

**Report of the Supervisory Board of
Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna**
containing the results of an evaluation of: the financial statements of PKO Bank Polski for 2011,
the report of the Management Board on the operations of PKO Bank Polski for 2011,
the motion of the Management Board on distribution of the profit of PKO Bank Polski achieved
in 2011,
and the report on the operations of the Supervisory Board as a corporate body in 2011.

1. INTRODUCTION

The Supervisory Board of PKO Bank Polski, in accordance with the relevant provisions of the Commercial Companies Code, submits to the Ordinary General Meeting of PKO Bank Polski a report containing the results of evaluations of:

- 1) the financial statements of PKO Bank Polski for 2011,
- 2) the report of the Management Board on the operations of PKO Bank Polski for 2011,
- 3) the motion of the Management Board on distribution of the profit of PKO Bank Polski achieved in 2011,

and the report on the operations of the Supervisory Board as a corporate body in 2011.

Evaluation of the financial statements of PKO Bank Polski for 2011

The Supervisory Board heard the opinion of the auditor appointed to audit the financial statements of the Bank with regard to the economic and financial condition of the Bank. The auditor issued an opinion without reservations. The auditor confirmed that the financial statements were prepared on the basis of correctly maintained accounting books, that they are in accordance with binding external provisions and the Statute of the Bank, and that they reliably and clearly present the material and financial condition of the Bank as at 31 December 2011 as well as the financial result for 2011 in accordance with International Financial Reporting Standards.

The Board shares the opinion issued by the auditor.

Pursuant to Article 219 par. 3 and Article 382 par. 3 of the Commercial Companies Code, having considered the “*Financial Statements of PKO Bank Polski for 2011*”, taking account of the positive recommendation of the Audit Committee of the Supervisory Board, and on the basis of the opinion without reservations issued by the auditor from the audit of the financial statements of PKO Bank Polski for 2011, the Supervisory Board issued a positive opinion on the financial statements as being prepared in accordance with the accounting books and documents and

with the factual status. The Board issued a positive opinion on the draft resolution of the Ordinary General Meeting on approving the “*Financial Statements of PKO Bank Polski for 2011*”.

In accordance with Article 4a of the Accountancy Act, the Board also guarantees that all elements of the financial statements of PKO Bank Polski for 2011 meet the requirements provided in that act.

Evaluation of the report of the Management Board on the operations of PKO Bank Polski for 2011

Pursuant to Article 382 par. 3 of the Commercial Companies Code, having evaluated the “*Report of the Management Board on the Operations of PKO Bank Polski for 2011*” containing information on the activity of the Management Board as a corporate body, the Board issued a positive opinion on the draft resolution of the Ordinary General Meeting on approving the “*Report of the Management Board on the operations of PKO Bank Polski for 2011*”.

In accordance with Article 4a of the Accountancy Act, the Board also guarantees that all elements of the report of the Management Board on the operations of PKO Bank Polski for 2011 meet the requirements provided in that act.

Evaluation of the motion of the Management Board on distribution of the profit of PKO Bank Polski achieved in 2011

The Supervisory Board gave positive opinion on the motion of the Management Board on designating net profit in the amount of PLN 3 953 622 k achieved in 2011: PLN 1 587 500 k for a dividend to shareholders, PLN 2 300 000 k for reserve capital, and PLN 66 122 k for other reserves.

2. REPORT ON THE OPERATIONS OF THE BOARD AS A CORPORATE BODY

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

The Supervisory Board (composition as at 31 December 2011):

(a joint three-year term of office begun on 30 June 2011)

No.	First and last name	Function	Date appointed/ recalled
	Cezary Banasiński	Chairman of the Supervisory Board	appointed on 20 April 2009 to the end of the previous term of office of the Supervisory Board (begun on 20 May 2008) (notarial deed Repertory A No. 2959/2009, resolution No. 7/2009) Reappointed on 30 June 2011 to the end of the current term of office of the Supervisory Board (notarial deed Repertory A 3529/2011, resolution No. 29/2011) The Minister of the State Treasury appointed Supervisory Board Member C. Banasiński as Chairman of the Supervisory Board
	Tomasz Zganiacz	Vice Chairman of the Supervisory Board	appointed on 31 August 2009 to the end of the previous term of office of the Supervisory Board (notarial deed Repertory A No. 5855/2009, resolution No. 8/2009) reappointed on 30 June 2011 to the end of the current term of office of the Supervisory Board (notarial deed Repertory A 3529/2011, resolution No. 30/2011) The Minister of the State Treasury appointed Supervisory Board Member T. Zganiacz as Vice Chairman of the Supervisory Board
	Mirosław Czekaj	Secretary of the Supervisory Board (from 30 June 2010 to 30 June 2011 and from 6 July 2011)	appointed on 31 August 2009 to the end of the previous term of office of the Supervisory Board (notarial deed Repertory A No. 5855/2009, resolution No. 5 /2009) reappointed on 30 June 2011 to the end of the current term of office of the Supervisory Board (notarial deed Repertory A 3529/2011, resolution No. 31/2011)
	Jan Bossak	Member of the Supervisory Board	appointed on 26 February 2008 for the term of office which ended on 19 May 2008 and for the entire previous term of office of the Supervisory Board (notarial deed Repertory A No. 1362/2008, resolution No. 4/1/2008) reappointed on 30 June 2011 to the end of the current term of office of the Supervisory Board (notarial deed Repertory A 3529/2011, resolution No. 32/2011)
	Krzysztof Kilian	Member of the Supervisory Board	appointed on 30 June 2011 to the end of the current term of office of the Supervisory Board (notarial deed Repertory A 3529/2011, resolution No. 35/2011)
	Piotr Marczak	Member of the Supervisory Board	appointed on 25 June 2010 to the end of the previous term of office of the Supervisory Board (notarial deed Repertory A No. 4239/2010, resolution No. 37/2010) reappointed on 30 June 2011 to the end of the current term of office of the Supervisory Board (notarial deed Repertory A 3529/2011, resolution No. 38/2011)
	Ewa Miklaszewska	Member of the Supervisory Board	appointed on 30 June 2011 to the end of the current term of office of the Supervisory Board

			(notarial deed Repertory A 3529/2011, resolution No. 37/2011)
	Marek Mroczkowski	Member of the Supervisory Board	appointed on 30 June 2011 to the end of the current term of office of the Supervisory Board (notarial deed Repertory A 3529/2011, resolution No. 34/2011)
	Ryszard Wierzba	Member of the Supervisory Board	appointed on 30 June 2011 to the end of the current term of office of the Supervisory Board (notarial deed Repertory A 3529/2011, resolution No. 33/2011)

Changes in the composition of the Supervisory Board in 2011:

Composition of the Supervisory Board up to 30 June 2011

(a joint three-year term of office begun on 20 May 2008)

No.	First and last name	Function	Date appointed/ recalled
	Cezary Banasiński	Chairman of the Supervisory Board	appointed on 20 April 2009 to the end of the previous term of office of the Supervisory Board (notarial deed Repertory A No. 2959/2009, resolution No. 7/2009) The Minister of the State Treasury appointed Supervisory Board Member C. Banasiński as Chairman of the Supervisory Board
	Tomasz Zganiacz	Vice Chairman of the Supervisory Board	appointed on 31 August 2009 to the end of the previous term of office of the Supervisory Board (notarial deed Repertory A No. 5855/2009, resolution No. 8/2009) The Minister of the State Treasury appointed Supervisory Board Member T. Zganiacz as Vice Chairman of the Supervisory Board
	Mirosław Czekaj	Secretary of the Supervisory Board (from 30 June 2010 to 30 June 2011)	appointed on 31 August 2009 to the end of the previous term of office of the Supervisory Board (notarial deed Repertory A No. 5855/2009, resolution No. 5/2009)
	Jan Bossak	Member of the Supervisory Board	appointed on 26 February 2008 for the term of office which ended on 19 May 2008 and for the entire previous term of office of the Supervisory Board (notarial deed Repertory A No. 1362/2008, resolution No. 4/1/2008)
	Błażej Lepczyński	Member of the Supervisory Board	appointed on 20 April 2009 to the end of the previous term of office of the Supervisory Board (notarial deed Repertory A No. 2959/2009, resolution No. 9/2009)
	Piotr Marczak	Member of the Supervisory Board	appointed on 25 June 2010 to the end of the previous term of office of the Supervisory Board (notarial deed Repertory A No. 4329/2010, resolution No. 37/2010)
	Alojzy Zbigniew	Member of the Supervisory Board	appointed on 31 August 2009 to the end of the

	Nowak		previous term of office of the Supervisory Board (notarial deed Repertory A No. 5855/2009, resolution No. 7/2009)
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On 30 June 2011, the Ordinary General Meeting appointed to the Supervisory Board:

- 1) Cezary Banasiński,
- 2) Tomasz Zganiacz
- 3) Jan Bossak
- 4) Mirosław Czekaj
- 5) Krzysztof Kilian
- 6) Ewa Miklaszewska
- 7) Piotr Marczak
- 8) Marek Mroczkowski
- 9) Ryszard Wierzba

In accordance with resolutions adopted, all of the above persons were appointed for the Supervisory Board term of office beginning on 30 June 2011.

The State Treasury, as the Authorised Shareholder on the basis of § 12 item 1 of the Statute of the Bank, appointed:

- 1) Mr Cezary Banasiński as Chairman of the Supervisory Board
- 2) Mr Tomasz Zganiacz as Vice Chairman of the Supervisory Board.

On 6 July 2011, the Supervisory Board again elected Board Member Mirosław Czekaj as Secretary of the Board.

2) Information on the number and frequency of meetings of the Supervisory Board held and on the number of resolutions adopted

In 2011, the Supervisory Board held a total of 14 minuted meetings (including one 3-day meeting and two meetings in one day) on the following dates: 12 January, 26 January, 2 March, 17 March, 28 and 30 March and 1 April, 22 April, 9 May, 16 May, 6 July, 10 August, 5 October (2 meetings), 2 November, 16 December.

In 2011, the Supervisory Board adopted 55 resolutions.

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

All absences by members of the Supervisory Board from meetings in 2011 were justified by Board resolutions No.: 25/2011, 40/2011, 45/2011, 46/2011; these concerned the absence of six members of the Board from four meetings.

4) Significant issues dealt with by the Board

In 2011, the Supervisory Board dealt with such issues as:

- 1) the OMEGA project (a sale of shares in the Bank by way of a public offering),
- 2) the selection of an entity authorised to audit the financial statements for the years 2011-2013,
- 3) issues relating to the qualifying proceeding for positions as member of the Management Board (in connection with the end of the Management Board's term of office in 2011),
- 4) KREDOBANK SA, including:
 - the condition of KREDOBANK in 2010 and information on the strategy of PKO Bank Polski with regard to KREDOBANK,
 - information on: *"The sale of a portfolio of bad loans in KREDOBANK to a special purpose vehicle combined with a potential acquisition of a debt recovery company as referred to in the information from the entity specified in that information"*,
 - consenting to an amendment of the conditions of a guarantee issued to KREDOBANK SA,
 - consenting to granting the Special Purpose Vehicle financing for the purpose of acquiring a portfolio of group IV and V loans from KREDOBANK SA,
- 5) the results of a comprehensive audit of the current state of the IT Area,
- 6) the operations of PKO Bank Polski in Great Britain,
- 7) the report on the implementation of the Development Strategy of PKO Bank Polski for the years 2010-2012,
- 8) approval of the Risk Management Strategy in PKO Bank Polski SA and approval of amendments of that Strategy,
- 9) approval of the Rules for managing capital adequacy and capital in PKO Bank Polski SA,

- 10) the report "*Capital Adequacy and Risk Management (3rd Pillar) of the PKO Bank Polski SA Capital Group as at 31 December 2010*";
- 11) analysis of the factors affecting the dividend policy of PKO Bank Polski in 2012,
- 12) issues relating to the implementation of resolution No. 258/2011 PFSA,
- 13) making a donation and releasing the Foundation indicated in the Board resolution on that donation from debt,
- 14) the results of surveys of: the "*Involvement and Satisfaction of Employees of PKO Bank Polski SA*" and ATP monitoring of the recognition, image and communicative power of the PKO Bank Polski brand,
- 15) consenting to the conclusion by the Bank of an agreement for the provision of medical services for employees of the Bank,
- 16) information on: "*Area of Asset Management - Review of Companies in the Capital Group of the Bank*" including attending presentations of Companies from that Area,
- 17) synthesized information on evaluating the bank's internal systems,
- 18) consenting to the sale of real estate comprising the NEPTUN Training and Recreation Centre in Jurata, included in an organised part of a business of the Bank,
- 19) information on the sale of an organised part of a business of the Bank comprising the DAGLEZJA Training and Recreation Centre in Zakopane.

Topics regularly discussed by the Board:

- information on implementing the financial result of the Bank and the financial results of the Bank in relation to competitors,
- information on the effectiveness of the internal control system,
- information on correspondence from external supervisory authorities and inspections affecting the Bank,
- the report: Credit Risk in PKO Bank Polski,
- the report: Capital Adequacy in PKO Bank Polski,
- the report: Operational Risk in PKO Bank Polski,
- the report: Financial Risk in PKO Bank Polski,
- the report: Compliance Risk in PKO Bank Polski,
- information on the functioning of the Restructuring and Debt Recovery Division.

5) Inspections conducted

In 2011, no inspections were conducted at the instruction of the Supervisory Board.

6) Information on changes in the composition of the Management Board made by the Supervisory Board, on suspensions of members of the Management Board from the performance of their duties, and on delegations of members of the Board to fulfil the functions of members of the Management Board

In consideration of the end of the three-year term of office of the Management Board in 2011, the Supervisory Board conducted a process for forming a new Management Board. The Supervisory Board, guided by the rules contained in the "*Regulation of the Council of Ministers on Conducting a Qualifying Proceeding for the Position of Member of a Management Board in Certain Commercial Companies*" of 18 March 2003 (as amended), carried out a qualifying proceeding in 2011 for the positions of President and Vice President of the Management Board of PKO Bank Polski, and as a result appointed:

- on 2 March 2011, Mr Zbigniew Jagiełło as President of the Management Board of PKO Bank Polski for the joint term of office of the Management Board beginning on 30 June 2011,
- on 1 April 2011, upon a motion by President of the Management Board Z. Jagiełło, the following persons as Vice Presidents of the Management Board of PKO Bank Polski for the joint term of office of the Management Board beginning on 30 June 2011:
 - 1) Mr Piotr Alicki,
 - 2) Mr Bartosz Drabikowski,
 - 3) Mr Jarosław Myjak,
 - 4) Mr Jacek Władysław Obłękowski,
 - 5) Mr Jakub Papierski,
- on 16 May 2011, upon a motion by President of the Management Board Z. Jagiełło, Mr Andrzej Kołatkowski as Vice President of the Management Board responsible for the Risk and Debt Recovery Area, for the joint term of office of the Management Board beginning on 30 June 2011, on condition that he receives FSA approval to fulfil that function. On 9 August 2011, the FSA consented to the appointment of Mr Andrzej Kołatkowski as Member of the Management Board of PKO Bank Polski.

In 2011, the Supervisory Board did not take any decision on suspending any member of the Management Board from the performance of their duties, nor did delegate any members of the Supervisory Board to perform the functions of members of the Management Board.

7) Information on the implementation of resolutions of the General Meeting regarding the activities of the Supervisory Board

By resolution No. 44/2006 of the Ordinary General Meeting of 18 April 2006, the Supervisory Board was obligated to exercise supervision over the disposal by the Bank of the training and recreation centres specified in that resolution, and to present the General Meeting with a report on that process, containing an evaluation of its correctness. Information on that subject will be presented directly to the General Meeting of PKO Bank Polski.

Furthermore, as part of the supervision it exercised over the disposal by the Bank of the training and recreation centres, in 2011:

- 1) at a meeting on 5 October 2011, the Board considered a motion by the Management Board on consenting to the sale of real estate comprising the NEPTUN Training and Recreation Centre in Jurata, included in an organised part of a business of the Bank and adopted a resolution on that matter,
- 2) at a meeting on 16 December 2011, the Board acquainted itself with information on the Management Board's adoption of a resolution on 8 November 2011 on granting consent to the disposal of an organised part of the business of the Bank comprising the Daglezja Training and Recreation Centre in Zakopane.

8) Other information on the work of the Board

In 2011, the Audit Committee of the Supervisory Board was active. In November 2011, the Supervisory Board established a Remuneration Committee and adopted Rules of that Committee.

The annual reports on the activities of those Committees constitute appendices No. 1 and 2, respectively, to this Report.

Chairman of the Supervisory Board

Cezary Banasiński

Warsaw, 4 April 2012

**Report on the activities
of the Audit Committee of the Supervisory Board in 2011**

1. Legal basis:

- The Audit Committee of the Supervisory Board, hereinafter the "Committee", was established by Resolution of the Supervisory Board No. 44/2006 of 30 November 2006.
- The report on the activities of the Committee was prepared on the basis of § 3 item. 3 of the Rules of the Committee constituting an appendix to Resolution of the Supervisory Board No. 62/2010 of 16 December 2010 on the Rules of the Audit Committee of the Supervisory Board.

2. Composition of the Committee in 2011:

a) as at 1 January 2011

Mirosław Czekaj	Chairman of the Committee Secretary of the Supervisory Board of the Bank
Błażej Lepczyński	Vice Chairman of the Committee Member of the Supervisory Board of the Bank
Jan Bossak	Member of the Committee Member of the Supervisory Board of the Bank

b) since 10 August 2011

Mirosław Czekaj	Chairman of the Committee Secretary of the Supervisory Board of the Bank
Jan Bossak	Vice Chairman of the Committee Member of the Supervisory Board of the Bank
Ewa Miklaszewska	Member of the Committee Member of the Supervisory Board of the Bank

3. Number of meetings of the Committee in 2011:

In 2011, in carrying out its regulatory tasks, the Committee held 13 meetings (on 12 January, 9 February, 17 February, 2 March, 28 March, 20 April, 9 May, 8 June, 10 August, 5 October, 2 November, 18 November and 16 December).

The Committee worked on the basis of the Audit Committee Work Plan of the Supervisory Board for 2011.

4. Subjects of the work of the Committee:

In 2011, the most important subjects of the work of the Committee were issues connected with:

4.1 Accounting and reporting, including:

- 1) reviewing the periodic and annual financial statements of PKO Bank Polski SA and the PKO Bank Polski SA Group (standalone and consolidated), that is, for 2010, Q1 2011, mid-year 2011, and first 3 quarters of 2011,
- 2) reviewing the recommendations of the auditor to the Management Board of the Bank from the audit of the financial reports for the year ending on 31 December 2009, and acquainting itself with the recommendations of the auditor to the Management Board of the Bank from the audit of the financial statements for the year ending on 31 December 2010,
- 3) the distribution of the profit of PKO Bank Polski SA achieved in 2010,
- 4) reviewing new external regulations affecting the manner of maintaining accounting books and the financial reporting of the Bank.

4.2 Activities of the internal audit of the Bank, including:

- 1) the effectiveness of the internal control system of the Bank in the second half of 2010 and the first half of 2011,
- 2) the implementation of the Plan for internal auditing in the Bank for 2011, and the results of audits conducted by the Internal Auditing Department and of the draft Plan for internal auditing for 2012,
- 3) reviewing the internal regulations concerning the functioning of the internal audit,

4) the internal rules of the Internal Auditing Department.

4.3 Monitoring the effectiveness of the risk management system of the Bank, including:

- 1) the bank risk management strategy,
- 2) analysing periodic reports concerning bank risk,
- 3) ongoing monitoring of the risk management system,
- 4) evaluating the risk management system of the Bank in 2010,
- 5) evaluating the management of capital adequacy and capital in PKO Bank Polski SA,
- 6) evaluating the scoring method for evaluating the credit risk of small and medium-sized businesses.

4.4 The process of selecting an entity authorised to audit the financial statements of the Bank and the PKO Bank Group for the years 2011-2013.

4.5 Monitoring the effectiveness of the compliance risk management system of the Bank, including:

- 1) analysing the periodic report on compliance risk,
- 2) reviewing the effectiveness of the compliance risk management system and the compliance of the activities of the Bank with its regulations,
- 3) ongoing monitoring of the effectiveness of the compliance risk management system.

4.6 Implementing recommendations made by organisational units of Head Office and organisational units of the Bank after the inspection of problems by the Office of the Polish Financial Supervision Authority conducted at the Bank in 2009.

4.7 Legal issues vital to the activities of the Bank.

4.8 Evaluating the activities of the Bank aimed at eliminating risk by insuring Bank property and taking out civil liability insurance for members of the Bank's corporate bodies and commercial proxies.

4.9 Reviewing the Rules of the Audit Committee of the Supervisory Board and preparing a Plan of work for the Audit Committee of the Supervisory Board for 2012.

5. Description of the work of the Committee

5.1 Accounting and reporting

1) reviewing the periodic and annual financial statements of PKO Bank Polski SA and the PKO Bank Polski SA Group (standalone and consolidated)

As part of its review of periodic and annual financial statements of the Bank (non-consolidated and consolidated), the Committee focused mainly on:

- 1) analysing the financial results of PKO Bank Polski and the PKO Bank Polski SA Group in particular periods, taking particular account of the financial result achieved by the Bank and the Group and of factors affecting its level,
- 2) the results presented by the auditor from the review of the financial statements of the Bank and the Group for 2010 and the first half of 2011, and evaluating the status of the Bank's implementation of the auditor's recommendations from the audit for 2009,
- 3) obtaining confirmation that the Bank met the legal and formal requirements in the financial statements, that is, whether they were prepared in accordance with International Financial Reporting Standards and, within the scope not regulated by those Standards, in accordance with the Accountancy Act.

After a detailed analysis of the results made by the auditor, of the audit of the financial statements of PKO Bank Polski SA for the year ending on 31 December 2010 and of the consolidated financial statements of the PKO Bank Polski SA Group for the year ending on 31 December 2010, and having familiarised itself with the opinion of the auditor, the

Committee recommended that the Supervisory Board issue a positive opinion on the above reports.

Moreover, the Committee was informed about the intention of two leading shareholders of the Bank, namely the State Treasury and BGK, to sell the shares they hold in the Bank, as well as about the suspension of that sale.

- 2) recommendation of the auditor to the Management Board of the Bank from the audit of the financial reports for the year ending on 31 December 2009, and recommendations of the auditor to the Management Board of the Bank from the audit of the financial statements for the year ending on 31 December 2010.**

As part of its analysis of the recommendations to the Management Board of the Bank from the audit of the financial statements of PKO Bank Polski SA for the year ending on 31 December 2009, the Committee focused on those recommendations whose implementation will be delayed in relation to the deadlines specified.

The Committee acquainted itself with the recommendations for the Management Board of the Bank from the audit of the financial statements for the year ending on 31 December 2010 presented by the auditor.

- 3) the distribution of the profit of PKO Bank Polski SA achieved in 2010**

After analysing the motion of the Management Board of the Bank on distribution of the profit of PKO Bank Polski SA achieved in 2010, the Audit Committee recommended that the Supervisory Board of the Bank issue a positive assessment of that motion.

- 4) reviewing new external regulations affecting the manner of maintaining accounting books and the financial reporting of the Bank.**

The Audit Committee carried out a review of amendments made in external regulations, including amendments introduced to the International Financial Reporting Standards, amendments in the Accountancy Act, and in the secondary legislation and other reporting amendments important to the Bank. It also discussed issues concerning the impact

of implementing those amendments on the financial result of the Bank, the costs connected with adapting IT systems, and the degree to which the Bank is ready to implement them.

5) meeting with the external auditor

During the meeting with the external auditor, issues such as the following were discussed:

- summarising the audit of the financial statements for 2010,
- the status of recommendations from the audit of the financial statements for 2010,
- the plan to review the financial statements of the Bank and the Bank's Capital Group for the first half-year of 2011,
- the independence of the auditor.

5.2. Activities of the internal audit of the Bank

1) the effectiveness of the internal control system in the second half-year of 2010 and the first half of 2011,

In 2011, the Audit Committee twice acquainted itself with the results of inspections conducted by the Internal Auditing Department, on the basis of which it positively evaluated the internal control and risk management systems covered by the audit.

2) the implementation of the Plan for internal auditing in the Bank for 2011, and the results of audits conducted by the Internal Auditing Department and of the draft Plan for internal auditing for 2012

In quarterly cycles, the Audit Committee evaluated the state of implementation of the Plan for internal auditing in the Bank for 2011, as well as the results of audits conducted by the Internal Auditing Department.

Furthermore, the Committee issued a positive opinion on the Plan for internal auditing for 2012, and the 3-year Plan for 2011-2013.

3) reviewing the internal regulations concerning the functioning of the internal audit

The Audit Committee conducted a material analysis of the review of the internal regulations concerning the functioning of internal auditing (evaluating the adequacy of powers and means in relation to needs, and the effectiveness of activities), including by acquainting itself with the draft Regulation of the President of the Management Board on conducting an internal audit, the aim of which is to improve the auditing process in the Bank. The Committee positively assessed the draft of the above regulation.

4) the internal rules of the Internal Auditing Department.

The Audit Committee acquainted itself with and positively evaluated the proposed amendments to the internal rules of the Internal Auditing Department.

5.3. Monitoring the effectiveness of the risk management system of the Bank

1) ongoing monitoring of the risk management system

As part of implementing that task, the Audit Committee acquainted itself with the most important risks arising from the operations of the Bank and the risk monitoring and management system, as well as with current and planned activities for developing the risk management system.

Moreover, the Committee, in quarterly cycles, discussed reports pertaining to credit, financial, operating and capital adequacy risk.

The Committee conducted ongoing monitoring of risk, using information contained in monthly reports on risk prepared for the needs of the Committee by the Bank Risk Division.

2) the bank risk management strategy

As part of its work on the Strategy for managing bank risk in PKO Bank Polski SA, the Audit Committee issued a positive opinion on the draft resolution of the Supervisory Board on approving the Strategy for managing bank risk in PKO Bank Polski SA and on the draft Management Board resolutions concerning changes in that Strategy.

3) evaluating the risk management system of the Bank in 2010

The Audit Committee acquainted itself with the most important improvements of the risk management system in the Bank in 2010, and concluded that that system is adequate for the scale and complexity of the Bank's operations.

4) evaluating the management of capital adequacy and equity in PKO Bank Polski SA

The Audit Committee approved the Report concerning the capital adequacy and risk management of the PKO Bank Polski SA Group for 2010, and recommended to the Supervisory Board a change in the rules of managing the capital adequacy and equity of the Bank involving supplementing those rules by provisions concerning capital planning and dividend policy, as well as expanding the capital adequacy measures applied in the Bank.

5) evaluating the scoring method for evaluating the credit risk of small and medium-sized businesses

The Audit Committee analysed the functioning in the Bank of the scoring method for evaluating the credit risk of small and medium-sized businesses (SME), including its impact on shortening the duration of the process of evaluating SME credit risk.

5.4. Monitoring the effectiveness of the compliance risk management system

As part of monitoring the effectiveness of the compliance risk management system, the Committee:

- 1) conducted a review of the effectiveness of the compliance risk management system and of the activities of the Bank stemming from its rules, including acquainting itself with the opinion on the functioning of the compliance risk management system in the Bank and with planned activities for its development, including in the context of the establishment of a separate Compliance Department on 1 January 2011,
- 2) discussed in quarterly cycles the report on compliance risk, beginning with the report for Q1 2011.

5.5 Implementing recommendations made by organisational units of Head Office and organisational units of the Bank after the inspection of problems by the Office of the Polish Financial Supervision Authority conducted at the Bank in 2009

The Audit Committee (in quarterly cycles) conducted an evaluation of the degree to which the PFSA post-inspection recommendations had been implemented.

5.6 The process of selecting an entity authorised to audit the financial statements of the Bank and the PKO Bank Group for the years 2011-2013

Continuing the process begun in 2010 on the process of selecting an entity authorised to audit the financial statements of the Bank and the PKO Bank Group for the years 2011-2013, the Audit Committee conducted that process, in cooperation with a Commission composed of Bank employees.

After having evaluated the offers submitted in accordance with the accepted selection criteria, the Committee recommended to the Supervisory Board an entity to audit the financial statements of PKO Bank Polski SA and of the PKO Bank Polski SA Group for the years 2011-2013, that is, PriceWaterhouseCoopers Sp. z o.o.

5.7. Legal issues important for the activity of the Bank

The Audit Committee discussed, among other issues:

- the level of resources and means possessed guaranteeing the Legal Department's implementation of the tasks assigned to it,
- court cases conducted by the Legal Department which are of vital importance to the Bank.

5.8 Evaluating the activities of the Bank aimed at eliminating risk by insuring Bank property and taking out civil liability insurance for members of the Bank's corporate bodies and commercial proxies.

The Committee acquainted itself with the Bank's policy regarding insurance, with the insurance programme functioning in the Bank, the plan for covering particular risks to which the Bank is exposed, the insurance policies held, cooperation by the Bank with insurance brokers, as well as the Bank's loss ratio and damages paid out.

5.9 Review of the rules of the Audit Committee of the Supervisory Board

The Committee conducted a review of the Rules of 16 December 2010, as a result of which it confirmed that the Rules conform with the generally binding provisions of law. There was no indication of a necessity to amend the content of the Rules in terms of cooperation by organisational units of Headquarters and organisational units of the Bank with the Committee.

5.10. Agenda of the Audit Committee of the Supervisory Board for 2012

The Committee approved the agenda of the Audit Committee of the Supervisory Board for 2012.

6 Evaluation of the effectiveness of the work of the Committee in 2011

The Members of the Audit Committee of the Supervisory Board hold appropriate qualifications and experience in terms of their current knowledge of accounting and financial review. In 2011, all Committee Members actively participated in Committee meetings and demonstrated a high level of engagement in the proper performance of their duties. The number and length of meetings, and access to resources, were sufficient to enable the Committee to fully discharge its duties, and the documents prepared for the Committee were concise, contained essential information, and were prepared for a given meeting sufficiently in advance.

In 2011, the Committee performed its regulatory tasks, taking care at the same time to continually perfect its work within this scope. The discussions held at Committee meetings showed a high level of professionalism.

As part of expanding its knowledge of the latest market trends, the Committee conducted - in cooperation with a consultant - workshops on the following topics:

- 1) Supervisory authorities - new recommendations and supervisory guidelines,
- 2) Capital requirements - Basel III,
- 3) Financial reporting - new standards,
- 4) International financial markets - FATCA,
- 5) Remuneration in financial institutions - CRD directives.

Cooperation between the Committee and the Management Board of the Bank, the internal auditor and other key Bank personnel, as well as with the external auditor, was positive; the Committee reacted constructively to unfavourable information in order to ensure the transparency and correctness of the communication process in the future.

7 Summary:

On the basis of the periodic reports obtained, and of the evaluations of external consultants, the Committee monitored regularly the effectiveness of the internal control system, internal auditing and the risk management system in the Bank.

Report on the activities of the Remuneration Committee in 2011

Legal basis:

- The Remuneration Committee was established by resolution of the Supervisory Board No. 52/2011 of 2 November 2011 in order to support the Supervisory Board in carrying out its statutory duties, within the scope of the general rules of the system of remuneration for Members of the Management Board, and of variable components of remuneration for persons holding managerial positions in the Bank.
- The report was prepared on the basis of § 3 item 4 of the Rules of the Remuneration Committee.

The main tasks of the Committee include:

- evaluating the remuneration system and policy for persons holding managerial positions in the Bank,
- issuing opinions on the type and amounts of targets on whose implementation variable remuneration components depend, and evaluating the attainment of targets,
- issuing opinions on the policy of variable remuneration components for persons holding managerial positions in the meaning of § 28 item 1 of resolution No. 258/2011 of the Polish Financial Supervision Authority of 4 October 2011 on the particular rules for the functioning of risk management systems and internal control systems and on specific conditions for banks to estimate internal capital and to conduct reviews of the process of estimating and maintaining internal capital and on the rules for establishing policy on variable remuneration components for persons holding managerial positions in a bank, including the amount and components of remuneration, aimed at cautious and stable management of risk, capital and liquidity, with particular care regarding the long-term interests of

the Bank and of its shareholders and investors,

- issuing opinions and monitoring variable remuneration for persons holding managerial positions in the Bank, in connection with risk management and maintaining the Bank's compliance with the provisions of law and internal rules,
- analysing and issuing opinions on the rules of remuneration for members of the Management Board, and on the amount of their justifiable remuneration,
- issuing opinions on motions concerning consent for a member of the Management Board to engage in competing interests or participate in a competitor company as a partner in a corporation or partnership, or as a member of the corporate body of a limited company, or participate in another competing legal person as a member of its corporate bodies,
- issuing opinions on reports prepared by the Internal Auditing Department, reviewing the implementation of policy and variable remuneration components.

In 2011, the Remuneration Committee was composed of:

- 1) Krzysztof Kilian - Chairman of the Committee,
- 2) Cezary Banasiński - Member of the Committee,
- 3) Jan Bossak - Member of the Committee,
- 4) Marek Mroczkowski - Member of the Committee,
- 5) Tomasz Zganiacz - Member of the Committee.

In 2011, one meeting of the Remuneration Committee was held (on 30 November 2011), at which the subject of "*Remuneration Policy - Directive CRD 3*" was discussed.