

**Report of the Supervisory Board of
Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna
including the results of evaluation of the report of the Bank Management Board
on the activities of the Bank in 2007,
the financial statements of the Bank for 2007,
the proposal of the Management Board concerning the distribution of profit
earned by the Bank in 2007,
and the 2007 report on the activities of the Supervisory Board as the Bank
governing body.**

1. INTRODUCTION

The Supervisory Board of PKO BP S.A., acting under the relevant provisions of the Commercial Companies Code, hereby submits to the Ordinary General Meeting of PKO BP S.A. its report including the results of evaluation of:

- 1) the report of the Bank Management Board on the activities of the Bank in 2007,
- 2) the financial statements of the Bank for 2007; and
- 3) the motion of the Management Board on the distribution of profit earned by the Bank in 2007,

and the 2007 report on the activities of the Supervisory Board as the company governing body.

Evaluation of the report of the Bank Management Board on the activities of the Bank

When discussing the Report, the Supervisory Board pointed out the external conditions affecting the activities of the Bank, the long-term growth factors and the main objectives of the financial plan for 2007. The Supervisory Board discussed the balance sheet data as at 31 December 2007, and the financial result for 2007 – the net profit of the Bank was PLN 2.72 bn (at the same it was the highest net profit in the banking sector and the highest in the capital group of the Bank).

In the opinion of the Supervisory Board, the efforts of the Bank Management Board in achieving the objectives assumed in the plans for 2007, allowed the Bank to strengthen its position in the existing and new business areas, to increase business activity and innovation, to intensify sales and to maintain the position of the leader of the Polish banking system in terms of financial results, in spite of the growing competition.

Information on the strategic programme implementation

In April 2007, the Management Board of the Bank adopted the PKO BP S.A. growth strategy for the period 2007-2012 – the “New Opening” (approved by the Supervisory Board of the Bank on 20 April 2007). The pursuance of the Strategy is to be ensured by strategic initiatives along with assigned clear responsibilities and resources necessary for their implementation. Within the strategy, 28 strategic initiatives have been defined, divided into 17 work groups which were appointed in June:

Group I	- Express, Cross-sell and Agencies
Group II	- New Model for Middle Class and Wealthy Clients
Group III	- Visualisation of Branches
Group IV	- Consumer Finance Factory
Group V	- Investment Product Factory
Group VI	- Performance in Mass Segment
Group VII	- New Model in SME
Group VIII	- Public Sector
Group IX	- Medium Enterprises
Group X	- Treasury
Group XI	- Foreign Expansion (Ukraine)
Group XII	- Capital Group Development
Group XIII	- Model Sales and Support
Group XIV	- System of Incentives
Group XV	- Risk and Debt Recovery Improvement
Group XVI	- Credit Analysis Centralization
Group XVII	- Communication

First, the groups were assigned tasks to prepare individual strategic initiatives for implementation. The work was supervised by the Steering Committee which was composed of the members of the Bank Management Board. On the side of the Supervisory Board of the Bank, the supervision was the task of the Strategy Implementation Committee. The project was prioritised and ensured proper support. As a part of the tasks assigned to appointed groups, concepts of implementing individual strategic initiatives were prepared. The majority of developed solutions

were tested by way of conducting pilot implementations between August and December 2007. Developed and tested solutions were implemented in 2007 or approved by the Steering Committee to be completed in 2008.

The most important of them include:

- Consumer Finance Factory – implemented in 2007;
- Investment Product Factory – implemented in 2007;
- Super Express – including solutions developed within groups I, II, III, VI, XIII – implementation in 2008 in five phases (each phase includes subsequent regions) coordinated with ALNOVA implementation;
- New SME – implementation at the same time throughout the whole network, March-April 2008;
- New System of Incentives – implementation at the same time throughout the whole network , starting from January 2008;
- Strategic initiatives in the Corporation Market Area (Groups VIII, IX, X) – partially implemented in 2007, to be continued in 2008;
- Risk and Debt Recovery Improvement – implementation in 2008;
- Credit Analysis Centralization – implementation in 2008.

At the same time, in 2007, a new organizational structure was implemented, which ensured clarity as regards management and clear assignment of responsibilities in individual areas of the Bank activities.

Additionally, in the period under discussion, a new system of planning and accounting for costs and financial result was introduced in the Bank, which has been functioning since the beginning of 2008.

One of the key projects implemented by the Bank in 2007 was, in the opinion of the Supervisory Board, the **implementation of the Integrated Information System**, which was monitored on an ongoing basis by the Bank's IT Infrastructure Development Committee, created at the Supervisory Board.

The most important tasks implemented in 2007 within the Integrated Information System (O-IIS) included:

- 1) with respect to functional development of O-IIS:
 - implementation for production of the O-IIS software, in versions 1.1b, 1.2, 2.1- and 2.1,
 - developing the software for subsequent releases of O-IIS 2.2 and 2.3,
- 2) with respect to product conversion:
 - preparing and carrying out product conversion of the Zorba system instance of the 6th and 2nd Branch in Warsaw group,
- 3) with respect to mass implementation (the rollout):
 - creating the Rollout Office,
 - preparing and carrying out implementation of the autumn phase of 2007,
 - developing mass implementation plans in 2008,
 - carrying out training for employees in the autumn phase and preparing infrastructure and the process of training for 2008,
- 4) and in the remaining areas:
 - executing Annexes No. 2 and No. 3 to the Agreement for Provision and Implementation of the IIS,
 - implementation of the CSS (Central Support System) software in all branches of the Bank.

Functional development of the system

A basic aim of implementing the O-IIS in version 1.1b was to ensure the continuity of calculating Effective Interest Rate (EIR) for credit contracts of Clients from the 6th Branch in Warsaw group. The software had been developed by 29 May 2007.

A subsequent release of the software – version 1.2 – containing further functional enhancements, including reclassification functionality pursuant to the Regulation of the Minister of Finance of 12 December 2003, was launched on 20 July 2007.

Production implementation of functionalities allowing the Bank to automate work in branches as regards foreign payment in the O-IIS system, version 2.1 – took place on 25 August 2007.

Another software release – version 2.1 – was related, among other requirements, to the implementation of solutions required by IAS 39 and the New Capital Accord, and

the functionality concerning restructuring of amounts due. It was implemented on 24/25 November 2007.

Work was on progress as regards the development for versions 2.2 and 2.3, the implementation of which is planned in 2008.

Product conversion

The most important task of the project was to prepare and to carry out in 2007 product conversion of some instances of the Zorba system used in the Bank, while the instance of the 6th Branch in Warsaw was treated as the pilot one. Preparation for implementation consisted in carrying out periodical test conversions (conversions were carried out each weekend), iterative improvement of the software and the quality of data of the converted Zorba system instance, and preparing employees of the implemented units to use the O-IIS System. The final stage of preparations was a test of the operational readiness of the Bank for implementation, carried out on 8-11 May 2007. A pilot product conversion of a Zorba system instance used in the group of the 6th Branch in Warsaw (branches 6, 13, 32 and 53) was carried out on 11-13 May 2007.

After the end of the 3-month test operation, after pilot implementation of the 6th Branch group to the O-IIS, mass implementations were started; and on 8-9 September 2007, a conversion of the Zorba instance of the 2nd Branch in Warsaw group was carried out.

Mass implementation

The Rollout Office, created in June 2007 in order to support the mass implementation process, has been actively participating, since September, in all 21 conversions of the autumn sessions.

Dates of mass implementation of the O-IIS in individual branches, regional corporation branches and other organizational units of the Bank and in the agencies were specified in the "Schedule of Implementations", accepted by the IIS Steering Committee.

21 Zorba 3000 instances were converted in the "autumn 2007" phase, during eight weekends. Over 3.2 m accounts were converted. As of the end of 2007, 277 branches, 517 agencies and over 5,500 employees were using the O-IIS.

The CSS was implemented concurrently with works carried out within the IIS. By the end of September, the CSS had been launched in all 1243 branches of the Bank and

the conversion was carried out as regards all products covered by the functionality of the CSS application.

The IIS Steering Committee, on 5 November 2007, accepted the sequence of implementation for individual regions, as well as a detailed schedule of implementations by 24 May 2008 (8 first conversion weekends), and recognized the schedule after 24 May as a preliminary version. The training will involve approximately 20 thousand employees.

One of the key elements of mass implementations is an active system of employee training; accordingly, the complex system of training was developed.

Executing Annexes to the Agreement for Provision and Implementation of the IIS

Changes provided by Annex No. 2 are to integrate provisions of Annex No. 1 and Agreements and Change Request with the provisions of the Agreement; they also introduce additional arrangements between the Parties.

Annex No. 2 was executed on 30 July 2007.

As a result of the Bank's ordering a new functionality in the O-IIS required for business development, it was necessary to execute Annex No. 3, which was effected on 21 December 2007.

In the period under discussion, the Bank carried out the O-IIS implementation project in line with the schedule. At the same time, it responded to a new demand of business units for system functionality necessary to carry out the adopted strategy of the "New Opening". After "autumn phase" conversions, which were conducted efficiently and in accordance with the plan, the Bank is prepared to continue this process in 2008.

The Supervisory Board of the Bank – pursuant to Art. 382 § 3 of the Commercial Companies Code – having evaluated the *Report of the Management Board of the Bank on the activities of PKO BP S.A. for 2007*, including information on the activities of the Management Board as a governing body, presented a positive opinion on the draft resolution of the Ordinary General Meeting on approving the *Report of the Management Board of the Bank on the activities of PKO BP S.A. for 2007*.

Evaluation of the financial statements

The Supervisory Board of the Bank heard the opinion of the chartered auditor appointed to audit the financial statements of the Bank on the economic and financial situation of the Bank. The Supervisory Board agrees with the opinion of the auditor.

The Supervisory Board of the Bank – pursuant to Art. 382 § 3 of the Commercial Companies Code – having evaluated the Financial statements of PKO BP S.A. for 2007 and having heard the opinion of the auditor, presented a positive opinion on the said financial statements as prepared in accordance with the accounting records and documents and the facts. The Supervisory Board presented a positive opinion on the draft resolution of the Ordinary General Meeting on approving the *Financial Statements of PKO BP S.A. for 2007*.

The positive evaluation of the *Report of the Management Board of the Bank on the activities of PKO BP S.A. for 2007*, and the *Financial Statements of the Bank for 2007* is the basis for presenting a positive opinion on the draft resolution of the Ordinary General Meeting on the acknowledgment of the due fulfilment of duties by members of the Bank Management Board in 2007.

The Supervisory Board maintains its negative opinion on the existing system of remuneration and the system of incentives for the members of the Bank Management Board as established under the Act on Remunerating Persons Managing Certain Legal Entities of 3 March 2000 (Dz.U. No. 26, item 306).

Evaluation of the motion on distribution of profit earned by the Bank in 2007

Due to the challenges the Bank will face in connection with the implementation of the *Bank's Strategy for the years 2007-2012*, the New Capital Accord, implementation of the IIS and the pending modernisation of the Bank, the Bank Supervisory Board supports the motion of the Management Board on the proposed distribution of the net profit earned in 2007 in the amount of PLN 2,719,991,000 as follows: PLN 1,090,000,000 as dividend to the shareholders, PLN 1,624,991,000 to the reserve fund, and PLN 5,000,00 to the capital reserves.

2. REPORT ON THE ACTIVITIES OF THE SUPERVISORY BOARD AS A GOVERNING BODY

1) Co-operation with the Management Board of the Bank

The Supervisory Board of the Bank, in the current composition, acknowledges the opinion of the Supervisory Board acting in its composition as by 26 February 2008, that the co-operation with the Bank Management Board during the period under consideration had the form of a positive and constructive discussion, and it agrees with the opinion that the Bank Management Board had a significantly positive effect on the results of the Bank.

At the same time, the Supervisory Board, acting in the composition as by 26 February 2008 – taking into account the challenges the Bank is facing, the need to prepare a new, long-term Bank Strategy and resignations submitted at the end of 2006 and at the beginning of 2007 by a few members of the Bank Management Board from their functions, continued in 2007 the process of forming a new composition of the Bank Management Board, initiated on 29 December 2006.

Consequently, the Supervisory Board, following the guidelines provided in the Regulation of the Council of Ministers of 18 March 2003 *on conducting qualification procedure for the position of a member of the management board in some commercial companies*, carried out three qualification procedures in 2007 in order to select the president and vice-presidents of the Management Board of PKO BP S.A. During these procedures, the Supervisory Board also used the services provided by an HR consultancy company.

As a result of

- the first qualification procedure carried out between 29 December 2006 and 22 February 2007, two candidates were selected for the positions of vice-presidents of the Management Board of PKO BP S.A., who at the request Mr. M. Głuchowski, the acting president of the Management Board, were appointed to the Bank Management Board: Mr. Robert Działak on 23 February 2007, as responsible for the Retail Banking Area and Mr. Stefan Świątkowski on 1 May 2007, as responsible for the Risk and Debt Recovery Area;
- the second qualification procedure, carried out between 22 February 2007 and 9 May 2007, (the date of completing the procedure as regards the positions of vice-presidents) and 17 May 2007 (the date of completing the procedure as

regards the position of the president), no candidates for the president or vice-presidents of the Management Board of PKO BP S.A. were selected;

- the third qualification procedure, carried out between 17 May 2007 and 20 June 2007, (the date of completing the procedure as regards the position of the president) and 9 January 2008 (the date of completing the procedure as regards the positions of vice-presidents), the Supervisory Board of the Bank on 20 June 2007 entrusted the function of the vice-president of the Management Board to Mr. Rafał Juszczak, who on 8 August 2007 obtained an appropriate approval of the Banking Supervision Commission. Furthermore, the Supervisory Board selected two candidates for vice-presidents of the Management Board of PKO BP S.A., who at the request of Rafał Juszczak, the acting President of the Management Board, were appointed to the Management Board of the Bank: Mr. Adam Skowroński (on 23 July 2007) as responsible for the Finances Area, Mr. Mariusz Klimczak (on 15 July 2007), responsible for the Corporate Banking Area, Ms. Berenika Duda-Uhryn (on 10 September 2007) as responsible for the Human Resource Management Area and Ms. Aldona Michalak (on 1 July 2007) as responsible for the Quality Management Area.

2) The most important areas of interest to the Supervisory Board

In 2007, the issues involving the activity of the Bank Supervisory Board included:

- long-term Bank Strategy,
- development of the Bank Capital Group on the international financial market;
- activities of the companies being members of the Bank Capital Group;
- the status of implementing the Integrated Information System project;
- the activity of PKO BP S.A. Branch in London;
- the principles of corporate governance;
- the principles and the procedure of electing the President of the Bank Management Board;
- making donations;
- the Bye-Laws of the Management Board of the Bank and the Organizational Bye-Laws of PKO BP S.A.

3) The issues regularly discussed at the meetings of the Bank Supervisory Board

The Supervisory Board of the Bank regularly dealt with the following issues:

- achieving the financial result of the Bank;
- evaluating the quality of the Bank's loan portfolio;
- evaluating the Bank's financial risk exposure;
- evaluating the Bank's operational risk exposure;
- the status of the highest commitments of the Bank;
- retail and corporate liabilities managed by the Restructuring and Debt Recovery Centre;
- the Bank's involvement in financing trades included in the Government's restructuring programs;
- the results of the internal audit, effectiveness of the internal control system and the external inspections;
- the level of capital involvement of PKO BP S.A. in non-public companies with regard to the change in such capital involvement during the year.

4) Inspections and investigations

At the request of the Bank Supervisory Board, internal audits were carried out in the Bank, regarding:

- the compliance with obligations as regards preventing the use of assets derived from illegal or undisclosed sources in financial trading and countering of the financing of terrorism;
- implementing contracts concluded with one of the companies supplying the Bank with IT equipment.

Additionally, an audit was commissioned as regards presenting an account of effects of the branch modernisation project (the audit is planned to be carried out in 2008).

Other complaints and anonymous letters brought to the knowledge of the Supervisory Board were considered in a way specified by the President of the Management Board.

5) The working plan of the Supervisory Board of the Bank

In 2007, the Supervisory Board of the Bank worked on the issues scheduled for 2007 by the Supervisory Board in the *General working plan of the Supervisory Board of the Bank for 2007*.

6) Information on suspending members of the Management Board of the Bank in their duties and delegating members of the Supervisory Board to perform duties of a member of the Bank Management Board

In the discussed period, the Supervisory Board of the Bank did not suspend any member of the Management Board in his or her duties; however, it delegated two members of the Supervisory Board to temporarily perform the duties of members of the Management Board of the Bank:

- Mr. Marek Głuchowski, the Chairman of the Supervisory Board, to temporarily perform duties of the President of the Management Board (initially from 10 January 2007 to 23 January 2007, and then from 27 January 2007 to 11 April 2007), due to the appointment of the former acting President of the Management Board of PKO BP S.A., Mr. Sławomir Skrzypek, for the position of the President of the National Bank of Poland;
- Mr. Adam Skowroński, a member of the Supervisory Board, to temporarily perform duties of the Vice-President of the Management Board responsible for the Area of Accounting and Settlements, Risk and Debt Recovery (from 11 April 2007 to 30 April 2007).

Additionally, between 11 April 2007 and 21 June 2007, Mr. Marek Głuchowski, the Chairman of the Supervisory Board, was delegated to independently perform supervisory duties concerning the activity of the Bank Management Board as regards management of the matters of PKO BP S.A.

7) Information on the term of the Supervisory Board, satisfaction of the formal requirements concerning the ownership supervision, co-operation with the owner and banking supervisions as well as other comments on the functioning of the Supervisory Board

- Information on the term of the Supervisory Board and the successive year of its functioning in the current term

The Supervisory Board of PKO BP S.A., appointed by the resolutions:

1. No. 38/2006 of the Ordinary General Meeting of PKO BP S.A. of 18 April 2006, notarial deed – Repertory A No. 6295/2006) **Marek Głuchowski – the Chairman of the Supervisory Board,**
 2. No. 31/3/2005 of the Ordinary General Meeting of PKO BP S.A. of 19 May 2005, notarial deed – Repertory A No. 6819/2005) **Urszula Pałaszek – the Vice-Chairman of the Supervisory Board,**
 3. No. 40/2006 of the Ordinary General Meeting of PKO BP S.A. of 18 April 2006, notarial deed – Repertory A No. 6295/2006) **Tomasz Siemiątkowski – the Secretary of the Supervisory Board,**
 4. No. 39/2006 of the Ordinary General Meeting of PKO BP S.A. of 18 April 2006, notarial deed – Repertory A No. 6295/2006) **Jerzy Michałowski – a Member of the Supervisory Board,**
 5. No. 31/7/2005 of the Ordinary General Meeting of PKO BP S.A. of 19 May 2005, notarial deed – Repertory A No. 6819/2005) **Jerzy Osiatyński – a Member of the Supervisory Board,**
 6. No. 41/2006 of the Ordinary General Meeting of PKO BP S.A. of 18 April 2006, notarial deed – Repertory A No. 6295/2006) **Adam Skowroński – a Member of the Supervisory Board,**
 7. No. 42/2006 of the Ordinary General Meeting of PKO BP S.A. of 18 April 2006, notarial deed – Repertory A No. 6295/2006) **Agnieszka Winnik-Kalemba – a Member of the Supervisory Board,**
- Composition of the Supervisory Board, functions and changes in the composition of the Supervisory Board in 2007

On 1 January 2007, the Supervisory Board of PKO BP S.A. was composed of:

 - **Marek Głuchowski – the Chairman of the Supervisory Board,**
 - **Urszula Pałaszek – the Vice-Chairman of the Supervisory Board,**
 - **Tomasz Siemiątkowski – the Secretary of the Supervisory Board,**
 - **Jerzy Michałowski – a Member of the Board,**
 - **Jerzy Osiatyński – a Member of the Board,**
 - **Adam Skowroński – a Member of the Board,**
 - **Agnieszka Winnik-Kalemba – a Member of the Board.**

On 31 January 2007, a member of the Supervisory Board of PKO BP S.A., Mr. Jerzy Osiatyński submitted his resignation from this position.

On 19 March 2007, the Extraordinary General Meeting of PKO BP S.A., by a notarial deed (Repertory A – No. 1254/2007), appointed Mr. Maciej Czapiewski for the joint term of three years (resolution No. 4/2007).

- Information on the meetings of the Supervisory Board and the number of resolutions adopted

In 2007, the Supervisory Board held in total 14 meetings recorded in the form of minutes (including two 3-day meetings and one 2-day meeting) on the following dates: 10 January, 24-26 January, 31 January, 22 February, 21-23 March, 2 April, 20 April, 9 May, 30 May, 21-22 June, 26 July, 19 September, 9 November and 14 December.

In 2007, the Supervisory Board of the Bank adopted 87 resolutions.

The list of the resolutions is attached to this report.

- Information on the Supervisory Board members' attendance at the meetings and the resolutions on excused and not excused absences

All absences of the Supervisory Board members at the meetings in 2007 were excused by the resolutions of the Supervisory Board Nos.: 51/2007, 57/2007, 64/2007, 75/2007, 82/2007 and 85/2007; this relates to the absences of three Supervisory Board members at six meetings.

- Information on implementation of resolutions of the General Meeting concerning the activities of the Supervisory Board and co-operation with the Ministry of State Treasury

PKO BP S.A. implemented the resolutions of the General Meeting of Shareholders. Pursuant to resolution No. 44/2006 of the Ordinary General Meeting of 18 April 2006, the Supervisory Board supervised the disposal by the Bank of certain hotels and offsite training centres listed therein.

Furthermore – following the instructions of the Ministry of State Treasury – the Supervisory Board attached information on implementation of the Integrated Information System to the quarterly information of the Company provided to the Ministry.

- Monitoring the increase of the average monthly salary

The Supervisory Board of the Bank monitored the salary level at the Bank on an ongoing basis. The average salary increase rate at PKO BP S.A. in 2007 was 8.07 %, ¹ out of which: 3.54 % results from the payment of salaries at the level higher than the salaries paid in the preceding year, including pay rise as of 1 March 2007 and 4.53 % - from the reduction of the employment level.

- Performance of the reporting duties

The Supervisory Board of the Bank regularly submitted the *Quarterly information on the Company* to the Ministry of State Treasury.

- Participation of the Supervisory Board members in special trainings and seminars and other information on the work of the Supervisory Board

Members of the Supervisory Board attended expert meetings with representatives of ministries, banking supervision and the Management Board of the Bank, dedicated to the conditions in which the Bank was functioning.

Furthermore, three Committees of the Supervisory Board operated in 2007:

- 1) the Audit Committee of the Supervisory Board,
- 2) the Bank's IT Infrastructure Development Committee,

(Annual reports of the activity of these Committees are attached as Schedule 2 and Schedule 3 hereto, respectively).

- 3) the Strategy Implementation Committee, established by the Supervisory Board on 9 May 2007 in order to exercise constant supervision over the implementation of PKO BP S.A. Strategy for 2007-2012.

The following members of the Supervisory Board were appointed to this Committee: Mr. M. Głuchowski, as the Chairman of the Committee and Ms. Urszula Pałaszczek, Ms. Agnieszka Winnik-Kalemba and Mr. Tomasz Siemiątkowski.

¹ Calculation of the average salary increase rate at PKO BP S.A. in the year 2007 and the influence of the increased salaries in 2007 as compared to 2006 and the reduction of the employment level on the rate being 8.07 % was carried out in accordance with the method specified by the Ministry of State Treasury.

Two meetings of the Strategy Implementation Committee were held. During the meetings the scope of implemented works and activities planned to be carried out by individual Strategic Groups participating in the project of implementing PKO BP S.A. Strategy were discussed.

- Evaluation of the work by the Supervisory Board, pursuant to the principles of corporate governance, included in the collection of *Good Practices of Companies listed on the Stock Exchange*.

A dynamic growth of the Bank in 2007 also influenced the intensity of work of the Supervisory Board of the Bank in the discussed period, which is evidenced by the number of meetings held by the Supervisory Board, the number of resolutions adopted, as well as the broad scope of issues considered by the Supervisory Board. With high competence and involvement of individual members of the Board, as well as its efficient organization, the Supervisory Board efficiently carried out successive tasks. It should be also emphasized that each member of the Supervisory Board participated in the works of at least one Committee of the Supervisory Board, which certainly contributed to broadening of their expertise, and thus to improving the quality of work of the Supervisory Board of the Bank as a body.

Details concerning works of the Committees of the Supervisory Board are attached as Schedules 2 and 3 hereto; they are also included in the point concerning other works of the Supervisory Board.

The Chairman
of the Supervisory Board of the Bank
(since 26 February 2008),

Marzena Piszczek

Warsaw, 17 April 2008.

List of resolutions of the Supervisory Board of PKO BP S.A. adopted in 2007

1. Resolution No. 1/2007 of the Supervisory Board of the Bank of 10 January 2007 on granting consent to terminate the employment contract with a member of the Management Board of the Bank and to release them from the non-competition clause.
2. Resolution No. 2/2007 of the Supervisory Board of the Bank of 10 January 2007 on delegating a member of the Supervisory Board to perform the duties of the President of the Management Board of the Bank.
3. Resolution No. 3/2007 of the Supervisory Board of the Bank of 10 January 2007 on delegating a member of the Supervisory Board to perform the duties of the President of the Management Board of the Bank.
4. Resolution No. 4/2007 of the Supervisory Board of the Bank of 10 January 2007 on amending the resolution on establishing the Audit Committee of the Supervisory Board.
5. Resolution No. 5/2007 of the Supervisory Board of the Bank of 10 January 2007 on amending the resolution on establishing the Bank's IT Infrastructure Development Committee.
6. Resolution No. 6/2007 of the Supervisory Board of the Bank of 24 January 2007 on the exact extent of questions for the qualification procedure for the positions of the President of the Management Board of PKO BP S.A. and two Vice-Presidents of the Management Board of PKO BP S.A.
7. Resolution No. 7/2007 of the Supervisory Board of the Bank of 26 January 2007 on consent to granting a subordinated loan to Kredobank S.A. by the Bank.
8. Resolution No. 8/2007 of the Supervisory Board of the Bank of 26 January 2007 on the results of the qualification procedure for the positions of the President of the Management Board of PKO BP S.A. and two Vice-Presidents of the Management Board of PKO BP S.A.
9. Resolution No. 9/2007 of the Supervisory Board of the Bank of 22 February 2007 on concluding the qualification procedure for the positions of the President of the Management Board of PKO BP S.A. and two Vice-Presidents of the Management Board of PKO BP S.A.
10. Resolution No. 10/2007 of the Supervisory Board of the Bank of 22 February 2007 on appointing a Vice-President of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.
11. Resolution No. 11/2007 of the Supervisory Board of the Bank of 22 February 2007 on appointing a Vice-President of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.
12. Resolution No. 12/2007 of the Supervisory Board of the Bank of 22 February 2007 on opening the qualification procedure for the positions of the President of the

Management Board of PKO BP S.A. and the Vice-Presidents of the Management Board of PKO BP S.A.

13. Resolution No. 13/2007 of the Supervisory Board of the Bank of 22 February 2007 on draft resolutions of the Extraordinary General Meeting of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.
14. Resolution No. 14/2007 of the Supervisory Board of the Bank of 22 February 2007 on selecting an adviser to the Bank Management Board.
15. Resolution No. 15/2007 of the Supervisory Board of the Bank of 22 February 2007 on selecting an adviser to the Bank's IT Infrastructure Development Committee.
16. Resolution No. 16/2007 of the Supervisory Board of the Bank of 2 March 2007 on draft resolutions of the Ordinary General Meeting of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.
17. Resolution No. 17/2007 of the Supervisory Board of the Bank of 2 March 2007 on draft resolutions of the Ordinary General Meeting of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.
18. Resolution No. 18/2007 of the Supervisory Board of the Bank of 2 March 2007 on draft resolutions of the Ordinary General Meeting of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.
19. Resolution No. 19/2007 of the Supervisory Board of the Bank of 2 March 2007 on draft resolution of the Ordinary General Meeting of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.
20. Resolution No. 20/2007 of the Supervisory Board of the Bank of 2 March 2007 on the draft resolution of the Ordinary General Meeting of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.
21. Resolution No. 21/2007 of the Supervisory Board of the Bank of 2 March 2007 on the draft resolution of the Ordinary General Meeting of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.
22. Resolution No. 22/2007 of the Supervisory Board of the Bank of 2 March 2007 on the draft resolution of the Ordinary General Meeting of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.
23. Resolution No. 23/2007 of the Supervisory Board of the Bank of 2 March 2007 on the draft resolution of the Ordinary General Meeting of Powszechna Kasa Oszczędności Bank Polski.
24. Resolution No. 24/2007 of the Supervisory Board of the Bank of 2 March 2007 on the draft resolution of the Ordinary General Meeting of Powszechna Kasa Oszczędności Bank Polski.
25. Resolution No. 25/2007 of the Supervisory Board of the Bank of 2 March 2007 on the draft resolution of the Ordinary General Meeting of Powszechna Kasa Oszczędności Bank Polski.
26. Resolution No. 26/2007 of the Supervisory Board of the Bank of 2 March 2007 amending the resolution on the principles of remunerating and the amount of

remuneration of members of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.

27. Resolution No. 27/2007 of the Supervisory Board of the Bank of 21 March 2007 on the exact extent of questions connected to the qualification procedure for the position of the President of the Management Board of PKO BP S.A. and the positions of Vice-Presidents of the Management Board of PKO BP S.A.
28. Resolution No. 29/2007 of the Supervisory Board of the Bank of 22 March 2007 on amendment of the resolution on establishing the Audit Committee of the Supervisory Board.
29. Resolution No. 30/2007 of the Supervisory Board of the Bank of 22 March 2007 amending the resolution on the Bye-Laws of the Audit Committee of the Supervisory Board.
30. Resolution No. 31/2007 of the Supervisory Board of the Bank of 23 March 2007 on filing an application to the Banking Supervision Commission.
31. Resolution No. 33/2007 of the Supervisory Board of the Bank of 26 March 2007 on filing an application to the Banking Supervision Commission.
32. Resolution No. 34/2007 of the Supervisory Board of the Bank of 2 April 2007 on the report on the activities of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna in 2006.
33. Resolution No. 35/2007 of the Supervisory Board of the Bank of 2 April 2007 on the financial statements of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna for the year 2006.
34. Resolution No. 36/2007 of the Supervisory Board of the Bank of 2 April 2007 on distribution of profit earned by Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna in 2006.
35. Resolution No. 37/2007 of the Supervisory Board of the Bank of 2 April 2007 on the payment of dividend for 2006.
36. Resolution No. 38/2007 of the Supervisory Board of the Bank of 2 April 2007 on the report of the Supervisory Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna including the results of evaluation of: the report of the Bank Management Board on the activities of the Bank in 2006, the financial statements of the Bank for 2006, the proposal of the Management Board concerning the distribution of profit earned by the Bank in 2006 and the 2006 report on the activities of the Supervisory Board as the Bank governing body.
37. Resolution No. 39/2007 of the Supervisory Board of the Bank of 2 April 2007 on the acknowledgment of the due fulfilment of duties by members of the Bank Management Board in 2006.
38. Resolution No. 40/2007 of the Supervisory Board of the Bank of 2 April 2007 on the acknowledgment of the due fulfilment of duties by members of the Bank Management Board in 2006.

39. Resolution No. 41/2007 of the Supervisory Board of the Bank of 2 April 2007 on the report on activities of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group for 2006.
40. Resolution No. 42/2007 of the Supervisory Board of the Bank of 2 April 2007 on the consolidated financial statements of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group for 2006.
41. Resolution No. 43/2007 of the Supervisory Board of the Bank of 2 April 2007 on the principles of remuneration of the President of the Bank Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.
42. Resolution No. 44/2007 of the Supervisory Board of the Bank of 2 April 2007 on the Bye-Laws of the Supervisory Board.
43. Resolution No. 45/2007 of the Supervisory Board of the Bank of 2 April 2007 on awarding the annual bonus for the year 2006 to the members of the Supervisory Board of the Bank.
44. Resolution No. 46/2007 of the Supervisory Board of the Bank of 2 April 2007 on making donations.
45. Resolution No. 47/2007 of the Supervisory Board of the Bank of 2 April 2007 on delegating a member of the Supervisory Board to exercise independent supervision.
46. Resolution No. 48/2007 of the Supervisory Board of the Bank of 2 April 2007 on entrusting the performance of duties of the President of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.
47. Resolution No. 49/2007 of the Supervisory Board of the Bank of 2 April 2007 on delegating a member of the Supervisory Board to perform the duties of a Vice-President of the Bank Management Board.
48. Resolution No. 50/2007 of the Supervisory Board of the Bank of 4 April, 2007 on application to the Banking Supervision Commission.
49. Resolution No. 51/2007 of the Supervisory Board of the Bank of 20 April 2007 on justification of absence of a member of the Supervisory Board at a meeting of the Supervisory Board.
50. Resolution No. 52/2007 of the Supervisory Board of the Bank of 20 April 2007 on granting consent to enter into agreements under the "PAKIET 2007" programme.
51. Resolution No. 53/2007 of the Supervisory Board of the Bank of 20 April 2007 on consent to enter agreements concerning reduction of difficult claims.
52. Resolution No. 54/2007 of the Supervisory Board of the Bank of 20 April 2007 on making a donation for the Academy of Health and Beauty Foundation (*Akademia Zdrowia i Urody*) in support of the Defeat Cancer (*Wygrać z rakiem*) programme.
53. Resolution No. 55/2007 of the Supervisory Board of the Bank of 20 April 2007 on approving "Strategy of PKO BP S.A. for 2007 – 2012."

54. Resolution No. 56/2007 of the Supervisory Board of the Bank of 20 April 2007 on qualifying candidates for the subsequent stage of qualification procedure for the position of the President of the Management Board of PKO BP S.A.
55. Resolution No. 57/2007 of the Supervisory Board of the Bank of 9 May 2007 on justification of absence of a member of the Supervisory Board at a meeting of the Supervisory Board.
56. Resolution No. 58/2007 of the Supervisory Board of the Bank of 9 May 2007 on establishing a uniform text of the Articles of Association of the Bank.
57. Resolution No. 59/2007 of the Supervisory Board of the Bank of 9 May 2007 on establishing the Strategy Implementation Committee.
58. Resolution No. 60/2007 of the Supervisory Board of the Bank of 9 May 2007 on approving the results of and concluding the selection of candidates for the positions of Vice-Presidents of the Management Board of PKO BP S.A.
59. Resolution No. 61/2007 of the Supervisory Board of the Bank of 17 May 2007 on approving the results of and concluding the qualification procedure for the position of the President of the Management Board of PKO BP S.A.
60. Resolution No. 62/2007 of the Supervisory Board of the Bank of 17 May 2007 on opening the qualification procedure for the positions of the President of the Management Board of PKO BP S.A. and the Vice-Presidents of the Management Board of PKO BP S.A.
61. Resolution No. 63/2007 of the Supervisory Board of the Bank of 30 May 2007 on indicating candidates for the positions of the President of the Management Board of PKO BP S.A. and the Vice-Presidents of the Management Board of PKO BP S.A.
62. Resolution No. 64/2007 of the Supervisory Board of the Bank of 20 June 2007 on justification of absence of a member of the Supervisory Board at a meeting of the Supervisory Board
63. Resolution No. 65/2007 of the Supervisory Board of the Bank of 20 June 2007 on the exact extent of questions for the qualification procedure for the positions of the President of the Management Board of PKO BP S.A. and the Vice-Presidents of the Management Board of PKO BP S.A.
64. Resolution No. 65a/2007 of the Supervisory Board of the Bank of 20 June 2007 on the qualification procedure for the positions of the President of the Management Board of PKO BP S.A. and the Vice-Presidents of the Management Board of PKO BP S.A.
65. Resolution No. 66/2007 of the Supervisory Board of the Bank of 20 June 2007 on entrusting the performance of duties of the President of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.
66. Resolution No. 67/2007 of the Supervisory Board of the Bank of 20 June 2007 on appointing a Vice-President of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.

67. Resolution No. 68/2007 of the Supervisory Board of the Bank of 20 June 2007 on appointing a Vice-President of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.
68. Resolution No. 69/2007 of the Supervisory Board of the Bank of 20 June 2007 on appointing a Vice-President of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.
69. Resolution No. 70/2007 of the Supervisory Board of the Bank of 20 June 2007 on appointing a Vice-President of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.
70. Resolution No. 71/2007 of the Supervisory Board of the Bank of 21 June 2007 on adopting the principles of corporate governance.
71. Resolution No. 72/2007 of the Supervisory Board of the Bank of 21 June 2007 on consent for PKO BP S.A. to enter into an agreement with LUX-MED S.A. on providing medical services for the Bank's employees.
72. Resolution No. 73/2007 of the Supervisory Board of the Bank of 21 June 2007 on making donations.
73. Resolution No. 74/2007 of the Supervisory Board of the Bank of 21 June 2007 on revoking the delegation of a member of the Supervisory Board to exercise independent supervision.
74. Resolution No. 75/2007 of the Supervisory Board of the Bank of 26 July 2007 on justification of absence of a member of the Supervisory Board at a meeting of the Supervisory Board.
75. Resolution No. 76/2007 of the Supervisory Board of the Bank of 26 July 2007 on the Bye-Laws of the Strategy Implementation Committee.
76. Resolution No. 77/2007 of the Supervisory Board of the Bank of 26 July 2007 on granting consent to issue the guarantee of closing the bond issue programme of Bank Gospodarstwa Krajowego.
77. Resolution No. 78/2007 of the Supervisory Board of the Bank of 26 July 2007 on making a donation for the Polish-American Small Enterprise Advisory Fund (*Polsko-Amerykańska Fundacja Doradztwa dla Małych Przedsiębiorstw*).
78. Resolution No. 79/2007 of the Supervisory Board of the Bank of 19 September 2007 on consent to grant a loan facility to a member of the Supervisory Board of PKO BP S.A. and the member's husband.
79. Resolution No. 80/2007 of the Supervisory Board of the Bank of 19 September 2007 on making donations.
80. Resolution No. 81/2007 of the Supervisory Board of the Bank of 11 October 2007 on making a donation for the Polish-German Reconciliation Foundation (*Fundacja Polsko – Niemieckie Pojednanie*).

81. Resolution No. 82/2007 of the Supervisory Board of the Bank of 9 November 2007 on justification of absence of a member of the Supervisory Board at a meeting of the Supervisory Board.
82. Resolution No. 83/2007 of the Supervisory Board of the Bank of 9 November 2007 on making donations.
83. Resolution No. 84/2007 of the Supervisory Board of the Bank of 5 December 2007 on making donations.
84. Resolution No. 85/2007 of the Supervisory Board of the Bank of 14 December 2007 on justification of absence of a member of the Supervisory Board at a meeting of the Supervisory Board.
85. Resolution No. 86/2007 of the Supervisory Board of the Bank of 14 December 2007 on approving the organisational Bye-Laws of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.
86. Resolution No. 87/2007 of the Supervisory Board of the Bank of 14 December 2007 on approving the Bye-Laws of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.
87. Resolution No. 88/2007 of the Supervisory Board of the Bank of 20 December 2007 on approving the principles of the informational policy of PKO BP S.A. regarding capital adequacy.

Report on the activities
of the Audit Committee of the Supervisory Board in 2007

Basis: Resolution No. 48/2006 of the Supervisory Board of 19 December 2006 on By-Laws of the Audit Committee of the Supervisory Board.

The Audit Committee of the Supervisory Board, hereinafter referred to as the "Committee", appointed by the Resolution No. 48/2006 of the Supervisory Board of 19 December 2006, was established for the purpose of continuous exercise of supervision over financial audit of the Bank and the Bank Group. The Committee's responsibilities include, in particular:

- 1) supervision over proper implementation of financial reporting principles,
- 2) monitoring of work of the Bank's auditors,
- 3) presentation to the Supervisory Board of recommendations with respect to appointment and remuneration of the Bank's auditors,
- 4) review of periodic and annual financial statements of the Bank (single and consolidated), with special regard taken of:
 - any changes in accounting standards, principles and practices;
 - main areas subject to assessment;
 - significant adjustments resulting from audit;
 - going concern statements;
 - compliance with prevailing regulations related to bookkeeping,
- 5) discussion of all problems, objections and doubts arising from audit of financial statements,
- 6) analysis of Management Letters from the auditor to the Bank Management Board and of Management Board's answers,
- 7) preparation for the Supervisory Board of recommendations regarding evaluation of the Management Board's motions on the distribution of profit (in particular dividend policy) and the issue of securities,
- 8) review of management accounting system,
- 9) performance of advisory and opinion making activities for the Supervisory Board with respect to the Bank's financial audit.

In performance of its responsibilities stipulated by the By-Laws, the Committee held 7 meetings in 2007. The meetings were held cyclically, at least once in two months. During its work the Committee dealt mainly with the following issues:

- 1) review of periodic and consolidated financial statements of the Bank (single and consolidated), including:
 - a) the single financial statements of the Bank and the consolidated financial statements of the Bank Group for the year 2006,
 - b) the interim financial statements of the PKO BP S.A. Group for the 2nd quarter of 2007,
 - c) the consolidated financial statements of the PKO BP S.A. Group for 6 months ended on 30 June 2007, expanded with the summary financial statements of PKO BP S.A. for 6 months ended on 30 June 2007,
 - d) the interim financial statements of the PKO BP S.A. Group for the 3rd quarter of 2007,
- 2) analysis of the Management Letter from the auditor to the Bank Management Board regarding audit of the financial statements for the year ended 31 December 2006 and of comments of the Bank Management Board,
- 3) review of works related to implementation of the requirements of the New Capital Accord (Basel II) at the Bank.

1. Review of periodic and annual financial statements of the Bank (single and consolidated).

As part of its review of periodic and financial statements of the Bank (single and consolidated), the Committee focused mainly on problematic issues identified during preparation of those statements by the Bank and during their verification by the Bank's auditor, Ernst & Young Audit sp. z o.o. Such issues related, first of the all, to the following provisions:

- actuarial provision for future liabilities against the Bank's employees under retirement and disability pension severance pays and bonus awards,
- provision for future liabilities against the Bank's employees under compensations and severance pays to employees whose employment is

terminated for reasons not lying on the part of employees (the so called restructuring provision),

- provision for complaint performances,

as well as write-offs due to impairment of certain fixed assets and intangible assets.

In order to discuss and explain the above issues, the Committee:

- analysed documentation regarding particular issues,
- held talks with the auditor and the Bank's representatives, including the Management Board Member supervising the Finance, Accounting and Settlement Area and the Head of Accounting and Settlement Division at the Bank. For the purpose of analysing the provision for future liabilities against the Bank's employees under retirement and disability pension severance pays and bonus awards, the Committee made itself familiar with explanations of actuaries providing valuation of the Bank's benefits for 2006 and 2005.

With respect to the consolidated financial statements of the PKO BP S.A. Group for 6 months ended on 30 June 2007, expanded with the summary financial statements of PKO BP S.A. for 6 months ended on 30 June 2007 the Committee:

- 1) continued the analysis of issues examined during review of the financial statements for the year 2006, with special regard taken of changes occurring in particular areas,
- 2) made itself familiar with new issues, relating to the first 6 months of 2007, covering first of all:
 - the recognition of revenues under the Bank's intermediation in the sale of insurance,
 - the functioning of the IIS implemented at the Bank.

As part of review of the financial statements for particular reporting periods, the Committee also analysed the Bank's results and financial ratios, with special regard taken of development of individual items of the financial result (first of all: interest income and expenses, costs of making write-offs revaluating receivables, income under commissions and charges, administrative expenses) and the level of solvency ratio showing a declining tendency in particular periods. The Committee made itself

familiar with measures taken by the Bank with a view to increase the solvency ratio, including a scheme for the issue of the Bank's subordinated bonds.

As a result of its review the Committee did not make any objections to the financial statements presented by the Bank.

2. Analysis of the Management Letter from the auditor to the Bank Management Board regarding audit of the financial statements for the year ended 31 December 2006 and of comments of the Bank Management Board.

As part of the work connected with analysis of the Management Letter from the auditor to the Bank Management Board regarding audit of the financial statements for the year ended 31 December 2006 and of comments of the Bank Management Board, the Committee made itself familiar with the "Recommendations to the Bank Management Board from audit of the financial statements for the year ended 31 December 2006" prepared by the auditor.

The Committee made it also familiar with measures adopted by the Bank with a view to implement recommendations presented by the auditor.

The Committee made no objections to the analysis presented.

3. Review of works related to implementation of the requirements of the New Capital Accord (Basel II) at the Bank.

As part of its review of works related to implementation of the requirements of the New Capital Accord at the Bank, the Committee met with representatives of the Bank Risk Division, including the Head managing the Bank Risk Division. The Committee made itself familiar with a degree of the Bank's readiness to comply with obligations arising from the New Capital Accord in 2008, with special regard taken of actions taken and to be taken in the areas where the said regulations will be implemented.

The Committee made no objections to the materials presented.

Report on the activities
of the Bank's IT Infrastructure Development Committee in 2007

Legal basis:

- The Bank's IT Infrastructure Development Committee was established pursuant to the Resolution No. 45/2006 of the Bank's Supervisory Board of 30 November 2006 in order to supervise the functioning of the IT and telecommunications facilities at the Bank.
- The report was prepared pursuant to Section 3.3 of By-Laws of the Bank's IT Infrastructure Development Committee of the Supervisory Board of PKO BP S.A.

Report

As part of its activities the Bank's IT Infrastructure Development Committee held 7 meetings (over the time between 23 January 2007 and 30 November 2007).

At the above meetings the following issues regarding the Bank's IT and telecommunications infrastructure were discussed:

- **Implementation of the Integrated Information System**
 - ✓ The current status of implementation of the Bank's Integrated Information System was discussed extensively.
 - ✓ At each meeting of the Bank's IT Infrastructure Development Committee a report was presented (by the Head of IT Management Department) on the objectives reached in the process of implementation of the Bank's Integrated Information System and any problems appearing in that process.
 - ✓ Members of the Bank's IT Infrastructure Development Committee were informed on an ongoing basis with respect to plans and any threats appearing in the course of their execution (by phone, SMS or by e-mail).
- **Status of implementation and threats with respect to main (priority) IT and telecommunications projects:**
 - ✓ IAS and New Capital Accord
 - ✓ IT strategy
 - ✓ Replacement and modernisation of ATMs

- ✓ Flexcube upgrade
- ✓ Review of Oracle licenses (ordering the status of licences at the Bank)
- ✓ Centralised Settlement System (SSR) and implementation of an integration platform (ESB)

With respect to the above projects the Bank's IT Infrastructure Development Committee received from time to time (until the project closing) short information.

- **Principles of functioning of IT Division units:**

- ✓ Data Processing Centre (based on detailed presentation and site inspection at ul. Wólczyńska)
- ✓ Application Development Department (based on detailed presentation)

- **Aspects connected to IT contracts**

- ✓ Problems with an agreement with DELL
- ✓ Agreement consolidating obligations between the Bank and IBM with respect to services and software (Enterprise Licence Agreement - ELA)

The Bank's IT Infrastructure Development Committee of the Supervisory Board of PKO BP S.A. received information on the execution of the investment plan and planned costs of information technology and telecommunications facilities.