Bank's internal regulations. Compliance with this respect is reviewed through functional internal controls and independently verified by the internal audit as part of the audits performed by this unit.

In 2012, the Supervisory Board analysed and acknowledged the semi-annual information of the Internal Audit Department on efficiency of the internal control system.

Assessment of the significant risk management system

In 2012 business activity in Poland slowed down, while in the euro zone adverse recession trends were observed. The economic processes were accompanied by high insecurity as to prospective future growth. The financial standing of the Polish banking industry was stable, but the rate of growth of the financial result slowed down as compared to 2011. The banking industry was affected by restrained corporate lending, stagnation in the housing loan market and a reduction of the value of consumer loans. These phenomena reduced the rate of growth of many areas of banking operations and entailed the necessity to exercise special caution in the area of bank risk management.

The risk management process is supervised by the Bank's Supervisory Board which regularly receives information on the risk profile of PKO Bank Polski SA and its Capital Group, as well as the most important actions taken in the area of risk management.

In the opinion of the Supervisory Board, the risk management system within PKO Bank Polski covers all the significant risk factors, and the instruments, methods and techniques applied in the processes of identification, measurement, evaluation, monitoring, reporting and management actions are appropriate for the relevant risk.

The Bank performs risk management functions in all the Bank's organisational units. The relevant committees support the Management Board and Supervisory Board in their bank risk management tasks. The bank risk is managed at three independent levels:

- the first level represents risk management within the limits set on the basis of procedures and detailed internal regulations with embedded risk control mechanisms, internal control and compliance with the universally applicable provisions of law,
- the second level consists in particular of measurement, monitoring, control and reporting risks significant for the Bank, registration of identified threats and irregularities, formulation of internal regulations determining the rules, methods, tools and procedures of risk management, as well as measurement of efficiency of actions taken,

- the third level is the internal audit that performs independent audits of the key elements of the risk management and the embedded control activities.

The Bank has an integrated risk management structure which ensures that all the risks that have a significant impact on the Bank's operations are identified, measured, monitored and controlled. According to the Board, this structure is adequate to the Bank's size and risk profile, taking into account the economic environment and the possibility of the occurrence of adverse situations. The Bank has been optimising risk management on an ongoing basis, making efforts to adjust it to the changeable environment and the risk profile defined in the "Strategy of banking risk management in PKO Bank Polski SA". In addition, in 2012 the Bank participated in stress tests organised by the Polish Financial Supervision Authority. The results confirmed the high resistance of PKO Bank Polski SA to macroeconomic shocks.

A complex risk management structure is supported with a consistent and transparent system of monitoring and reporting on risk levels and excesses over the established limits. The reporting system covers all the key management levels. The Supervisory Board receives periodical reports presenting an evaluation of the level of individual risks together with a description of the efficiency of the actions taken by the Management Board.

Setting the risk levels that the Bank is able to accept in its current operations is one of the basic elements of risk management. The maximum risk the Bank is ready to take is defined in the form of quantified strategic limits of tolerance to specific types of risks determined in the "Strategy of banking risk management in PKO Bank Polski SA" as adopted by the Management Board and approved by the Supervisory Board.

In 2012, the Bank operated in a safe manner, with adequate level of own capitals, and in particular:

- 1) the Bank carried out a prudent credit policy, and the credit procedures and processes were compliant with the regulatory requirements and best market practice. The Bank has been systematically expanding the range of credit risk measures used, taking into account the requirements of the Internal Rating-Based approach (IRB), and expanding the scope of application of such risk measures with the intention of covering its entire loan portfolio,
- 2) the Bank computed the capital requirement under the operational risk as at 31 December 2012 fully in compliance with AMA, upon confirmation of the Polish Financial Supervision Authority that the Bank had met conditions of high significance as defined in the decision of the Polish Financial Supervision Authority issued in June 2011 relative to the conditional consent to apply AMA,
- 3) and that the Bank had maintained its liquidity at a good level. At the end of 2012, the loans to deposits (liabilities to clients) ratio was 91.8%, and the core deposits represented approx.

93.3% of all deposits deposited with the Bank (excluding the interbank market). The Bank's deposit base, with its 16.8%-share in the banking industry deposits market, has the leading position in the banking industry and represents a stable source of financing,

- 4) was maintaining strategic tolerance limits for specific risks and capital adequacy at the levels established by the Bank,
- 5) possessed sufficient own funds. As at 31 December 2012, the Bank's capital adequacy ratio was 12.93 %. Capital adequacy remained at a safe level despite the dividend paid out on the net profit for 2011 (40.15%) and a growth of the loan portfolio.

According to the Supervisory Board, the following shall be particularly important for further development of the Bank:

- 1) safe capital management and an appropriate equity cushion in the event of a potential material deterioration of the macroeconomic situation. In such a case, aside from the growth of capitals, an efficient management of risk-weighted assets,
- 2) maintenance of a high level of stable deposits will also play an important role. Should the market become less liquid, these will guarantee the further development of lending and provide a basis for further growth of interest income,
- 3) maintenance of high cost management efficiency measured with the C/I ratio.

Report on the activities of the Supervisory Board as a company body in 2012

- 1) Information on the term of the Supervisory Board and the following year of operations during the term of office. Information on the composition of the Board, the functions held and changes in the composition during the financial year

Supervisory Board (as at 31 December 2012):

(common three-year term started on 30 June 2011).

No.	Name and surname	Position	Date appointed/ recalled
1.	Cezary Banasiński	Chairman of the Supervisory Board	appointed on 20 April 2009 until the end of the previous term of the Supervisory Board (commenced on 20 May 2008). (notarial deed/Repertory A – No. 2959/2009, resolution No.7/2009)

			<p>re-appointed on 30 June 2011 until the end of the current term of the Supervisory Board (notarial deed/Repertory A - No. 3529/2011, resolution No.29/2011)</p> <p>The Minister of the State Treasury designated Mr. C. Banasiński, a member of the Supervisory Board, to take on the position of Chairman of the Supervisory Board.</p>
2.	Tomasz Zganiacz	Vice-Chairman of the Supervisory Board	<p>appointed on 31 August 2009 until the end of the previous term of the Supervisory Board (notarial deed/Repertory A - No. 5855/2009, resolution No.8/2009)</p> <p>re-appointed on 30 June 2011 until the end of the current term of the Supervisory Board (notarial deed/Repertory A-3529/2011, resolution No. 30/2011)</p> <p>The Minister of the State Treasury designated Mr. T. Zganiacz, a member of the Supervisory Board, to take on the position of the Vice-Chairman of the Supervisory Board.</p>
3.	Mirosław Czekaj	Secretary of the Supervisory Board (since 30 June 2010)	<p>appointed on 31 August 2009 until the end of the previous term of the Supervisory Board (notarial deed/Repertory A - No. 5855/2009, resolution No. 5/2009)</p> <p>re-appointed on 30 June 2011 until the end of the current term of the Supervisory Board (notarial deed/Repertory A-3529/2011, resolution No. 31/2011)</p>
4.	Jan Bossak	Member of the Supervisory Board	<p>appointed on 26 February 2008 for the term ending on 19 May 2008 and the entire previous term of the Supervisory Board (notarial deed/Repertory A - No. 1362/2008, resolution No. 4/1/2008)</p> <p>re-appointed on 30 June 2011 until</p>

			the end of the current term of the Supervisory Board (notarial deed/Repertory A-3529/2011, resolution No. 32/2011)
5.	Zofia Dzik	Member of the Supervisory Board	appointed on 6 June 2012 until the end of the current term of the Supervisory Board (notarial deed/Repertory A-2380/2012, resolution No. 32/2012)
6.	Krzysztof Kilian	Member of the Supervisory Board	appointed on 30 June 2011 until the end of the current term of the Supervisory Board (notarial deed/Repertory A-3529/2011, resolution No. 35/2011)
7.	Piotr Marczak	Member of the Supervisory Board	appointed on 25 June 2010 until the end of the previous term of the Supervisory Board (notarial deed/Repertory A – No. 4239/2010, resolution No. 37/2010) re-appointed on 30 June 2011 until the end of the current term of the Supervisory Board (notarial deed/Repertory A-3529/2011, resolution No. 38/2011)
8.	Marek Mroczkowski	Member of the Supervisory Board	appointed on 30 June 2011 until the end of the current term of the Supervisory Board (notarial deed /Repertory A-3529/2011, resolution No. 34/2011)
9.	Ryszard Wierzba	Member of the Supervisory Board	appointed on 30 June 2011 until the end of the current term of the Supervisory Board (notarial deed /Repertory A-3529/2011, resolution No. 33/2011)

Changes to the composition of the Supervisory Board in 2012:

On 6 June 2012, the Ordinary General Meeting of Shareholders of PKO Bank Polski SA adopted the following resolutions:

- 1) No. 31/2012 on recalling Ms. Ewa Miklaszewska, Member of the Supervisory Board of PKO Bank Polski SA, as of 6 June 2012 (appointed on 30 June 2011 until the end of the current term of the Supervisory Board pursuant to a notarial deed/Repertory A-3529/2011),
 - 2) No. 32/2012 on the appointment of Ms. Zofia Dzik as a Member of the Supervisory Board of PKO Bank Polski SA (notarial deed/Repertory A-2380/2012).
- 2) Information on the number and frequency of meetings of the Supervisory Board and the number of resolutions adopted

In 2012, the Supervisory Board held a total of 10 minuted meetings on the following dates: 18 January, 29 February, 4 April, 9 May, 18 June, 1 August, 19 September, 26 September, 7 November and 19 December.

In 2012, the Supervisory Board adopted 47 resolutions.

3) Information on attendance of members of the Supervisory Board at meetings

All absences of the members of the Supervisory Board at the meetings held in 2012 were justified with Supervisory Board resolutions No. 1/2012, 22/2012, 29/2012, 33/2012 and 40/2012. The above pertained to the absence of four members of the Supervisory Board at five meetings.

4) Significant issues dealt with by the Supervisory Board

In 2012, the Supervisory Board dealt, *inter alia*, with the following matters:

- 1) issues related to the recruitment procedure in connection with the necessity to appoint a member of the Management Board to be responsible for risk and debt collection (as a consequence of the resignation of Mr. A. Kołakowski from the position of Vice-President of the Management Board on 13 July 2012),
- 2) approving the dividend policy of PKO Bank Polski SA,

- 3) approving the rules of the information policy of PKO Bank Polski SA with regard to capital adequacy,
- 4) approving the rules of operational risk management in PKO Bank Polski SA,
- 5) approving the changes to the bank risk management strategy within PKO Bank Polski,
- 6) approving the general rules of the policy on variable components of remuneration of persons holding managerial positions in the Bank,
- 7) remuneration of the members of the Management Board, including an amendment to the resolution on the rules of remuneration of the members of the Management Board of PKO Bank Polski and approving the MbO objectives for the members of the Management Board for 2012,
- 8) correspondence with the Polish Financial Supervision Authority regarding cooperation with the external certified auditor and a draft resolution amending the resolution on the rules of selection of the entity licensed to audit the financial statements,
- 9) transfer of a donation and releasing Fundacja PKO Bank Polski from its debt,
- 10) approving the Regulations of the Management Board of PKO Bank Polski,
- 11) changes to the regulations of the Remuneration Committee and the organisational rules of the Internal Audit Department, and changes to the resolution on establishment of the Audit Committee of the Supervisory Board,
- 12) providing consent to enter into transactions with PKO Finance AB,
- 13) providing consent to acquire rights to a real property located in Warsaw, ul. Puławska 15,
- 14) information on the composition and rules of remuneration of members of corporate bodies of companies in the Bank's Capital Group,
- 15) review of the organisational structure of the Bank's Capital Group as compared to the peer group in Poland and in Central and Eastern Europe,
- 16) standing of Kredobank SA in 2011 and information on the current situation of this bank,
- 17) presentation on the operations of Dom Maklerski of PKO Bank Polski,
- 18) 2011 results and the development strategy for Qualia Development for the years 2012-2016,
- 19) a new dynamic growth strategy for PKO Leasing,
- 20) information on takeover of management of POLSAT Open Pension Fund by PKO BP Bankowy PTE,
- 21) winding up the PKO Bank Polski SA Branch in the UK,
- 22) mobile banking in PKO Bank Polski,

- 23) information *Strategic alliance of PKO Bank Polski and Poczta Polska – project status and preliminary assumptions for the business plan* as well as periodic information on the underlying concept of the sale of financial services and on progress in this area,
- 24) information on limits of expenditures and costs for the implementation of projects and investments set for 2012,
- 25) information on issues of bonds carried out by PKO Bank Polski in 2012,
- 26) the report on *Capital adequacy and risk management (Pillar III) in the PKO Bank Polski SA Capital Group as at 31 December 2011*,
- 27) synthetic information on the evaluation of bank internal systems,
- 28) results of *Survey on employee satisfaction and commitment in PKO Bank Polski* and results of identification and the evaluation of the reputation risk of PKO Bank Polski for 2012,
- 29) information on the Strategic Plan for PKO Bank Polski for the years 2013 - 2015,
- 30) macroeconomic scenario for 2013 and discussion of assumptions for the financial plan of PKO Bank Polski SA for 2013, including the capital plan of PKO Bank Polski for 2013.

Topics discussed by the Supervisory Board on a quarterly basis:

- report on implementation of the development strategy of PKO Bank Polski in the years 2010-2012 (including, on a one-off basis: with regard to the improvement of competitiveness of PKO Bank Polski in the Retail Market Area with special consideration to product offer and customer service quality and with regard to IT development, with account being taken of support for the implementation of the business strategy of PKO Bank Polski),
- information on the generation of the financial result of PKO Bank Polski and the results of PKO Bank Polski as compared with competing banks,
- report: credit risk in PKO Bank Polski,
- report: capital adequacy in PKO Bank Polski,
- report: operational risk in PKO Bank Polski,
- report: financial risk in PKO Bank Polski,
- report: compliance risk in PKO Bank Polski,
- information on the activities of the Restructuring and Debt Collection Division.

5) Inspections conducted

In 2012, no inspections were conducted at the instruction of the Supervisory Board.

6) Information on changes in the composition of the Management Board performed by the Supervisory Board, suspensions of members of the Management Board and delegating members of the Supervisory Board to perform the functions of members of the Management Board

On 13 July 2012, the Vice-President of the Management Board, Mr. A. Kołatkowski, submitted his resignation from the position of Vice-President of the Management Board of PKO Bank Polski SA, starting from 13 July 2012.

Following a qualification procedure, on 26 September 2012 the Supervisory Board appointed Mr. Piotr Mazur Vice-President of the Management Board of PKO Bank Polski SA. Mr. Piotr Mazur would be responsible for risk and debt collection during the current term of office of the Management Board of PKO Bank Polski SA that started on 30 June 2011. The new Vice-President was to be appointed as of 1 January 2013 provided that the Polish Financial Supervision Authority expressed its consent no later than on that day, otherwise - starting from the day of provision of that consent by the Polish Financial Supervision Authority.

The Polish Financial Supervision Authority provided its consent to appoint Mr. Piotr Mazur a member of the Management Board of PKO Bank Polski SA on 8 January 2013.

In 2012, the Supervisory Board did not make any decisions on suspending any members of the Management Board, nor did delegate any members of the Supervisory Board to perform the duties of a member of the Management Board.

7) Information on enforcement of resolutions of the General Meeting referring to the activities of the Supervisory Board

Pursuant to resolution No. 44/2006 of the Ordinary General Meeting of Shareholders of 18 April 2006, the Supervisory Board was obligated to perform supervision over disposal by the Bank of training and recreation centres listed in the said resolution and to submit to the General Meeting a report on this process together with an assessment of its correctness. Such information will be presented directly at the General Meeting of Shareholders of PKO Bank Polski.

8) Other information on the works of the Supervisory Board

In 2012 there were two committees operating in the bank: the Audit Committee of the Supervisory Board and the Remuneration Committee. Annual reports on the activity of the Committees mentioned above are attached to this Report as Appendix 1 and 2 respectively.

Chairman of the Supervisory Board

Cezary Banasiński

Warsaw, 17 April 2013

**Report on activities
of the Audit Committee of the Supervisory Board in 2012**

1. Legal basis:

- The Audit Committee of the Supervisory Board, hereinafter the “Committee”, was established in accordance with the resolution of the Supervisory Board No. 44/2006 dated 30 November 2006.
- The report on the activities of the Committee was drafted pursuant to Article 3 Section 3 of the regulations of the Committee constituting an appendix to resolution No. 62/2010 of the Supervisory Board on the regulations of the Audit Committee of the Supervisory Board dated 16 December 2010.

2. Composition of the Committee in 2012:

<u>(from 6 July 2011 to 6 June 2012)</u>	
Name and surname	Position
Mirosław Czekaj	Committee Chairman Secretary of the Supervisory Board
Jan Bossak	Vice-Chairman of the Committee Member of the Supervisory Board
Ewa Miklaszewska	Committee Member Member of the Supervisory Board

<u>(since 18 June 2012)</u>	
Name and surname	Position
Mirosław Czekaj	Committee Chairman Secretary of the Supervisory Board
Jan Bossak	Vice-Chairman of the Committee Member of the Supervisory Board
Ryszard Wierzba	Committee Member Member of the Supervisory Board

<u>(since 19 December 2012)</u>	
Name and surname	Position
Mirosław Czekaj	Committee Chairman Secretary of the Supervisory Board

Jan Bossak	Vice-Chairman of the Committee Member of the Supervisory Board
Piotr Marczak	Committee Member Member of the Supervisory Board
Ryszard Wierzba	Committee Member Member of the Supervisory Board

3. Number of Committee meetings in 2012:

In 2012, as part of the performance of its statutory tasks, the Audit Committee held 8 meetings (on 1 February, 29 February, 4 April, 9 May, 1 August, 14 September, 7 November and 5 December).

The Committee worked on the basis of the 2012 Work Schedule for the Audit Committee of the Supervisory Board.

4. Subject matter of the Committee's works:

In 2012, the most important subject matters of the Committee's works were related to:

4.1. Accounting and Reporting, including:

- 1) review of interim and annual financial statements of PKO Bank Polski and the PKO Bank Polski SA Capital Group (standalone and consolidated), i.e. for 2011, the 1st quarter of 2012, the 1st half of 2012 and after 3 quarters of 2012,
- 2) review of the degree of performance of recommendations provided to the Management Board by the auditor on the basis of an audit of the financial statements for the financial year ended 31 December 2010 and of the financial statements for the financial year ended 31 December 2009,
- 3) recommendations provided to the Management Board by the auditor on the basis of an audit of the financial statements for the financial year ended 31 December 2011,
- 4) review of new external regulations affecting the Bank's accounting and financial reporting,
- 5) distribution of profit achieved by PKO Bank Polski in 2011,
- 6) dividend policy of PKO Bank Polski.

4.2. Activities of the Bank's internal audit, including:

- 1) efficiency of the internal control system in the second half of 2011 and the first half of 2012,

- 2) performance of the Bank's Internal Audit Plan for 2012 and the results of audits carried out by the Internal Audit Department,
- 3) draft Internal Audit Plan for 2013
- 4) review of internal regulations concerning the internal audit (assessment of resources and means in relation to needs and efficiency),
- 5) review of functioning of the internal audit with reference to best practice and changes to the functioning of the Internal Audit Department in the years 2010-2012.

4.3. Monitoring efficiency of the risk management system within the Bank, including:

- 1) banking risk management strategy,
- 2) analysis of periodic reports on banking risk,
- 3) ongoing monitoring of the risk management system,
- 4) evaluation of management of capital adequacy and own capitals in PKO Bank Polski,
- 5) rules of information policy of PKO Bank Polski SA with regard to capital adequacy,

4.4. Monitoring of efficiency of compliance risk management system, including:

- 1) analysis of the interim report on compliance risk,
- 2) review and ongoing monitoring of efficiency of compliance risk management system and of the Bank's compliance with its regulations.

4.5. Cooperation with the certified auditor, including:

- 1) monitoring independence of the certified auditor and the entity licensed to audit the financial statements of the Bank and the PKO Bank Polski Capital Group for 2011 – 2013,
- 2) annual statement of the certified auditor and information on remuneration of the auditor due under the performance of tasks connected with audit and others,
- 3) position of the Polish Financial Supervision Authority on cooperation with a certified auditor,
- 4) change of the rules of selection of the entity licensed to audit financial statements.

4.6. Implementation of recommendations of the Polish Financial Supervision Authority following the inspections carried out at the Bank in 2009 and 2011 and the regulatory survey and evaluation.

4.7. Legal issues significant for the Bank's operations.

4.8. Evaluation of actions taken by the Bank in order to mitigate risks through the Bank's property insurance and civil liability insurance of the Bank's bodies and proxies.

4.9. Review of the Regulations of the Audit Committee of the Supervisory Board and drafting the 2013 Work Schedule for the Audit Committee of the Supervisory Board.

5. Description of the Committee's works

5.1. *Accounting and Reporting*

1) review of interim and annual financial statements of PKO Bank Polski SA and the PKO Bank Polski SA Capital Group (standalone and consolidated)

As part of the review of the interim and annual financial statements of the Bank (both standalone and consolidated), the Audit Committee focused mainly on:

- 1) an analysis of the financial results of PKO Bank Polski and the PKO Bank Polski Capital Group reported in specific periods, with special account being taken of the factors affecting their levels,
- 2) the results of the auditor's review of the financial statements of the Bank and the Capital Group for 2011 and the 1st half of 2012 and obtaining confirmation of the Bank's compliance with formal and legal requirements, i.e. compliance of the statements with the International Financial Reporting Standards, and in the scope not regulated by IFRS, with the Accounting Act.

Having analysed and discussed the Financial Statements of PKO Bank Polski SA for 2011 and the Consolidated Financial Statements of the PKO Bank Polski SA Group for 2011, and taking into account the auditor's unqualified opinion, the Audit Committee recommended the Supervisory Board to issue a positive opinion on the Financial Statements of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna for the year ended 31 December 2011 and the Consolidated Financial Statements of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group for the year ended 31 December 2011.

2) review of the degree of performance of the recommendations provided to the Management Board by the auditor on the basis of an audit of the financial statements for the year ended 31 December 2010 and of the financial statements for the year ended 31 December 2009

As part of the analysis of the degree of performance of the recommendations provided to the Management Board following the audit of the financial statements of PKO Bank Polski as stated above, the Audit Committee focused on monitoring of the recommendations being implemented.

3) recommendations provided to the Management Board by the auditor on the basis of an audit of the financial statements for the year ended 31 December 2011

The Audit Committee acquainted itself with the recommendations provided to the Management Board by the auditor on the basis of an audit of the financial statements for the financial year ended 31 December 2011,

4) distribution of 2011 profit of PKO Bank Polski

Having analysed the request of the Management Board in respect of the distribution of the profit of PKO Bank Polski SA achieved in 2011 as well as retained profit, the Audit Committee recommended the Supervisory Board to issue a positive opinion thereon.

5) dividend policy of PKO Bank Polski

Having analysed the Dividend Policy of PKO Bank Polski, the Audit Committee recommended the Supervisory Board to approve the "Dividend Policy of PKO Bank Polski" in the wording as attached to resolution No. 164/C/2012 of the Management Board on the dividend policy of PKO Bank Polski dated 4 April 2012.

6) review of new external regulations affecting the Bank's accounting and financial reporting

The Audit Committee analysed the amendments to external regulations, including the amendments to the International Financial Reporting Standards, amendments to the Accounting Act significant for the companies of the Bank's Capital Group, changes in reporting requirements and acquainted itself with the matters connected with the actions taken by the Bank in order to implement the above.

7) meetings with certified auditor

At the meetings of the Audit Committee and the certified auditor, the following issues were discussed:

- position of the Polish Financial Supervision Authority on cooperation with a certified auditor and the auditor's opinion thereon,
- monitoring the independence and objectivity of the certified auditor.

5.2. *Activities of the Bank's internal audit*

1) efficiency of the internal control system in the second half of 2011 and the first half of 2012

In 2012, the Audit Committee was informed twice of the results of controls performed by the Internal Audit Department, and positively evaluated the efficiency of the internal control system and the risk management system.

2) performance of the Bank's Internal Audit Plan for 2012 and the results of audits carried out by the Internal Audit Department (IA). Draft Internal Audit Plan for 2013

On a quarterly basis, the Audit Committee discussed the status of performance of the Bank's Internal Audit Plan for 2012 and the results of audits carried out by IA.

Also, based on an analysis of the draft 2013 Audit Plan, the Audit Committee issued a positive opinion on the Plan.

3) review of internal regulations concerning the internal audit

The Audit Committee reviewed the results of the review of internal regulations concerning the internal audit in the context of assessment of the adequacy of resources and means in relation to needs and efficiency of activities of the internal audit.

4) review of functioning of the internal audit with reference to best practice. Changes to the functioning of the Internal Audit Department in the years 2010-2012.

Having read the *Review of functioning of internal audit with reference to best practice. Changes to the functioning of the Internal Audit Department in the years 2010-2012*, the Audit Committee positively evaluated the direction of actions taken by the Bank in the area of internal audit.

5.3. *Monitoring efficiency of the risk management system within the Bank*

1) ongoing monitoring of the risk management system

On a quarterly basis, the Audit Committee analysed the reports on credit, financial, operational risks and capital adequacy, which were further discussed by the Supervisory Board.

On an ongoing basis, the Audit Committee monitored the level of risk based on information contained in monthly reports drafted for the Committee by the Bank Risk Division.

Also, the Audit Committee submitted to the Supervisory Board a positive opinion on resolution No. 148/E/2012 of the Management Board dated 30 March 2012 on the introduction in PKO Bank Polski SA of the rules of information policy with regard to capital adequacy, which adjusts the currently binding document to the changes stipulated in the resolution of the Polish Financial Supervision Authority No. 326/2011 dated 20 December 2011.

At a meeting with the Bank Risk Division Head, the Audit Committee received information concerning the levels of resources and means that guarantee performance of the tasks of the Bank Risk Division and the issues that obstruct their efficient performance.

2) banking risk management strategy

Based on an analysis, the Audit Committee submitted to the Supervisory Board a positive opinion on the change of the strategic banking risk tolerance limits defined in the Bank risk management strategy for Powszechna Kasa Oszczędności Bank Polski SA.

3) evaluation of management of capital adequacy and own funds in PKO Bank Polski SA,

Having analysed the Report on capital adequacy and risk management (Pillar III) in the PKO Bank Polski SA Capital Group in 2011, the Audit Committee submitted to the Supervisory Board its positive opinion on the report.

5.4 Review of efficiency of the compliance risk management system

As part of the aforementioned activities, the Audit Committee:

- 1) carried out a review of the efficiency of the compliance monitoring system and of compliance of the Bank and its employees with the applicable regulations; *inter alia*, the Committee acquainted itself with information on the organisation, scope of responsibilities and actions of the Compliance Department; with cases of materialisation of compliance risks regarding client complaints and suits arising in connection with the relevant contractual or offering terms; with the scope of violation of collective consumer interests as a result of implementing the Foreign Account Tax Compliance Act,
- 2) discussed the compliance risk report on a quarterly basis.

Furthermore, at a meeting with the Compliance Department Head, the Audit Committee received information concerning the levels of resources and means that guarantee performance of the tasks of the Compliance Department and the issues that obstruct their efficient performance.

5.5. Implementation of recommendations of the Polish Financial Supervision Authority following the inspections carried out at the Bank in 2009 and 2011 as well as regulatory survey and evaluation.

The Audit Committee (on a quarterly basis) evaluated the degree of performance of the after-inspection recommendations of the Polish Financial Supervision Authority.

5.6 Cooperation with the certified auditor

In response to the expectations of the Polish Financial Supervision Authority regarding the Bank's making efforts to shorten the maximum period of uninterrupted cooperation with the entity licensed to perform an audit, and having discussed the matter, the Audit Committee recommended that the Supervisory Board adopt a resolution amending the resolution on the rules of selection of the entity licensed to audit the financial statements.

The Audit Committee reviewed the document drafted by the auditor: "Annual Statement for the Audit Committee of the Supervisory Board", where the auditor had confirmed its independence from the Bank, listed services provided to the Bank in 2011 aside from the financial audit, and stated that appropriate security was applied to guarantee independence.

Furthermore, the Audit Committee received information on the remuneration of the auditor due under the performance of tasks connected with audit and others.

5.7 Legal issues significant for the operations of the Bank

At a meeting with Head of the Legal Department, the Audit Committee discussed, among others:

- the level of resources held and means that guarantee performance of the tasks of the Legal Department and the issues that obstruct their efficient performance,
- the most important issues that entail a legal risk for the Bank.

5.8. Evaluation of actions taken by the Bank in order to mitigate risks through the Bank's property insurance and civil liability insurance of the Bank's bodies and proxies

The Audit Committee reviewed the Bank's insurance policy, the insurance program in operation and related costs, the Bank's risk coverage map, and significant new actions taken by the Business Support Division in the area of insurance.

5.9. Review of the Regulations of the Audit Committee of the Supervisory Board

The Audit Committee reviewed the Regulations of the Committee and confirmed compliance of the Regulations with the universally binding provisions of law. At the same time, in connection with the amendments to the Bank's internal regulations, it was stated that the Regulations needed to be amended by way of introduction of a task concerning monitoring of the level of remuneration of the Head and employees of the Internal Audit Department.

5.10. 2013 Work Schedule for the Audit Committee of the Supervisory Board

At the meeting held on 5 December 2012, the Audit Committee approved the 2013 Work Schedule for the Audit Committee of the Supervisory Board.

6. Assessment of efficiency of the Committee's works in 2012

The Audit Committee of the Supervisory Board performed an assessment of the efficiency of the Committee's works at a closed meeting of the Committee held on 23 January 2013.

The members of the Audit Committee of the Supervisory Board have appropriate qualifications and experience, including current knowledge of accounting and auditing standards. In 2012, all Members of the Committee actively participated in the Committee's meetings, and were highly committed to the proper performance of their duties.

The number and duration of the meetings, as well as access to resources, were sufficient to enable the Committee to perform its tasks appropriately, and the documents drafted for the Committee contained significant information and were prepared sufficiently in advance. The Audit Committee carried out a formal review of the quality and adequacy of information and documents received by the Committee, and assessed the Committee's needs with regard to additional reports and information. The Committee did not identify the necessity to obtain additional materials, expressed its satisfaction with the quality of the documents received and stated that it would be useful to present information in a more synthetic manner.

In 2012, the Committee carried out its tasks defined in the regulations, making efforts to continuously improve its performance. Discussions at the Committee meetings were characterised by a high level of competence.

With the intention of deepening their knowledge, the Committee Members, *inter alia*:

- 1) attended a lecture by Professor W. Orłowski on the current market trends and macroeconomic projections,

- 2) were presented with presentations prepared by the Internal Audit Department concerning:
- the “Auditor’s Manual” introduced in 2012, containing a detailed description of specific stages of activities of IA throughout the year, including, in particular, the drafting of the audit plan (annual and multi-annual), carrying out the audits, reporting of results, including to the Bank’s management and the Audit Committee, and monitoring the implementation of recommendations,
 - the role and tasks of the audit in the process of calculation of the capital requirement relative to the credit risk using advanced methods.

The cooperation of the Committee with the Management Board, the internal auditor and other key officers within the Bank, as well as the certified auditor, was positive; the Committee reacted positively to the information received so as to ensure transparency and appropriateness in the communication process in the future.

7. Summary:

On the basis of periodic reports received and evaluations of external advisors, the Audit Committee regularly monitored the financial reporting process, the efficiency of the internal control system, the internal audit and risk management system within the Bank, as well as auditing tasks and the independence of the certified auditor.

**Report on activities
of the Remuneration Committee in 2012**

1. Legal basis:

- 1) The Remuneration Committee was established pursuant to resolution No. 52/2011 of the Supervisory Board dated 2 November 2011 (amended by the resolution of the Supervisory Board No. 28/2012 dated 9 May 2012) in order to support the Supervisory Board in the performance of its statutory obligations and tasks provided for in applicable law, in particular with regard to the general rules of the policy on variable components of remuneration of persons holding managerial positions in the Bank, rules of remuneration and remuneration of the members of the Management Board,
- 2) The report was drafted pursuant to Article 3 Section 3 of the Regulations of the Remuneration Committee.

2. Tasks and Responsibilities of the Committee:

The key tasks of the Committee include:

- 1) presenting opinions, to be approved by the Supervisory Board, on the general rules of the policy on variable components of remuneration of persons holding managerial positions, within the meaning of Article 28 Section 1 of the resolution of the Financial Supervision Authority No. 258/2011 of 4 October 2011 on the detailed rules of functioning of the risk management system and the internal control system and on the detailed conditions for banks to estimate internal capital and conduct reviews of the process of estimating and maintaining internal capital and on the rules for determining policy on variable components of remuneration of persons holding managerial positions in a bank, taking into account prudent and stable risk management, capitals and liquidity as well as due care for the long-term interests of the Bank, and the interests of the Bank's shareholders and investors,
- 2) periodic review of the general rules of the policy on variable components of remuneration of persons holding managerial positions in the Bank and a presentation of the results of such reviews to the Supervisory Board,
- 3) submitting to the Supervisory Board proposals regarding the rules of remuneration, policy on variable components of remuneration and the remuneration of members of the

Management Board,

- 4) submitting to the Supervisory Board proposals concerning appropriate forms of contracts with members of the Bank's Management Board,
- 5) presenting opinions on requests for providing consent to the members of the Management Board to deal with competing interests or participation in competing companies as a partner in a private partnership, partnership or as a member of a body of a corporation, or participation in another competing legal person as a member of its bodies,
- 6) presenting opinions on a report on the review of implementation of the policy on variable components of remuneration carried out by the Internal Audit Department.

3. Composition of the Committee in 2012:

Krzysztof Kilian - Committee Chairman,
Tomasz Zganiacz - Vice-Chairman of the Committee,
Cezary Banasiński - Committee Member,
Jan Bossak - Committee Member,
Marek Mroczkowski - Committee Member.

4. Number of Committee meetings in 2012:

In 2012, the Remuneration Committee met 5 times, on: 18 January, 4 April, 9 May, 18 June and 7 November.

5. Subject matter of the Committee's works:

At a meeting held on 9 May 2012, the Remuneration Committee reviewed the proposal of the bonus system for the managers of PKO Bank Polski in connection with the obligation to implement resolution No. 258/2011 of the Polish Financial Supervision Authority. Following a discussion, the Remuneration Committee presented a positive opinion on the proposed distribution of variable remuneration as required pursuant to the resolution of the Polish Financial Supervision Authority, including the proposed amount of a suspended bonus and the length of the retention period.

Furthermore, the Committee submitted opinions to the Supervisory Board on:

- a) rules of variable components of remuneration of persons holding managerial positions in the Bank,

- b) changes to the rules of remuneration of the members of the Management Board of PKO Bank Polski,
- c) setting the MbO goals to be attained by the members of the Management Board in 2012,
- d) determination of the fixed monthly remuneration of the members of the Management Board of PKO Bank Polski,
- e) annual awards to the members of the Management Board of PKO Bank Polski for 2011,
- f) amendments to the regulations of the Remuneration Committee.