



Bank Polski

Supervisory Board Report of
Powszechna Kasa Oszczędności Bank Polski Spółka
Akcyjna
for 2017

The Supervisory Board of PKO Bank Polski Spółka Akcyjna ("**Bank**" or "**PKO Bank Polski S.A.**" and "Supervisory Board"), in accordance with the provisions of the Code of Commercial Companies, submits to the Annual General Meeting of PKO Bank Polski S.A. the 2017 report containing the results of the evaluation:

1. financial statements of PKO Bank Polski S.A. for the year ended on 31st December 2017,
2. PKO Bank Polski S.A. Directors' Report for 2017,
3. the motion of the Management Board regarding the distribution of the profit of PKO Bank Polski S.A. achieved in 2017

and in accordance with the "Best Practices of WSE Listed Companies 2016" ("**Good Practices 2016**"):

1. Evaluation of the company's situation, including the assessment of internal control systems, risk management, compliance and internal audit function,
2. Evaluation of the rationality of policy in the area of sponsoring activities and charity carried out by PKO Bank Polski S.A.,
3. Evaluation of how PKO Bank Polski S.A. complies with information obligations regarding the application of corporate governance principles set out in the Warsaw Stock Exchange Regulations and provisions regarding current and periodic information provided by issuers of securities,
4. Report on the activities of the Supervisory Board as the company's body in 2017, including information on:
 - the composition of the Supervisory Board and its committees (composition of committees in the enclosures to this report),
 - fulfillment of independence criteria by the members of the Supervisory Board,
 - number of meetings of the Supervisory Board and its committees (number of committee meetings in the enclosures to this report),
 - self-evaluation of the work of the Supervisory Board.

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ENCLOSURES

- Appendix No. 1 List of resolutions adopted by the Supervisory Board of PKO Bank Polski SA in 2017
- Appendix No. 2 Report on the activities of the Remuneration Committee of the Supervisory Board in 2017, hereinafter referred to as the "Remuneration Committee"
- Appendix No. 3 Report on the activities of the Supervisory Board's Risk Committee in 2017, hereinafter referred to as the "Risk Committee"
- Appendix No. 4 Report on the activities of the Audit Committee of the Supervisory Board in 2017, hereinafter referred to as "the Audit Committee"
- Appendix No. 5 Report on the activities of the Strategy Committee of the Supervisory Board in 2017, hereinafter referred to as the "Strategy Committee"

EVALUATION OF FINANCIAL STATEMENTS OF PKO BANK POLSKI S.A. FOR THE YEAR ENDED 31ST DECEMBER 2017

The Supervisory Board made itself familiar with the opinion of the independent chartered auditor on the audit of the financial statements of PKO Bank Polski S.A. ("**Bank**") for the year ended on 31st December 2017 ("**Report**"). The certified auditor issued a positive opinion without reservations (being part of the independent auditor's report) in the scope of the Report. In the opinion of the independent auditor, the Report:

1. presents a reliable and clear picture of the Bank's assets and financial unit position as at 31st December 2017, unit financial performance and unit cash flows for the financial year ended on that day, in accordance with the EU International Financial Reporting Standards as well as the adopted principles (policy) of accounting,
2. was drawn up on the basis of properly kept, in all material aspects, accounting books and
3. is compliant, in all material respects, with regard to the form and content with the provisions of the law and the provisions of the Bank's statute.

Supervisory Board - pursuant to the provisions of art. 382 §3 of the Code of Commercial Companies - after consideration and evaluation of the Report, taking into account the positive recommendation of the Audit Committee and based on the positive opinion issued by the independent auditor without any reservations from the examination of the Report, issued positive opinion about this Report as prepared in accordance with the books and documents and the factual state.

According to art. 4a of the Act of 29th September 1994 on accounting (Journal of Laws No. 121, item 591 as amended) ("**Act on Accounting**"), the Supervisory Board also ensures that all elements of the Report meet the requirements provided for in the abovementioned Act.

In connection with the above, the Supervisory Board has shared the opinion presented by the auditor and requests from the Annual General Meeting of PKO Bank Polski S.A. to approve the Report.

EVALUATION OF MANAGEMENT REPORT ON THE OPERATIONS IN THE YEAR OF 2017

Supervisory Board - pursuant to the provisions of art. 382 §3 of the Act of 15th September 2000 - Code of Commercial Companies (Journal of Laws No. 94, item 1037, as amended) ("**Code of Commercial Companies**") - after consideration and assessment of the Bank's Group Directors' Report prepared together with the PKO Bank Polski S.A. Directors' Report for 2017 ("**Directors' Report**") and getting acquainted with:

1. the opinion of an independent chartered auditor (being part of the independent auditor's report from the examination) that the Report on activities, with the exclusion of the section "Statement on non-financial information", was prepared in all its material aspects in accordance with the applicable legal regulations and is consistent with the information contained in the Report,
2. statement of an independent chartered auditor (being part of the independent auditor's report) that in the light of knowledge about the Bank and its environment obtained during audit of the Report, they did not report significant irregularities in the Report on activities,

expressed positively its opinion on the Report on activities as prepared in accordance with the books and documents as well as the actual state. According to art. 4a of the Accounting Act, the Supervisory Board also ensures that all elements of the Management Board's report on the operations of PKO Bank Polski S.A. in 2017 meet the requirements provided for in the Accounting Act. The Supervisory Board shares the opinion presented by the auditor and requests from the Annual General Meeting of PKO Bank Polski S.A. to approve the Report on business activities.

In addition, the Supervisory Board - after considering and evaluating the Management Board Report on non-financial information of PKO Bank Polski SA Group for 2017 ("**Non-financial Report**") - expressed positive opinion on this non-financial report.

According to art. 4a of the Accounting Act, the Supervisory Board also ensures that all elements of the Non-Financial Report meet the requirements set out in the abovementioned Act.

In connection with the above, the Supervisory Board requests the Annual General Meeting of PKO Bank Polski S.A. for approval of the Non-Financial Report.

EVALUATION OF THE PROPOSAL OF THE MANAGEMENT BOARD ON THE DIVISION OF THE PROFIT OF PKO BANK POLSKI S.A. ACHIEVED IN 2017

The Supervisory Board, taking into account the positive recommendation of the Audit Committee, positively evaluated the motion of the Management Board regarding the distribution of profit of PKO Bank Polski S.A. achieved in 2017.

According to the above mentioned motion of the Management Board and the above mentioned opinion of the Supervisory Board, the net profit of PKO Bank Polski S.A. achieved in 2017 in the amount of PLN 2,774,000k is proposed to be divided as follows:

- | | |
|---|-----------------|
| 1. dividend for shareholders in the amount of | PLN 687,500k; |
| 2. supplementary capital in the amount of | PLN 2,050,000k; |
| 3. reserve capital in the amount of | PLN 36,500k. |

The recommendation of the Bank's Management Board and the opinion of the Supervisory Board in the above mentioned matter is consistent with the Bank's dividend policy, which assumes systematic implementation of long-term dividend payments with observance of prudent management principle of the Bank and the Bank's Capital Group.

The decision on the recommended distribution of profits for 2017 is consistent with the decision declared by the Management Board and the Supervisory Board of the Bank on compliance with the individual recommendation of the Polish Financial Supervision Authority ("FSA") regarding the fulfilment of the requirement to pay a dividend of up to 25% of the net profit for 2017.

The Bank informed about PFSA recommendation in report No. 7/2018.

EVALUATION OF THE COMPANY'S SITUATION, INCLUDING THE EVALUATION OF INTERNAL CONTROL SYSTEMS, RISK MANAGEMENT, COMPLIANCE AND INTERNAL AUDIT FUNCTION

Evaluation of the company's situation

Development of business operations of the PKO Bank Polski S.A. Group in 2017 and the financial results achieved confirmed the position of the Bank as a leader of the Polish banking business. The market value of PKO Bank Polski S.A. exceeded PLN 55 billion at the end of 2017, which means that the Bank was the most valuable domestic company listed on the Warsaw Stock Exchange.

In 2017 PKO Bank Polski S.A. Group had leading shares in the Polish banking deposit market (17.9%) and loans (17.7%), in the leasing market (12.0%) and in the market of non-dedicated investment funds (17.2%). PKO Bank Polski S.A. was a leader in terms of the number of running current accounts and payment cards.

High standards in customer service and effective credit risk assessment procedures enabled the Bank's Group to increase its net loan portfolio to the level of PLN 206 billion in 2017. At the end of 2017, amounts due to customers reached a total level of PLN 219 billion.

At the end of 2017 the largest network of PKO Bank Polski S.A. branches in the country included 1,192 branches and 745 agencies and the most developed network of ATMs constituted 3,190 cash points. Employment in the PKO Bank Polski S.A. Group was over 28 thousand full-time jobs.

As part of the activities undertaken in 2017:

- in the 4th quarter of 2017, the Bank Capital Group acquired 100% of shares in KBC TFI SA, thanks to which at the end of 2017 it strengthened its position in the segment of retail funds, with a market share of 17.2%. In the first half of 2018, a merger of both investment fund companies operating within the Bank's Group is planned. As at the end of 2017 these companies managed assets worth over PLN 29 billion,
- in the 1st quarter of 2017 the Bank Capital Group acquired 100% shares in ZenCard Sp. z o.o., providing services in the field of information and computer technologies,
- the second branch of PKO Bank Polski S.A. commenced operations abroad - a branch in the Czech Republic (headquartered in Prague), through which PKO Bank Polski S.A. wants to be the first choice bank for Polish companies operating on the Czech market and a gateway for Czech companies entering the Polish market,
- PKO Bank Polski S.A. maintained the position of the leader of mobile banking in Poland. The number of IKO application activations exceeded 2 million in 2017, which means almost 2-fold increase in the year,
- The Bank introduced the PKO Mass Payments service enabling the payment of benefits in the form of cash. 3,000 ATMs of the Bank has such function. PKO Mass Payment is a service addressed to companies or institutions that make many one-off cash payments and are determined to outsource this process outside the network of their branches,

- The Bank created an automatic connection with the register of the Central Register and Information on Economic Activity (CEIDG) kept by the Ministry of Development. Thanks to downloading data directly from CEIDG, the opening of a company account has been simplified and accelerated,
- In September 2017, the Bank signed a contract for servicing the budget of the Pomeranian Voivodship. This is the eighth voivodship served by the Bank. Thus, PKO Bank Polski S.A. confirmed the position of the undisputed leader in the service sector for local governments,
- The Bank launched the Export Support Platform - a comprehensive analytical tool with current economic data and analyses that facilitates the establishment of business relationships in foreign markets and educates and supports the proper selection of financial instruments useful in international trade, which are included in the Bank Capital Group's offer.

Activities undertaken by the PKO Bank Polski S.A. Group in 2017 allowed to achieve high financial results and strengthen the position among the largest financial institutions in Poland.

The net profit generated in 2017 of the PKO Bank Polski S.A. Group amounted to PLN 3,104 million, an increase of 8.0%, or of PLN 230 million, compared to the previous year. The level of net profit achieved was determined by:

1. improvement in the result on business activities, which reached the level of PLN 12,563 million (+ 6.6% y/y), mainly as a result of:
 - an increase in net interest income by 11.0% y/y, mainly due to an increase in interest income,
 - an increase in the commission income by 10.2% y/y, including from the investment funds and insurance activity,
 - a drop in the result of PLN 354 million, mainly related to the settlement of transaction in June 2016 regarding the acquisition of Visa Europe Limited by the company Visa Inc. and sales transactions in the third quarter of 2016 of the assets of Qualia Development Sp. z o.o. and its subsidiaries,
2. the increase in the level of tax on some financial institutions by PLN 103 million y/y, related to the increase in the scale of operations of the Bank Group and incommensurability of charges (tax payable as from February 2016),
3. the increase in administrative expenses by 3.5% y/y, mainly employee benefits. The C/I ratio at the end of 2017 was 46.0% as compared to 47.4% at the end of 2016,
4. stable result from impairment losses and provisions at the level of PLN 1 620 million and a decrease in the cost of risk to the level of 71 bps.

The improvement of financial results of the PKO Bank Polski S.A. Group was possible thanks to the structure of balance sheet, characterized by strong deposit base and safe level of equity. The ratio of loans to deposits (amounts due to customers) at the end of 2017 amounted to 94.0% (the ratio of loans to stable sources of financing¹ amounted to 83.2%), which proves very good liquidity condition of the Bank's Group.

As a result of activities undertaken in 2017 PKO Bank Polski S.A. Group:

¹ Stable sources of financing include liabilities to customers and external financing in the form of subordinated liabilities, own issue of debt securities and loans received from financial institutions.

- increased the total assets by over PLN 11 billion, including a portfolio of receivables from customers by over PLN 5 billion,
- exceeded the number of 7 million current accounts of natural persons, strengthening the leading position in this category,
- increased the number of customers by nearly 300,000, mainly in the population segment and the number of customers using IKO mobile banking, whose number at the end of 2017 was already over 2 million,
- occupied the first position on the market for the sale of housing loans to private individuals² with nearly 30% share,
- was the largest lender for small and medium-sized enterprises with loans with de minimis guarantees, having 20.5% market share³,
- significantly improved the quality of loan portfolio, measured by the ratio of impaired loans and reduced cost of risk,
- expanded the offer of insurance and investment products as well as property insurance for customers, among others thanks to the introduction of insurance products not related to banking products to the offer available in iPKO and IKO mobile channels,
- strengthened capital position due to the increase in own funds resulting from accumulated profits generated in 2016, which translated into an increase in the total capital ratio by 1.56 p.p. compared to the end of 2016 to the level of 17.37%.

EVALUATION OF THE INTERNAL CONTROL SYSTEM, THE INTERNAL AUDIT FUNCTION (INCLUDING THE EVALUATION OF THE ADEQUACY AND EFFECTIVENESS OF THIS SYSTEM) AND THE COMPLIANCE EVALUATION (INCLUDING THE EVALUATION OF THE ADEQUACY AND EFFECTIVENESS OF THE COMPLIANCE UNIT)

The Supervisory Board monitors and evaluates the adequacy and effectiveness of the internal control system on the basis of reports or information provided by the Management Board of PKO Bank Polski S.A., Audit Committee, compliance unit, internal audit unit and on the basis of auditor's findings, external supervisory and control bodies' findings as well as on the basis of other information and documents relevant to the adequacy and effectiveness of the internal control system.

Considering the reports and information received, the Supervisory Board has not identified any significant weaknesses in the functioning of the internal control system affecting the implementation of the objectives of this system.

² Data of the Polish Bank Association.

³ According to data provided by the Sureties and Guarantee Centre of Bank Gospodarstwa Krajowego as of 31st December 2017.

Evaluation of the internal control system

The internal control system is one of the elements of the management system functioning at PKO Bank Polski S.A. The Management Board of PKO Bank Polski S.A. is responsible for its design, implementation and operation. The Supervisory Board of PKO Bank Polski S.A. regularly monitors and evaluates the adequacy and effectiveness of the internal control system. The Supervisory Board of PKO Bank Polski S.A. supports in this regard the Audit Committee of the Supervisory Board, which is responsible in particular for monitoring the effectiveness of the internal control system.

The purpose of the internal control system is to ensure:

1. effectiveness and efficiency of the Bank's operations,
2. reliability of financial reporting,
3. compliance with the risk management principles at the Bank,
4. compliance of the Bank's operations with the generally applicable laws, internal regulations of the Bank, supervisory recommendations and market standards adopted by the Bank.

The internal control system is organized at PKO Bank Polski S.A. on three separate, independent levels:

1. the first level consists of the Bank's organizational structures performing operational activities, in particular: sale of products and customer service as well as other organizational structures of the Bank that implement operational tasks generating risk, operating on the basis of separate internal regulations of the Bank,
2. the second level covers the activities of the compliance unit and identification, measurement or estimation, control, monitoring and reporting of significant risks as well as irregularities - tasks are carried out by specialized organizational structures, the aim of which is to ensure that the first level activities are properly designed and did not generate excessive risk as well as to ensure the effectiveness of the Bank's operations,
3. the third level is the activities of the internal audit unit, consisting of an independent audit of the elements of the Bank's management system, including the risk management system and the internal control system.

As part of the internal control system of PKO Bank Polski S.A. the following functions exist:

1. control function,
2. compliance unit,
3. an independent internal audit unit.

The control function ensures compliance with control mechanisms, in particular concerning risk management at PKO Bank Polski S.A. and includes all units and organizational positions in them. The control function has been designed taking into account the scale and specificity of the Bank's operations as well as the scale and complexity of individual processes.

The control function consists of:

1. control mechanisms,
2. independent monitoring of control mechanisms,
3. reporting as part of the control function.

The Bank distinguishes processes that it considers important, taking into account, in particular, the impact of a given process on the implementation of the objectives of the internal control system and on the financial results achieved, and then identifies key control mechanisms in them. The Management Board of the Bank ensures periodic reviews of operating processes at the Bank in terms of their significance.

The Bank has control mechanisms adapted to the purposes of the internal control system and to the specifics of its operations which are embedded in the processes functioning at the Bank as well as IT applications supporting them. Control mechanisms (including key ones) are subject to independent monitoring, both on regular basis and as part of periodic evaluation of control mechanisms at all three levels on which the internal control system has been organized. Independent monitoring includes testing and evaluation of key control mechanisms as well as current and periodic verification. Employees of PKO Bank Polski S.A. are required to use control mechanisms, as described in the internal regulations of PKO Bank Polski S.A. and functionalities embedded in IT applications supporting processes and to document the use of control mechanisms in a way that allows their independent monitoring.

The irregularities identified as part of the control function have been defined and categorized. The principles of categorizing and reporting irregularities have been approved by the Management Board and Supervisory Board of PKO Bank Polski S.A. According to the rules, the most significant irregularities are reported to the competent authorities and PKO Bank Polski S.A. units. In case of identifying irregularities, post-control recommendations and necessary improvement and corrective actions are taken, including disciplinary actions, aimed at removing these irregularities and limiting their occurrence in the future.

Evaluation of the internal audit function

Internal audit is an independent and objective compliance and advisory activity based on systematic and orderly evaluation of individual areas of the Bank's operations and indication of directions of actions leading to the improvement of the Bank's quality and effectiveness.

Based on the results of the internal audits and the results of monitoring the effectiveness of the implementation of conclusions and post-audit recommendations, the internal audit department provides assurance on the effectiveness of processes operating at the Bank and prepares independent and objective information on adequacy and the effectiveness of risk management and internal control systems at the Bank.

The internal audit department is situated in the Bank's organizational structure in a manner that guarantees the performance of tasks in an independent and objective manner.

Independence of the internal audit unit in PKO Bank Polski S.A. is confirmed annually by the Audit Committee. In 2017 the functioning of the internal audit department did not reveal any circumstances that violated the mechanisms for ensuring the independence of the internal audit unit identified in external regulations as well as no other conditions that threaten the impartial performance of duties by the internal audit unit.

The internal audit department covers all significant areas of the Bank's operations and entities of the Bank Group. During the performance of audit task, the risks appearing in the processes operated at the Bank are identified and control mechanisms, risk control mechanisms and other solutions and actions that limit the Bank's exposure to risk to an acceptable level are evaluated.

The results of all internal audits carried out in 2017 were periodically reported to the Audit Committee and the Supervisory Board. In the case of identifying gaps within the investigated processes, including those in the internal control system and risk management system, the recommendations are formulated to eliminate them. Their implementation is monitored on an ongoing basis by the internal audit department and periodically reported to the Management Board, the Audit Committee and the Supervisory Board.

The activities of the internal audit department are monitored by the Audit Committee. In 2017 in order to meet the requirements of the new Recommendation H issued by the Polish Financial Supervision Authority, the internal audit department prepared an amendment to the internal regulations, involving the introduction of an updated audit card that comprehensively defines the principles of organization of the internal audit function at the Bank and the mode of performing internal audits, including duties and rights of auditors, responsibilities of audited entities, principles of three-year planning and annual audits, method of conducting individual stages and types of audit tests, principles documenting and reporting audit results as well as issuing and monitoring recommendations. The internal audit department has also developed a strategy that defines the vision and goals of the internal audit function at PKO Bank Polski S.A. in the 2017-2020 time horizon and the key activities leading to its implementation. The audit card and the strategy of the internal audit department for the years 2017-2020 were positively evaluated by the Audit Committee and then approved by the Supervisory Board.

In 2017 the Audit Committee made a positive annual evaluation of the internal audit department's activity in the light of available resources, including the results of the review of internal regulations governing the performance of internal audit as well as the situation, powers, resources and tools of the internal audit unit. In addition, as part of monitoring the activities of the internal audit department, the Audit Committee gave a positive opinion on the plan of internal audits for 2018.

After conducting the analysis, the Audit Committee adopted information on the effectiveness of the internal control system developed by the internal audit department for the period from 1st January 2017 to 31st December 2017. Based on the results of internal audits carried out by the internal audit department in 2017 as well as the results of monitoring the effectiveness of conclusions and recommendations following internal audits, there were no significant weaknesses in the adequacy and effectiveness of the risk management system and the Bank's internal control system affecting the ability to achieve goals of these systems. In the case of identifying gaps in the processes under examination, including in the scope of the risk management system and the internal control system, recommendations have been formulated to eliminate them.

Compliance evaluation (including evaluation of adequacy and effectiveness of compliance unit)

The Audit Committee - in accordance with the applicable market standards - performed an annual review of the effectiveness of the compliance monitoring system and the activities of the Bank and its employees with the regulations, with particular emphasis on the role of the compliance unit.

The compliance unit in 2016 had the status of a department and was situated in the area of the President of the Bank's Management Board. From April 2017 the compliance department is supervised by the vice president of the Bank's Management Board overseeing legal and compliance area.

The objectives of the compliance unit are:

1. shaping solutions in the area of compliance and management of compliance risk, conduct risk and reputation risk in the Bank and their identification,
2. shaping solutions in the field of internal control system and detailed solutions concerning this system, excluding the functioning of internal audit,
3. coordination of the Bank's cooperation with external supervisory and control bodies, with the exception of bodies performing, in particular, inspections in the field of labour law, performance of statutory obligations by the Bank, security of persons and property as well as health and safety at work.

The main task of the compliance unit is to coordinate the internal process, including: identification, assessment, monitoring and reporting of compliance risk as well as preventive and corrective actions aimed at ensuring compliance of the Bank's operation with the law and the market standards adopted by the Bank. The findings of the compliance department in this respect were presented in:

1. quarterly management reports for the Management Board, the Risk Committee, the Audit Committee and the Supervisory Board,
2. annual information on the effectiveness of the compliance monitoring system and the activities of the Bank and its employees with the provisions of law, intended for the Audit Committee of the Supervisory Board,
3. financial statements of the Bank Capital Group,
4. information provided to suit the needs of supervisory institutions.

In accordance with good practices regarding the compliance function, employees of the compliance department are responsible for independent, objective and effective implementation of tasks:

1. did not participate in the implementation of current business tasks,
2. have the right of access in accordance with separate Bank's internal regulations, to the applications, documents and information as well as direct communication with Bank employees and receive immediate answers to the extent necessary to perform tasks entrusted to them,
3. have the right to inspect all information and to make copies, transcripts or extracts as well as to inspect, recalculate and measure them to the extent necessary to perform the tasks,
4. have the right to examine on their own initiative possible cases of non-compliance and occurrences in the scope of risk of conduct, also in cooperation with advisors or external auditors,

5. have the right to obtain assistance from employees of the relevant organizational units of the Head Office to the extent necessary to perform tasks,
6. have the possibility to use IT tools supporting the implementation of the compliance department's tasks,
7. have the right to apply to the director of the compliance department for the use of external expertise,
8. have been provided with protection against unjustified termination of the employment contract

and also the director of the compliance department:

1. had direct contact with the Management Board, Supervisory Board and Supervisory Board committees when discussing issues related to compliance issues and the opportunity to participate at least once a year in the meetings with the Audit Committee (without participation of the members of the Management Board),
2. had the right in justified cases of direct communication with the Management Board or the Supervisory Board or relevant members of these bodies on relevant issues related to compliance risk management,
3. participated in the meetings of the Bank's Management Board.

In addition to the compliance risk management, the compliance department performed tasks in the area of:

1. reputational risk management,
2. conduct risk management,
3. monitoring compliance with internal control standards,
4. coordination of the review and evaluation of adequacy and effectiveness of control mechanisms in internal processes and supporting IT applications and validation of its results,
5. coordination of cooperation with supervisory and control authorities.

According to the management reports and information submitted to the Supervisory Board in 2017, the level of compliance risk was moderate. The compliance risk profile was typical of a large universal bank serving a wide range of consumers and offering diversified financial products and services. The information obtained as part of the anonymous reporting of infringements system did not include any significant issues requiring notification to the Supervisory Board. Moreover, as part of the Bank's anti-fraud and disclosure procedures in respect of treasury activities, no incidents regarding the use of confidential information or manipulation of the financial instruments market were identified.

In connection with the above, the Audit Committee, within the framework of the annual evaluation of the effectiveness of the compliance monitoring system and the activities of the Bank and its employees with the provisions of law made in 2017, did not submit comments on the functioning of this system and the activities of the compliance department.

Evaluation of the risk management system (including assessment of the adequacy and effectiveness of this system)

Risk management is one of the most important internal processes at PKO Bank Polski S.A. It is aimed at ensuring the profitability of business operations, ensuring an adequate level of capital adequacy measures, risk level control and its maintenance within the risk tolerance accepted by the Bank and the system of limits in the changing

macroeconomic and legal environment. The risk management system is supervised by the Supervisory Board, which regularly monitors and assesses whether the methods of risk identification, measurement or estimation, control, monitoring and reporting are adjusted to the size and risk profile at the Bank and PKO Bank Polski S.A. Group. The Supervisory Board assesses whether the current and planned operations of the Bank are properly taken into account in the risk management system. In the opinion of the Supervisory Board, the risk management system is appropriately adapted to the scale of operations and to the significance, scale and complexity of particular types of risk, and is regularly controlled and adapted to new factors and sources of risk. The Supervisory Board assesses that PKO Bank Polski S.A. has an organizational structure adjusted to the size and profile of the risk borne by the Bank and ensuring the risk management efficiency. To the best of its knowledge, the adequacy of risk management arrangements at PKO Bank Polski S.A. and the effectiveness of the risk management system and management reporting system to monitor the level of risk and capital adequacy, ensures that the risk management system used is appropriate to the risk profile and the Bank's strategy.

The risk management system supports the implementation of the Bank's strategy while complying with the risk management strategy at PKO Bank Polski S.A. and PKO Bank Polski S.A. Group. It takes into account the achievement of capital goals desired by the Bank, the level of risk tolerance and the capital planning process, including the policy on the sources of raising capital.

All organizational units of the Bank and organizational units of the Head Office participate in the risk management process. The process is supervised by the Supervisory Board, which controls and assesses the adequacy and effectiveness of the risk management system. It also assesses whether individual elements of the risk management system are used to ensure the correctness of the process of setting and implementing specific Bank's objectives, and in particular they verify whether:

1. formal rules used to determine the amount of risk taken are applied,
2. formal procedures are used to identify, measure or estimate and monitor the risk occurring in the Bank's operations, also taking into account the expected level of risk in the future,
3. the risk management system uses formalized limits mitigating the risk and rules of conduct in case of exceeding the limits,
4. the adopted management reporting system allows monitoring of the level of risk,
5. the risk management system is constantly adapted to new factors and sources of risk.

The Bank has an integrated risk management structure that ensures that all risks that have a material impact on the Bank's operations are identified, measured, monitored and controlled. One of the basic elements of risk management is the determination of the level of risk that the Bank is able to accept in its day-to-day and future operations. In terms of the level of risk generated, the scope of risk is defined from the point of view of achieving the objectives of risk management, taking into account financial, capital and strategic plans. As part of the risk measurement, stress tests are conducted based on assumptions allowing reliable risk assessment. Stress tests are used to estimate potential losses in a market situation that is not normally described using statistical measures. The Bank prepares contingency plans in the event of crisis situations which may have a particularly significant impact on the functioning

of the Bank, in particular contingency plans required by generally applicable laws and the Bank's internal regulations. The risk management structure is supplemented by a coherent and transparent system of risk level reporting, the use of risk-limiting limits and management actions that shape the process of managing particular types of risk. The maximum amount of risk that the Bank and the Group of the Bank are ready to take has been defined in the form of strategic tolerance limits for individual types of risk set out in the Risk Management Strategy at PKO Bank Polski S.A. and the PKO Bank Polski S.A. Group.

The Supervisory Board is supported by the following committees:

1. Risk Committee in the field of opinion on the Bank's propensity to take risks, expressed in particular through strategic limits of risk tolerance, in the supervision over the introduction of the Bank's risk management system by the Management Board, assessment of the adequacy and effectiveness of the risk management system as well as in overseeing the risk management strategy,
2. Audit Committee in the scope of monitoring the financial reporting process, effectiveness of internal control systems and risk management; performing financial auditing and independence of the statutory auditor and the entity authorized to audit financial statements,
3. Remuneration Committee in the scope of performing statutory duties and tasks arising from the law on remuneration,
4. Strategy Committee in the scope of supervising the implementation of the strategy and issuing opinions on the strategic activities of the Bank, which require consent of the Supervisory Board.

The risk management system is implemented on three independent complementary levels:

1. the first level - created by organizational structures managing the product, selling products and customer service as well as other structures implementing operational tasks generating risk, operating on the basis of internal regulations. The function is implemented in all organizational units of the Bank, in the organizational units of the Head Office and entities of the Bank's Group. The units and organizational units of the Head Office implement, designed by the units and organizational units of the Head Office situated on the second level, appropriate risk control mechanisms, in particular, limits and ensure their compliance through appropriate control mechanisms. At the same time, the entities of the Bank Group are subject to the principle of consistency and comparability of risk assessment and control at the Bank and in the entities of the Bank Group, taking into account the specific nature of the entity's operations and the market on which it operates;
2. the second level - covering the activity of the compliance unit and identification, measurement, evaluation or control, monitoring and reporting of significant risks as well as identified threats and irregularities - the tasks are carried out by specialized organizational structures operating on the basis of the applicable internal regulations of the Bank; the purpose of these structures is to ensure that the activities implemented at the first level are properly regulated in the Bank's internal regulations and effectively mitigated the risk, supported the measurement, assessment and analysis of risk and the efficiency of operations. The second level supports undertaking actions aimed at eliminating unfavourable deviations from the financial plan in terms of values affecting the quantified strategic risk tolerance limits included in the financial plan. The function is implemented, in particular, in the area of risk management, compliance department and competent committees;

3. the third level - which is an internal audit, performing independent audits of elements of the Bank's management system, including the risk management system and the internal control system; internal audit functions separately from the first and second level and can support the activities carried out there through consultations but without the possibility of affecting the decisions made. The function is carried out in accordance with the Bank's internal regulations regarding the principles of the internal control system operation.

Independence of levels consists in maintaining organizational separateness in the following areas:

1. the second level function in the area of creating system solutions is independent of the first level functions,
2. the third level function is independent of the first and second level functions,
3. the compliance risk management function is subordinated to the Vice President of the Management Board supervising the legal area and compliance.

In the opinion of the Supervisory Board, the risk management structure is adequate to the Bank's size, type of business and risk profile, taking into account the macroeconomic environment and the possibility of unfavourable situations. Risk management is integrated with planning and controlling systems. The Supervisory Board supervises and evaluates the risk management process, in particular, on the basis of cyclical risk reports divided into individual types of risk, which include current information on the implementation of the Strategy and contain conclusions from stress tests. The Supervisory Board commissions the verification of the risk management system if it sees such necessity.

In 2017 the credit risk management and concentration risk management system was assessed by the Supervisory Board as effective, efficient and compliant with external regulations, including the recommendations of the Polish Financial Supervision Authority.

In the opinion of the Supervisory Board the Bank operated in a secure manner in 2017 with equity at an adequate level, in particular:

- the level of capital adequacy remained at a secure level, above supervisory and regulatory limits - as at 31st December 2017, the Bank's total capital ratio (TCR) stood at 19.59%, and the Tier1 core capital (CET1) ratio of the Bank was at the level of 18.62%. PKO Bank Polski maintained in 2017 a secure capital base,
- included in its equity (in accordance with the decision taken by the Annual General Meeting of the Bank) the Bank's profit for the financial year 2016 in the amount of PLN 2,888 million, without deduction of amounts for dividend payment, while part of the profit for 2016 (PLN 1,589 million) was already included in the Bank's equity as at 31st December 2016 in connection with obtaining by the Bank the appropriate approvals from the Polish Financial Supervision Authority for including in the Tier 1 basic capital the Bank's net profit for 3 quarters of 2016, after deducting the expected charges,
- after obtaining the required approvals from the Polish Financial Supervision Authority, it added to the Tier 1 basic capital the Bank's net profit for three quarters of 2017 after reduction of the anticipated charges, in the amount of PLN 1 822 million,

- after obtaining the required approvals from the Polish Financial Supervision Authority, executed subordinated bonds call option in the amount of PLN 1 600 million and repaid the subordinated loan prematurely with a value of CHF 224 million (equivalent to PLN 884 million as at 31st December 2016). Both of these instruments were classified as Tier 2 capital as at 31st December 2016 and have not been recognized in the Bank's equity since obtaining the approvals in question,
- obtained the approval of the Polish Financial Supervision Authority to include in its equity a new issue of subordinated bonds of the Bank in the amount of PLN 1 700 million,
- throughout 2017, the level of strategic use of tolerance limits for particular types of risk and capital adequacy was maintained at a safe level,
- in 2017, the Bank, as part of the EMTN program, issued: on 25th July 2017 its own bonds in the amount of EUR 750 million with a maturity of 4 years and on 2nd November 2017 its own bonds with a nominal value of CHF 400 million and a four-year maturity period,
- maintained good liquidity position - at the end of 2017 the loan to deposit ratio of the Bank (amounts due to customers) amounted to 84.0%, the deposits accounted for approx. 93.6% of all funds deposited at the Bank (excluding the interbank market),
- obtained financing from the market by issuing its own short-term bonds, regularly renewing maturing issues and adjusting sources of financing to liquidity needs,
- maintained a favourable level of financial results thanks to the balance sheet structure associated with a safe level of equity,
- included in the risk management system and capital adequacy:
 - Regulation (EC) No. 575/2013 of the European Parliament and of the Council concerning prudential requirements for credit institutions and investment companies, EBA technical standards and recommendations of the Polish Financial Supervision Authority, including increasing the LCR short-term liquidity ratio for 2017 up to 80% from 70% in 2016,
 - A recommendation of the Polish Financial Supervision Authority of 15th December 2017 to maintain its equity to cover an additional capital requirement in order to hedge the risk arising from currency mortgage loans for households,
 - Regulation of the Minister of Development and Finance of 25th May 2017 on the higher risk weight for exposures secured by mortgages on real estate (Journal of Laws of 2017, item 1068), increasing as from 1st December 2017, the risk weight for exposures secured by a mortgage on real estate, the purchase of which was financed with a loan in a foreign currency (up to 150%),
 - Recommendation C of the Polish Financial Supervision Authority (Journal of Laws of the PFSA 2016, item 15), amending as from 1st January 2017 the principles of concentration risk management,
 - Regulation of the Minister of Development and Finance on the risk management system and internal control system, remuneration policy and internal capital estimation (Journal of Laws of 2017, item 637), which has an impact on the organization of the risk management system and the internal control system,

- Recommendation S of the Polish Financial Supervision Authority regarding mortgage-secured credit exposures (Journal of Law of the PFSA 2013, item 23), increasing as from 1st January 2017 the borrower's own contribution from 15% to 20% and other acts affecting the level of lending, interest income, income from bank fees and commissions and capital adequacy.

In 2017 the Bank participated in the next edition of stress tests carried out by the Polish Financial Supervision Authority. The study aimed to determine the potential impact of a changing macroeconomic environment on the financial and in particular, capital and financial situation of the Polish banking sector institutions. For the purposes of the study, the Polish Financial Supervision Authority prepared two scenarios for the development of the economic situation, which formed the basis for testing: the reference scenario and the shock scenario. The obtained results confirmed the high resilience of PKO Bank Polski S.A. to the occurrence of macroeconomic shocks and are primarily the result of a strong capital base, based mainly on accumulated profits, favourable impact of the Bank's business model and dominance in the Bank's balance sheet of traditional financial instruments (loans, deposits), including stable sources of financing.

Additionally, in 2017 the Bank participated in the next European transparency exercise conducted by the European Banking Authority ("EBA"). This was another of a series of tests carried out by the EBA, in which PKO Bank Polski S.A. participated. The research was aimed at increasing the transparency of the European banking sector and supporting market discipline by providing a wide range of uniform data, including income statement, equity and capital adequacy. The Bank confirmed its stable capital position and the correctness of the data presented in the financial statements.

In the opinion of the Supervisory Board, key areas of the Management Board and Supervisory Board involvement will be of particular importance for the Bank's development in subsequent periods, including:

- implementation of the Bank's strategy in the perspective of 2020 through risk assessment, continuing stable and prudent bank management in the area of risk management, in particular limiting the Bank's exposure to risk (reducing or diversifying risk exposures, setting limits, monitoring risk mitigation limits, utilization of collaterals),
- effective and rational capital adequacy management so that the levels of TCR and CET1 ratios are above regulatory and supervisory requirements,
- counteracting the growing threats of cyberattacks,
- maintaining priorities in terms of operational efficiency, good liquidity position and stable sources of financing while optimizing costs, and maintaining a safe level of risk and the expected level of capital adequacy,
- supporting Poland's economic development, taking into account the needs shaped by new technologies on the market,
- increasing complexity of the regulatory environment, taking into account capital and liquidity requirements as well as data security issues in the Bank's systems.

Evaluation of the rationality of policy in the area of sponsoring activities and charity carried out by PKO Bank Polski S.A.

In accordance with the principle contained in point II.Z.10.4. of Good Practices 2016, the Supervisory Board prepares for and presents to the annual general meeting an evaluation of the rationality of sponsorship and charity policy carried out by PKO Bank Polski S.A.

The Supervisory Board assesses that the sponsorship and charity activities are carried out in a rational manner, with care for social welfare. According to the assessment of the Supervisory Board, the activities undertaken in 2017 as part of the sponsorship and charity policy, build a positive image of the Bank's brand and strengthen its good reputation, which in turn translates into satisfaction of the stakeholders: customers, partners, representatives of the state and local administration, as well as employees.

Information about sponsorship and charity policy conducted by PKO Bank Polski S.A. in 2017

The Bank's mission is to support the development of Poland and Poles through, for example, exerting a positive influence on people, companies and the environment, as well as consistently building the credibility of the brand. Treating these assumptions as a priority, PKO Bank Polski S.A. makes sure that all sponsoring and charity activities serve to build the Bank's image as a leader in the financial market, an institution that is trustworthy, socially engaged, innovative and open to the development and needs of clients. In accordance with the slogan of the current strategy of the Bank for the years 2016-2020 "We support the development of Poland and Poles", PKO Bank Polski S.A. develops relations with the environment, conducting active measures for the benefit of the society and with its participation. It supports educational, civic and cultural events and projects.

The direction of sponsorship and charity policy in the field of disseminating the national history and tradition is part of the Bank's mission statement, declaring maintenance and promotion of its Polish character.

The Bank's sponsorship activities are conducted by the units of the Marketing and Communication Division based on the annual marketing plan, which is updated on a quarterly basis. In 2017, the Bank implemented 321 sponsorship projects of various scale: from nationwide - communicated in the media and supported by promotional activities, to smaller ones - dedicated to local communities. The dominating share in the sponsorship budget of the Bank were expenditures on the support of culture and business projects as well as the implementation of the original sports project "PKO Biegajmy razem".

The sponsorship activities of the Bank were conducted in 2017 in the areas listed below. In each of these areas, the Bank also tried to distinguish and promote patriotic and historical values as well as appreciate the potential to promote Polishness.

- CULTURE AND ART - protection of the national heritage in the field of culture and art, and cultivating tradition;
- EDUCATION - promotion of science (mainly computer science, mathematics and economics), support for educational projects aimed at developing entrepreneurship and promoting innovation;
- SPORT - encouraging activity, supporting mass sport, including races often combined with charity events and commemorating important events in the history of our country;
- BUSINESS - strengthening the Bank's position on the financial market, supporting Polish entrepreneurs, maintaining and building business relations;

- EVENTS RELEVANT TO LOCAL COMMUNITIES - promoting the Bank's image as an important and active partner of business environments, local governments and cultural centers.

When deciding on the implementation of a sponsorship project, the Bank takes into account - in addition to the image benefits, such as the value of brand exposure - business and relational benefits as well. In order to identify and optimize, the Marketing and Communication Division cooperates with business units. An important element of the sponsored projects is the care for active participation of the Bank's representatives in panel discussions, presentations and award ceremonies. Through the substantive activity of its representatives, the Bank strengthens its position as an expert in the area of finance.

The Bank's sponsoring policy is governed by the "Principles of conducting marketing activities by PKO Bank Polski S.A.", adopted by Resolution No. 294/C/2015 of the Management Board of April 21, 2015 (as amended) and a several-step process of issuing opinions on sponsorship applications. The Committee for the Sponsorship, appointed by resolution No. 516/C/2012 of the Management Board on October 9, 2012, watches over the rationality of sponsorship policy. The process of considering sponsorship offers is insightful and rational. The first stage is to assess the equivalence of the application, made in terms of such indicators as:

- the rank of the venture,
- business and/or image potential,
- the organizer's credibility and high level of implementation,
- business environment in which the Bank acts as a sponsor,
- the equivalence of sponsorship benefits to the budget involved by the Bank.

After assessing equivalence, positively considered offers are presented at the meeting of the Committee for Sponsorship, which includes representatives of retail, corporate and market divisions as well as marketing and PR, which ensures comprehensive verification of each project. In this process, the opinion of business representatives is particularly important, identifying the potential of promoting banking products and services and building customer relations.

The sponsored projects are constantly monitored, analyzed and evaluated in terms of proper involvement of the Bank's employees. Each project closes a detailed report on the implementation of the sponsorship agreement.

Charitable activities are carried out for the Bank's brand by the PKO Bank Polski Foundation. The scope of the Foundation's activity is specified in the Foundation's statute, while the principles of cooperation between the Bank and the Foundation are governed by the agreement concluded on May 22, 2015. The main source of funding for the Foundation's statutory objectives in 2017 were subsidies granted by the Bank based on the resolutions of the Management Board. Additional funds were transferred to the Foundation on the basis of long-term contracts and came from the profit generated during non-cash transactions made by Inteligo customers, associated with an affinity card: Dobro procentuje (launched in 2013).

The aim of the activities carried out by the Foundation in 2017 was to support institutions and citizens involved in the public welfare in the areas of education, upbringing, social welfare, protection and promotion of health, culture and art, environmental protection, including support for the development of communities and local communities. An important aspect was the promotion of social goals in the banking environment and the promotion of the idea of volunteering by organizing employee volunteering. The activities were carried out in seven program areas:

- EDUCATION - supporting science, education and alternative forms of education in Poland;

- TRADITION - cultivating tradition, protecting historical heritage and educating in the spirit of patriotism;
- HOPE - social assistance, addressed to people threatened with exclusion, in particular those who are disadvantaged or disabled;
- HEALTH - protection of life and health and health prophylaxis;
- CULTURE - protection of the national heritage in the areas of culture and art and supporting artistic creativity of young Polish artists, made available on the pro bono basis;
- ECOLOGY - undertaking social initiatives aimed at disseminating knowledge in the field of environmental protection, especially water reservoirs;
- SPORT - encouraging physical activity, in particular of children and adolescents, as well as promoting physical activity among people with disabilities.

In 2017, the Foundation received 1176 applications for a monetary donation for the implementation of social projects. 513 projects were positively evaluated. The decision-making process consists in considering each application at the meeting of the Foundation's team. In the case of applying for subsidies exceeding PLN 20,000, the application is additionally subject to the opinion of the members of the Foundation Program Council, responsible for the rationality of the charity policy.

The Foundation also transfers in-kind donations to non-governmental organizations, in the form of IT equipment and furniture withdrawn from use at bank branches.

The financial statements and reports of the Management Board on the Foundation's activities after each financial year are subject to review by a statutory auditor. In accordance with the principle of transparency, the reports on the Foundation's activities, presenting completed tasks, are published on the Foundation's website.

In the most important image-based areas, such as: culture, tradition, education and sport, the Bank and the Foundation implement projects jointly, with attention to the synergy of activities.

Evaluation of how PKO Bank Polski S.A. complies with information obligations regarding the application of corporate governance principles set out in the Warsaw Stock Exchange Regulations and provisions regarding current and periodic information provided by issuers of securities

In accordance with the rule laid down in Section II.Z.10.3 of the Best Practice 2016, the Supervisory Board prepares and presents to the annual general meeting an evaluation of the fulfilment by PKO Bank Polski S.A. of the disclosure obligations concerning the observance by the Company of the corporate governance rules laid down in the Rules and Regulations of Giełda Papierów Wartościowych w Warszawie SA [Warsaw Stock Exchange] ("WSE Regulations") the Stock Exchange and the provisions concerning current and periodic disclosures to be made by issuers of securities.

The Supervisory Board of the Bank has made a positive assessment of the fulfilment by the Bank of the disclosure obligations concerning the corporate governance rules in 2017.

The obligations were fulfilled in 2017 in accordance with the WSE Regulations as well as the requirements of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic disclosures to be made by issuers of securities and the conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state ("Regulation").

I. The disclosure obligations regarding corporate governance rules set in the WSE Regulations.

On 13 October 2015, the WSE Supervisory Board approved Best Practice 2016 with effect as of 1 January 2016. On 8 December 2015, the Management Board of the Bank as a governing body and the members of the Management Board adopted the Best Practice 2016 with the reservation that recommendation stated in section IV.R.2. to enable the shareholders to participate in a general meeting via electronic communication means would not be observed unless the General Meeting amended the Bank's Articles of Association accordingly, authorising the Management Board to organize a General Meeting with the use of electronic communication means.

A corresponding resolution to adopt the Best Practice 2016 was carried by the Supervisory Board of the Bank on 28 December 2015. As of 1 January 2016, in addition to the public disclosures regarding the non-observance of any of the specific rules of the Best Practice 2016, companies are required to publish reports on the status of observance of the recommendations and specific rules of the Best Practice 2016 on their websites.

Therefore, as of 1 January 2016, the Bank has published on its website reports about the status of observance of the recommendations and specific rules of the Best Practice 2016 (www.pkobp.pl/investors).

Such reports are provided on the form approved by the WSE, specifying details of the status of observance or non-observance of each of the recommendations and specific rules and its publication represents direct fulfilment of the rule as per section I.Z.1.13. Of the Best Practice 2016.

Due to the necessity for constant monitoring of the observance of the Best Practice 2016 in the Bank, certain mechanisms have been put in place to enable such monitoring and the publication of a relevant report in line with the WSE Regulations, as applicable.

The specific rules and recommendations of the Best Practice 2016 were observed in the Bank in 2017 except for the Recommendation as per section IV.R.2. in regard to enabling the shareholders to participate in the General Meeting by electronic communication means, which the Bank announced on its website in line with the rule stated in section I.Z.1.13. As no specific rule was breached in 2017, the Bank did not publish any report regarding this matter.

II. The disclosure obligations regarding the corporate governance rules stated in the regulations concerning current and periodic disclosures to be made by issuers of securities

According to the Regulation, the Bank is required to include, in the annual periodic report, a statement on the observance of the corporate governance rules constituting a separate section of the report, including the elements specified in Article 91(5)(4).

The statement is included in the Director' Report in Chapter 10.

According to the Regulation, the statement is to cite and include:

1. the sets of the corporate governance rules which the issuer is obliged to follow and the places where the text of the corporate governance rules is available to the public, or
2. the sets of the corporate governance rules which the issuer had the discretion to follow and the places where the text of the corporate governance rules is available to the public, or
3. any relevant information about the corporate governance practice applied by the issuer going beyond the requirements stated in the national legislation, along with information about the corporate governance practice applied by the issuer.

The Regulation stipulates that to the extent that the issuer has derogated from any provisions of the set of corporate governance rules referred to above, these provisions should be specified and the reasons for the derogation explained.

As regards the obligations arising from the Regulation concerning the identification of the sets of corporate governance rules applicable in the Bank and disclosure on how they have been observed, the Directors' Report contains an account of the observance of:

- Best Practice 2016, indicating the recommendation which is not followed, along with the rationale,
- The Corporate Governance Rules for Supervised Entities issued by the PFSA, indicating the recommendation which is not followed, along with the rationale.

An account of other requirements concerning the content of the statement of observance of corporate governance rules is included in the following sections of the Directors' Report:

1. Control systems in the process of preparation of financial statements,
2. The share capital and the shareholding structure of PKO Bank Polski SA,
3. Restrictions on the shares in PKO Bank Polski SA
4. Articles of Association of PKO Bank Polski SA
5. Annual General Meeting
6. The Supervisory Board of PKO Bank Polski SA during the reporting period,
7. The Management Board of PKO Bank Polski SA during the reporting period,
8. Diversity policy

REPORT ON THE ACTIVITY OF THE SUPERVISORY BOARD AS A COMPANY'S GOVERNING BODY IN 2017

The information on the term of office of the Supervisory Board and the subsequent year of activity in the term of office and on the composition of the Board, performed functions in the Supervisory Board and changes in the composition of the Supervisory Board during financial year.

The composition of the Supervisory Board as at 31st December 2017 was as follows:

(all members appointed for a joint three-year term of office, commenced on the day of the ordinary general meeting of PKO Bank Polski S.A. convened for 22nd June 2017)

No.	Name and surname	Function	Date of appointment/recalling
1.	Piotr Sadownik	Chairman of the Supervisory Board	<p>Appointed to the Supervisory Board on 25th February 2016 for the term of office of the Supervisory Board, which began on the day of the Annual General Meeting convened for 26th June 2014. (notary deed/Repertory A-1583/2016, resolution No. 14/2016)</p> <p>On 25th February 2016 the State Treasury acting as an authorized shareholder within the meaning of the Bank's Articles of Association, appointed Mr Piotr Sadownik as the chairman of the Supervisory Board.</p> <p>On 22nd June 2017 he was dismissed from the Supervisory Board and then appointed to the Supervisory Board for the term of office of the Supervisory Board which began on the day of the Annual General Meeting convened for 22nd June 2017. (notary deed/ Repertory A-8117/2017, resolutions No. 36/2017 and 37/2017)</p> <p>On 22nd June 2017 the State Treasury acting as an authorized shareholder within the meaning of the Bank's Articles of Association, appointed Mr Piotr Sadownik as the chairman of the Supervisory Board.</p>
2.	Grażyna Ciużyńska	Vice Chairman of the Supervisory Board	<p>Appointed to the Supervisory Board on 30th June 2016 for the term of office of the Supervisory Board which began on the day of the Annual General Meeting convened for 26th June 2014. (notary deed/Repertory A-5497/2016, resolution No. 31/2016)</p> <p>On 30th June 2016 the State Treasury acting as an authorized shareholder within the meaning of the Bank's Articles of Association, appointed Ms Grażyna Ciużyńska as vice chairman of the of the Supervisory Board.</p>

			<p>On 22nd June 2017 she was dismissed from the Supervisory Board and then appointed to the Supervisory Board for the term of office of the Supervisory Board which began on the day of the Annual General Meeting convened for 22nd June 2017. (notary deed/ Repertory A-8117/2017, resolutions No. 36/2017 and 38/2017)</p> <p>On 22nd June 2017 the State Treasury acting as an authorized shareholder within the meaning of the Bank's Articles of Association appointed Ms Grażyna Ciurzyńska as Vice-President of the Supervisory Board.</p>
3.	Zbigniew Hajłasz	Secretary of the Supervisory Board	<p>Appointed to the Supervisory Board on 30th June 2016 for the term of office the Supervisory Board which began on the day of the Annual General Meeting convened for 26th June 2014. (notary deed/Repertory A-5497/2016, resolution No. 32/2016)</p> <p>On 14th July 2016 the Supervisory Board elected Mr Zbigniew Hajłasz as the secretary of the Supervisory Board.</p> <p>On 22nd June 2017 he was dismissed from the Supervisory Board and then appointed to the Supervisory Board for the term of office of the Supervisory Board which began on the day of the Annual General Meeting convened for 22nd June 2017. (notary deed/Repertory A-8117/2017, resolutions No. 36/2017 and 39/2017).</p> <p>On 24th August 2017 the Supervisory Board elected Mr Zbigniew Hajłasz as the secretary of the Supervisory Board.</p>
4.	Mariusz Andrzejewski	Member of the Supervisory Board	<p>Appointed to the Supervisory Board on 22nd June 2017 for the term of office of the Supervisory Board which began on the day of the Annual General Meeting convened for 22nd June 2017. (notary deed/ Repertory A-8117/2017, resolution No. 44/2017)</p>
5.	Mirosław Barszcz	Member of the Supervisory Board	<p>Appointed to the Supervisory Board on 25th February 2016 for the term of office of the Supervisory Board which began on the day of the Annual General Meeting convened for 26th June 2014. (notary deed/ Repertory A-1583/2016, resolution No. 8/2016)</p> <p>On 22nd June 2017 he was dismissed from the Supervisory Board and then appointed to the Supervisory Board for the term</p>

			of office of the Supervisory Board which began on the day of the Annual General Meeting convened for 22 nd June 2017. (notary deed/ Repertory A-8117/2017, resolutions No. 36/2017 and 46/2017).
6.	Adam Budnikowski	Member of the Supervisory Board	Appointed to the Supervisory Board on 25 th February 2016 for the term of office the Supervisory Board which began on the day of the Annual General Meeting convened for 26 th June 2014. (notary deed/ Repertory A-1583/2016, resolution No. 9/2016). On 22 nd June 2017 he was dismissed from the Supervisory Board and then appointed to the Supervisory Board for the term of office of the Supervisory Board which began on the day of the Annual General Meeting convened for 22 nd June 2017. (notary deed/ Repertory A-8117/2017, resolutions No. 36/2017 and 40/2017).
7.	Wojciech Jasiński	Member of the Supervisory Board	Appointed to the Supervisory Board on 25 th February 2016 for the term of office the Supervisory Board which began on the day of the Annual General Meeting convened for 26 th June 2014. (notary deed/ Repertory A-1583/2016, resolution No. 11/2016) On 22 nd June 2017 he was dismissed from the Supervisory Board and then appointed to the Supervisory Board for the term of office of the Supervisory Board which began on the day of the Annual General Meeting convened for 22 nd June 2017. (notary deed/ Repertory A-8117/2017, resolutions No. 36/2017 and 41/2017).
8.	Andrzej Kisielewicz	Member of the Supervisory Board	Appointed to the Supervisory Board on 25 th February 2016 for the term of office of the Supervisory Board which began on the day of the Annual General Meeting convened for 26 th June 2014. (notary deed/ Repertory A-1583/2016, resolution No. 12/2016). On 22 nd June 2017 he was dismissed from the Supervisory Board and then appointed to the Supervisory Board for the term of office of the Supervisory Board which began on the day of the Annual General Meeting convened for 22 nd June 2017. (notary deed/ Repertory A-8117/2017, resolutions No. 36/2017 and 47/2017).
9.	Elżbieta Mączyńska - Ziemacka	Member of the Supervisory Board	Appointed to the Supervisory Board on 26 th June 2014 for the term of office of the Supervisory Board which began on the day of the Annual General Meeting convened for 26 th June 2014. (notary deed/ Repertory A-3969/2014, resolution No. 37/2014).

			On 22 nd June 2017 he was dismissed from the Supervisory Board and then appointed to the Supervisory Board for the term of office of the Supervisory Board which began on the day of the Annual General Meeting convened for 22 nd June 2017. (notary deed/ Repertory A-8117/2017, resolutions No. 36/2017 and 42/2017).
10.	Janusz Ostaszewski	Member of the Supervisory Board	Appointed to the Supervisory Board on 25 th February 2016 for the term of office of the Supervisory Board which began on the day of the Annual General Meeting convened for 26 th June 2014. (notary deed/ Repertory A-1583/2016, resolution No. 13/2016). On 22 nd June 2017 he was dismissed from the Supervisory Board and then appointed to the Supervisory Board for the term of office of the Supervisory Board which began on the day of the Annual General Meeting convened for 22 nd June 2017. (notary deed/ Repertory A-8117/2017, resolutions No. 36/2017 and 43/2017).
11.	Jerzy Paluchniak	Member of the Supervisory Board	Appointed to the Supervisory Board on 22 nd June 2017 for the term of office of the Supervisory Board which began on the day of the Annual General Meeting convened for 22 nd June 2017. (notary deed/ Repertory A-8117/2017, resolution No. 45/2017)

Changes in the composition of the Supervisory Board in 2017:

In connection with the expiration of the previous joint term of office of the Supervisory Board, the Annual General Meeting of PKO Bank Polski S.A. on 22nd June 2017 based on art. 385 §1 of the Code of Commercial Companies recalled Piotr Sadownik, Grażyna Ciużyńska, Zbigniew Hajłasz, Mirosław Barszcz, Adam Budnikowski, Wojciech Jasiński, Andrzej Kisielewicz, Elżbieta Mączyńska-Ziemacka and Janusz Ostaszewski from the Supervisory Board.

At the same time, the State Treasury acting as an authorized shareholder within the meaning of the Bank's Articles of Association, pursuant to §11 para. 1 of the Bank's statute, determined the number of the Supervisory Board members as 11 persons.

In addition, the Annual General Meeting of PKO Bank Polski S.A. based on art. 385 §1 of the Code of Commercial Companies, appointed Piotr Sadownik, Grażyna Ciużyńska, Mariusz Andrzejewski, Mirosław Barszcz, Adam Budnikowski, Zbigniew Hajłasz, Wojciech Jasiński, Andrzej Kisielewicz, Elżbieta Mączyńska-Ziemacka, Janusz Ostaszewski and Jerzy Paluchniak to the Supervisory Board.

According to the resolutions adopted, persons were appointed for the term of office of the Supervisory Board commencing on the day of the Annual General Meeting of PKO Bank Polski S.A.

The State Treasury acting as an authorized shareholder within the meaning of the Bank's Articles of Association, pursuant to §12 para. 1 of the Bank's statute, designated:

1. Piotr Sadadownik – as the chairman of the Bank's Supervisory Board,
2. Grażyna Ciużyńska – as the vice-president of the Bank's Supervisory Board.

On 24th August 2017 the Supervisory Board elected Mr Zbigniew Hajłasz as the secretary of the Supervisory Board.

Information on the number and frequency of meetings of the Supervisory Board and the number of adopted resolutions.

In 2017 the Supervisory Board held a total of 9 recorded meetings on the following dates: 26th January, 2nd March, 13th April, 18th May, 14th June, 24th August, 21st September, 9th November and 21st December.

In 2017 the Supervisory Board adopted 116 resolutions.

The list of resolutions adopted by the Supervisory Board in 2017 constitutes Annex No. 1 to this Report.

Information on the presence of members of the Supervisory Board at the meetings.

All absences of the Supervisory Board members at the meetings in 2017 were justified by the resolutions of the Supervisory Board No. 5/2017, 16/2017, 17/2017, 50/2017, 86/2017, 87/2017, 91/2017 and 111/2017; this concerned the absence of five Supervisory Board members at five Supervisory Board meetings.

Significant problems that the Supervisory Board dealt with.

In 2017 the Supervisory Board - apart from matters regarding the acceptance of documents for the Extraordinary and Annual General Meeting (resulting from generally applicable laws and the Bank's Statute) and matters indicated in the titles of resolutions adopted by the Supervisory Board in 2017, the list of which is attached as Appendix 1 to this report - dealt with, among others:

1. The concept of currency conversion of CHF loans into PLN in connection with the recommendations of the Financial Stability Committee and the status of works on the concept of restructuring CHF loans for PLN in connection with the recommendations of the Financial Stability Committee,
2. The effects of the acquisition of Raiffeisen-Leasing Polska and the status of the process of integration of the leasing area of the PKO Bank Polski SA Group,
3. Exposure of PKO Bank Polski S.A. to the coal sector,
4. Insurance companies within the insurance activity of PKO Bank Polski S.A.,
5. The "Platform for Export Support" project,
6. The project of acquisition by the Group of PKO Bank Polski S.A. of KBC TFI SA,
7. The development of the branch of PKO Bank Polski S.A. in Germany - experiences and challenges,
8. Cooperation of PKO Bank Polski SA with the startup environment,
9. Implementation of the so-called MiFID II Directive and an advisory model in the PKO Bank Polski S.A. Capital Group,
10. The level of preparation of the Bank to implement the requirements of International Financial Reporting Standard 9 (IFRS 9),

11. Regulation (EU) 2016/679 of the European Parliament and of the Council of 27th April 2016 on the protection of individuals with regard to the processing of personal data and on the free movement of such data and the repeal of Directive 95/46/EC (general regulation on data protection),
12. System of anonymous reporting of infringements at PKO Bank Polski S.A.,
13. IT security of the Bank,
14. Macroeconomic and market forecasts for 2018,
15. Project of the financial plan, including the capital plan for 2018,
16. Analysis of the document „Principles of ownership supervision over companies with Treasury shareholding" in the aspect of additional obligations imposed on the Supervisory Board - supplement to the information provided to the Supervisory Board at the meeting on 9th November 2017,
17. Information on the European Commission's call - Directorate-General for Competition in the case of AT.40514 - exclusion of the third parties; (RFI-2017/094421) and the current status of works on the response to the European Commission's letter,
18. The issue of a collective list of systemic issues, indicating the mismatch of European requirements to the scope of responsibility of the Supervisory Board resulting from the provisions of the Code of Commercial Companies,
19. Establishing the Supervisory Board's work plan for 2018,
20. Correspondence addressed to the Supervisory Board.

The topics discussed by the Supervisory Board on regular basis are:

1. report on the implementation of the strategy of PKO Bank Polski S.A.,
2. information on the financial result of the PKO Bank Polski S.A. Group and the results of PKO Bank Polski S.A. as compared to competitive banks,
3. information from the internal audit department on the effectiveness of the internal control system,
4. report: Model risk at PKO Bank Polski,
5. report: Credit risk at PKO Bank Polski,
6. report: Financial risk at PKO Bank Polski,
7. report: Capital adequacy at PKO Bank Polski,
8. report: Operational risk at PKO Bank Polski,
9. report: Business risk at PKO Bank Polski,
10. report: Compliance risk and conduct risk,
11. report: Reputation risk,
12. report: capital adequacy and other information subject to publication,
13. information on the Bank's security,
14. information on the status of the Bank's IT System (SIB),
15. information regarding the application of bancassurance accounting principles,
16. synthetic information on the assessment of the bank's internal systems of PKO Bank Polski S.A.,
17. information about the situation of KREDOBANK S.A.

In connection with the date of completion of the contract with the auditing company KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa ("KPMG") for the audit and review of the financial statements for the years 2015 – 2016 on 15th December 2016 the Supervisory Board resolved to renew the order for auditing and reviewing of the Bank's and the Bank Group's financial statements placed with KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa for the period of audit and review of financial statements for the years 2017-2019 provided that the Bank received a satisfactory offer. As a result of reviewing and analysing the submitted offer, the Audit Committee on 26th January 2017 adopted resolution recommending the adoption of resolution by the Supervisory Board regarding the selection of KPMG to audit and review the financial statements of the Bank and the Bank Capital Group for the years 2017-2019. The Supervisory Board, as a result of: getting acquainted with the documentation regarding the selection of the auditing company, including the abovementioned offer and analysis of the recommendations of the Bank and the Audit Committee in this regard, on 26th January 2017 adopted resolution No. 1/2017 regarding the selection of the audit firm to conduct the audit and review of the Bank's and the Bank's Group's financial statements for 2017-2019, by means of which it appointed KPMG as an auditor to carry out the audit and review of the Bank's and the Bank's Group's financial statements for 2017-2019 and in connection with the selection of KPMG decided to renew the order for auditing and reviewing the Bank's and the Bank's Group's financial statements placed with that entity for the audit and review period of the financial statements of the Bank and the Bank Capital Group for the years of 2017-2019.

On 21st December 2017 the Members of the Supervisory Board held a meeting as part of the Audit Committee meeting with an auditing company to discuss the plan and approach to the audit of financial statements for 2017, including potential key areas of examination.

Controls carried out

In 2017 in justified cases, the Supervisory Board obtained additional information with the participation of the internal audit department and the Bank's units within the scope of projects implemented at the Bank and audits carried out.

Information on changes in the composition of the Management Board made by the Supervisory Board, suspension of members of the Management Board in performing their functions and delegating members of the Supervisory Board to perform the functions of members of the Management Board.

Changes in the composition of the Management Board in 2017

In connection with the expiration of the previous joint term of office of the Bank's Management Board, the Supervisory Board of the Bank on 14th June 2017 adopted resolutions appointing the following positions to the positions in the Bank's Management Board:

- Mr. Zbigniew Jagiełło to the position of the President of the Bank's Management Board,
- Mr Rafał Antczak to the position of the vice president of the Bank's Management Board,
- Mr Janusz Derda to the position of the vice president of the Bank's Management Board,
- Mr Bartosz Drabikowski to the position of the vice president of the Bank's Management Board,
- Mr Maks Kraczkowski as the vice-president of the Bank's Management Board,

- Mr Mieczysław Król as the vice-president of the Bank's Management Board,
- Mr Piotr Mazur to the position of the vice-president of the Bank's Management Board,
- Mr. Jakub Papierski to the position of the vice-president of the Bank's Management Board,
- Mr. Jan Emeryk Rościszewski for the position of vice-president of the Bank's Management Board.

In accordance with the resolutions adopted, the abovementioned persons were appointed to the indicated positions in the Bank's Management Board for the next joint term of office of the Bank's Management Board, starting as from 2nd July 2017.

Moreover:

1. on 9th August 2017 Mr. Janusz Derda resigned from performing the function of a member of the Bank's Management Board as from 9th August 2017,
2. on 21st September 2017 the Supervisory Board appointed Mr Adam Marciniak to the position of the vice-president of the Bank's Management Board as from 1st October 2017 for the current joint term of office of the Bank's Management Board,
3. on 21st December 2017 Mr Bartosz Drabikowski, on the basis of resolution of the Bank's Supervisory Board was dismissed from the Bank's Management Board on 21st December 2017,
4. on 21st December 2017, the Supervisory Board appointed Mr Rafał Kozłowski as the vice-president of the Bank's Management Board as from 1st January 2018 for the current joint term of office of the Bank's Management Board.

In case of each newly appointed Member of the Management Board, the Supervisory Board performed, among others, analysis and assessment of compliance by these candidates with the requirements provided for in art.22aa of the Act of 29th August 1997 Banking Law (Journal of Laws No. 140, item 939 as amended), analysis and evaluation of documentation provided by the candidate, confirming education and professional experiences well as interviewed the candidate.

In 2017 the Supervisory Board did not decide to suspend members of the Management Board in their duties nor did it delegate members of the Supervisory Board to perform the functions of members of the Management Board.

Information on the implementation of the resolutions of the General Meeting pertaining to the activities of the Supervisory Board.

By virtue of resolution No. 2/2017 of the Extraordinary General Meeting of 13th March 2017, the Supervisory Board was:

1. obliged to adjust the then applicable terms of remuneration of the members of the Management Board to the principles resulting from this resolution and the Act of 9th June 2016 on the rules for determining the remuneration of persons managing certain companies (Journal of Laws of 2016, item 1202 as amended) until the date of the Ordinary General Meeting of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna, the subject of which was to review and approve the Management Board report on the Bank's operations and financial statements for the financial year starting in 2016 and therefore the Supervisory Board on 14th June 2017 adopted resolution No. 43/2017 regarding the approval of the "Rules for employing and remunerating members of the Bank's Management Board",
2. authorized to set specific management objectives for individual members of the Management Board and to determine weights for management purposes as well as objective and measurable criteria (indicators) for their implementation and settlement. In connection with the above, on 13th April 2017 the Supervisory Board adopted resolution No. 20/2017 regarding the settlement of MbO objectives for 2016 for members of the Bank's Management Board and on 8th March 2018, resolution No. 19/2018 regarding the objectives of MbO and their values and weights for the members of the Bank's Management Board for 2018.

By virtue of resolution No. 4/2017 of the Extraordinary General Meeting 13th March 2017, the Supervisory Board was authorized to prepare the consolidated text of the Articles of Association of PKO Bank Polski S.A. taking into account changes, referred to in §1 of this resolution.

In connection with the above, on 13th April 2017, the Supervisory Board adopted resolution No. 24/2017 on approving the consolidated text of the Articles of Association of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.

By virtue of resolution No. 50/2017 of the Annual Shareholders Meeting of 20th July 2017 the Supervisory Board was authorized to prepare the consolidated text of the Articles of Association of PKO Bank Polski S.A. taking into account the changes referred to in §1 of this resolution. Therefore, on 8th February 2018 the Supervisory Board adopted Resolution No. 5/2018 on approving the consolidated text of the Articles of Association of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.

Information on the fulfilment of independence criteria by the Members of the Supervisory Board.

Pursuant to point II.Z.6 of Best Practices 2016 the Supervisory Board of a public company assesses whether there are any relationships or circumstances that may affect the compliance of the given member of the Supervisory Board with the independence criteria. In relation with the above the Supervisory Board was acquainted with statements regarding independence made by individual Members of the Supervisory Board and on 9th November 2017 adopted the following resolutions by virtue of which it:

- took note of the statements of Mr Piotr Sadownik, Mr Zbigniew Hajłasz, Mr Mariusz Andrzejewski, Mr Mirosław Barszcz, Mr Adam Budnikowski, Mr Andrzej Kisielewicz, Mrs Elżbieta Mączyńska-Ziemacka and Mr Janusz Ostaszewski on meeting the independence criteria referred to in point II.Z.4 Best Practice 2016 and concluded that the above members of the Supervisory Board meet the above independence criteria. The Supervisory Board was not aware of any circumstances that could have a negative impact on these persons' compliance with the independence criteria referred to above,
- took note of the statements of Mrs Grażyna Ciurzyńska, Mr Wojciech Jasiński and Mr Jerzy Paluchniak on the failure to meet the independence criteria referred to in point II.Z.4 of Best Practice 2016 and concluded that the abovementioned members of the Supervisory Board do not meet the above independence criteria.

Self-evaluation of the work of the Supervisory Board.

At its meeting on 8th February 2018 the Supervisory Board of PKO Bank Polski S.A. made self-evaluation of the work performed by it in 2017.

The Supervisory Board of PKO Bank Polski S.A. concluded that it fulfils its duties in a diligent and effective manner, exercising constant supervision over the Bank's operations and development in all areas of its operations. In the Supervisory Board's opinion, the professional experience and diverse competences of the members of the Supervisory Board allow for a comprehensive examination and giving opinions on the topics presented and a broad representation of views on the evaluation of the Supervisory Board's work and the functioning of PKO Bank Polski S.A.

When evaluating the cooperation of the Supervisory Board with the Bank's Management Board, the Supervisory Board positively evaluated the course of this cooperation stressing the reliability and correctness of information provided by the Management Board. At the same time, the Supervisory Board appreciated the reactions of the Management Board to individual inquiries of Supervisory Board members also placed outside the Board meetings and active participation of the Management Board in the Supervisory Board's meetings (explaining requests addressed to the Supervisory Board and providing relevant explanations).

In 2017 all Members of the Supervisory Board actively participated in the Supervisory Board meetings and demonstrated commitment to the proper performance of their duties, and the discussions conducted took into account the evaluation of the current situation of the company, market changes and good practices as well as standards. In 2017 the Supervisory Board performed statutory tasks while ensuring continuous improvement of its work in this area. Discussions at the meetings of the Supervisory Board were characterized by high substantive level.

The number and duration of meetings as well as access to resources were sufficient to enable the Supervisory Board to fully meet its obligations and the documents prepared for the Supervisory Board contained relevant information and were prepared for meetings in advance.

The substantive value of materials submitted at the meetings of the Supervisory Board was rated high.

Other information on the work of the Supervisory Board.

In 2017 there were in the Bank: the Remuneration Committee, the Risk Committee, the Audit Committee and the Strategy Committee. Annual reports on the activities of the above committees are, accordingly, in the annexes No.2, 3, 4 and 5 to this Report.

Warsaw, 19/04/2018

Appendix 1

The List of resolutions adopted by the Supervisory Board of PKO Bank Polski S.A. in 2017

1. Resolution No. 1/2017 of the Supervisory Board of 26th of January, 2017 on the selection of an audit company to conduct the audit and review of the financial statements of the Bank and the Bank's Group during the years 2017-2019,
2. Resolution No. 2/2017 of the Supervisory Board of 26th January, 2017 on the change in the total nominal value of mortgage debt sold to PKO Bank Hipoteczny S.A. and concluding debt sale agreements with PKO Bank Hipoteczny S.A.,
3. Resolution No. 3/2017 of the Supervisory Board of 26th of January, 2017 on the approval of the financial plan of PKO Bank Polski S.A. for 2017, including the capital plan of PKO Bank Polski S.A. for 2017,
4. Resolution No. 4/2017 of the Supervisory Board of 26th of January, 2017 on the recovery plan of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna,
5. Resolution No. 5/2017 of the Supervisory Board of 26th of January, 2017 on justifying the absence of a Member of the Supervisory Board at a meeting of the Supervisory Board,
6. Resolution No. 6/2017 of the Supervisory Board of 9th of February, 2017 on draft resolutions of the Extraordinary General Meeting of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna,
7. Resolution No. 7/2017 of the Supervisory Board of 2nd of March, 2017 regarding the financial statements of PKO Bank Polski S.A. for the year ended on 31st of December, 2016,
8. Resolution No. 8/2017 of the Supervisory Board of 2nd of March, 2017 regarding the consolidated financial statements of the PKO Bank Polski S.A. Group for the year ended on 31st of December, 2016,
9. Resolution No. 9/2017 of the Supervisory Board of 2nd of March, 2017 regarding the PKO Bank Polski S.A. Directors' Report for 2016,
10. Resolution No. 10/2017 of the Supervisory Board of 2nd of March, 2017 regarding the PKO Bank Polski S.A. Group Directors' Report for 2016,
11. Resolution No. 11/2017 of the Supervisory Board of 2nd of March, 2017 approving the risk management strategy in PKO Bank Polski S.A.,
12. Resolution No. 12/2017 of the Supervisory Board of 2nd of March, 2017 on the principles of managing capital adequacy and equity at PKO Bank Polski S.A. and the capital group of PKO Bank Polski S.A.,
13. Resolution No. 13/2017 of the Supervisory Board of 2nd of March, 2017 regarding the recovery plan of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group,
14. Resolution No. 14/2017 of the Supervisory Board of 2nd of March, 2017 on the objectives of the MbO and their values and importance for the members of the Bank's Management Board for 2017,
15. Resolution No. 15/2017 of the Supervisory Board of 16th of March, 2017 on the position of the Supervisory Board of Powszechna Kasa Oszczędności Bank Polski S.A. within the scope of implementation of the recommendation of the Polish Financial Supervision Authority,
16. Resolution No. 16/2017 of the Supervisory Board of 13th of April, 2017 on justifying the absence of a Member of the Supervisory Board at a meeting of the Supervisory Board,

17. Resolution No. 17/2017 of the Supervisory Board of 13th of April, 2017 on justifying the absence of a Member of the Supervisory Board at a meeting of the Supervisory Board,
18. Resolution No. 18/2017 of the Supervisory Board of 13th of April, 2017 on granting consent for the conclusion of a tripartite agreement related to financing granted to the entity referred to in this resolution,
19. Resolution No. 19/2017 of the Supervisory Board of 13th of April, 2017 on determining the existence of premises for reduction of a deferred variable remuneration of the Management Board members granted in 2017 for the years 2013-2015,
20. Resolution No. 20/2017 of the Supervisory Board of 13th of April, 2017 on the settlement of MbO objectives for 2016 for members of the Bank's Management Board,
21. Resolution No. 21/2017 of the Supervisory Board of 13th of April, 2017 regarding the adoption of the report "Assessment of the functioning of remuneration policy in PKO Bank Polski S.A. in 2016",
22. Resolution No. 22/2017 of the Supervisory Board of 13th of April, 2017 on the assessment of the application by PKO Bank Polski S.A. "Principles of corporate governance for supervised institutions",
23. Resolution No. 23/2017 of the Supervisory Board of 13th of April, 2017 on the assessment of the manner of completion by PKO Bank Polski S.A. information obligations regarding the application of corporate governance principles,
24. Resolution No. 24/2017 of the Supervisory Board of 13th of April, 2017 on establishing the consolidated text of the Articles of Association of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna,
25. Resolution No. 25/2017 of the Supervisory Board of 13th of April, 2017 on the approval of the Organizational Regulations of Powszechna Kasia Oszczędności Bank Polski Spółka Akcyjna,
26. Resolution No. 26/2017 of the Supervisory Board of 13th of April, 2017 on the assessment of reasonableness maintained by PKO Bank Polski S.A. policies in the area of sponsorship and charity,
27. Resolution No. 27/2017 of the Supervisory Board of 13th of April, 2017 on the distribution of profit of PKO Bank Polski S.A. achieved in 2016,
28. Resolution No. 28/2017 of the Supervisory Board of 18th of May, 2017 regarding the approval of "Internal principles of the control system in PKO Bank Polski S.A."
29. Resolution No. 29/2017 of the Supervisory Board of 18th of May, 2017 regarding the approval of the "Internal performance audit rules in PKO Bank Polski S.A.",
30. Resolution No. 30/2017 of the Supervisory Board of 18th of May, 2017 regarding the report of the Supervisory Board of PKO Bank Polski S.A. containing the results of the assessment of the financial statements of PKO Bank Polski S.A. for the year ended 31st of December, 2016, the PKO Bank Polski S.A. Directors' Report for 2016, the Management Board's motion regarding the distribution of profit of PKO Bank Polski S.A. achieved in 2016 and on the report on the activities of the Supervisory Board as the company's authority in 2016,
31. Resolution No. 31/2017 of the Supervisory Board of 18th of May, 2017 regarding draft resolutions of the Annual General Meeting of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna,

32. Resolution No. 32/2017 of the Supervisory Board of 18th of May, 2017 regarding the approval of the amount of payment to members of the Management Board in 2017 and January 2018 of variable remuneration components, including determination of the occurrence of conditions for limiting the funds for such withdrawals,
33. Resolution No. 33/2017 of the Supervisory Board of 14th of June, 2017 regarding the appointment of the President of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna,
34. Resolution No. 34/2017 of the Supervisory Board of 14th of June, 2017 regarding the appointment of the Vice-President of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna,
35. Resolution No. 35/2017 of the Supervisory Board of 14th of June, 2017 regarding the appointment of the Vice-President of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna,
36. Resolution No. 36/2017 of the Supervisory Board of 14th of June, 2017 regarding the appointment of the Vice-President of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna,
37. Resolution No. 37/2017 of the Supervisory Board of 14th of June, 2017 regarding the appointment of the Vice-President of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna,
38. Resolution No. 38/2017 of the Supervisory Board of 14th of June, 2017 regarding the appointment of the Vice-President of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna,
39. Resolution No. 39/2017 of the Supervisory Board of 14th of June, 2017 regarding the appointment of the Vice-President of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna,
40. Resolution No. 40/2017 of the Supervisory Board of 14th of June, 2017 regarding the appointment of the Vice-President of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna,
41. Resolution No. 41/2017 of the Supervisory Board of 14th of June, 2017 regarding the appointment of the Vice-President of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna,
42. Resolution No. 42/2017 of the Supervisory Board of 14th of June, 2017 regarding the approval of the "Remuneration policy for the employees of the Bank and the PKO BP Capital Group",
43. Resolution No. 43/2017 of the Supervisory Board of 14th of June, 2017 regarding approval of the "Principles of employment and rewarding for members of the Bank's Management Board",
44. Resolution No. 44/2017 of the Supervisory Board of 14th of June, 2017 on the parameters of receivables sold to PKO Bank Hipoteczny S.A.,
45. Resolution No. 45/2017 of the Supervisory Board of 14th of June, 2017 regarding the approval of the Organizational Regulations of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna,
46. Resolution No. 46/2017 of the Supervisory Board of 14th of June, 2017 regarding draft resolutions of the Annual General Meeting of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna,
47. Resolution No. 47/2017 of the Supervisory Board of 29th of June, 2017 on the assessment of threats and protection of autonomy and expressing consent to the provision by KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. services related to the issue of attestation letters in relation to the basic stocks issue prospectus of PKO Bank Polski S.A. and updates to the basic stocks issue prospectus and annexes prepared for the purpose of establishing a mid-term securities program (Euro Medium Term Notes – EMTN) and issues completed under this program,
48. Resolution No. 48/2017 of the Supervisory Board of 17th of July, 2017 on the sale of real properties,

49. Resolution No. 49/2017 of the Supervisory Board of 18 July 2017 on the recovery plan of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna,
50. Resolution No. 50/2017 of the Supervisory Board of 24th of August, 2017 on justifying the absence of a Member of the Supervisory Board at a meeting of the Supervisory Board,
51. Resolution No. 51/2017 of the Supervisory Board of 24th of August, 2017 on the election of a secretary of the Supervisory Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna,
52. Resolution No. 52/2017 of the Supervisory Board of 24th of August, 2017 regarding the appointment of a member of the Strategy Committee,
53. Resolution No. 53/2017 of the Supervisory Board of 24th of August, 2017 regarding the appointment of a member of the Strategy Committee,
54. Resolution No. 54/2017 of the Supervisory Board of 24th of August, 2017 regarding the appointment of a member of the Strategy Committee,
55. Resolution No. 55/2017 of the Supervisory Board of 24th of August, 2017 regarding the appointment of a member of the Strategy Committee,
56. Resolution No. 56/2017 of the Supervisory Board of 24th of August, 2017 regarding the appointment of a member of the Strategy Committee,
57. Resolution No. 57/2017 of the Supervisory Board of 24th of August, 2017 regarding the appointment of a member of the Strategy Committee,
58. Resolution No. 58/2017 of the Supervisory Board of 24th of August, 2017 regarding the appointment of a member of the Strategy Committee,
59. Resolution No. 59/2017 of the Supervisory Board of 24th of August, 2017 regarding the appointment of the chairman of the Strategy Committee,
60. Resolution No. 60/2017 of the Supervisory Board of 24th of August, 2017 regarding the appointment of a member of the Remuneration Committee,
61. Resolution No. 61/2017 of the Supervisory Board of 24th of August, 2017 regarding the appointment of a member of the Remuneration Committee,
62. Resolution No. 62/2017 of the Supervisory Board of 24th of August, 2017 regarding the appointment of a member of the Remuneration Committee,
63. Resolution No. 63/2017 of the Supervisory Board of 24th of August, 2017 regarding the appointment of a member of the Remuneration Committee,
64. Resolution No. 64/2017 of the Supervisory Board of 24th of August, 2017 regarding the appointment of a member of the Remuneration Committee,
65. Resolution No. 65/2017 of the Supervisory Board of 24th of August, 2017 regarding the appointment of the chairman of the Remuneration Committee,
66. Resolution No. 66/2017 of the Supervisory Board of 24th of August, 2017 regarding the appointment of a member of the Risk Committee,
67. Resolution No. 67/2017 of the Supervisory Board of 24th of August, 2017 regarding the appointment of a member of the Risk Committee,

68. Resolution No. 68/2017 of the Supervisory Board of 24th of August, 2017 regarding the appointment of a member of the Risk Committee,
69. Resolution No. 69/2017 of the Supervisory Board of 24th of August, 2017 regarding the appointment of a member of the Risk Committee,
70. Resolution No. 70/2017 of the Supervisory Board of 24th of August, 2017 regarding the appointment of a member of the Risk Committee,
71. Resolution No. 71/2017 of the Supervisory Board of 24th of August, 2017 regarding the appointment of a member of the Risk Committee,
72. Resolution No. 72/2017 of the Supervisory Board of 24th of August, 2017 regarding the appointment of the chairman of the Risk Committee,
73. Resolution No. 73/2017 of the Supervisory Board of 24th of August, 2017 regarding the appointment of a member of the Audit Committee of the Supervisory Board,
74. Resolution No. 74/2017 of the Supervisory Board of 24th of August, 2017 regarding the appointment of a member of the Audit Committee of the Supervisory Board,
75. Resolution No. 75/2017 of the Supervisory Board of 24th of August, 2017 regarding the appointment of a member of the Audit Committee of the Supervisory Board,
76. Resolution No. 76/2017 of the Supervisory Board of 24th of August, 2017 regarding the appointment of a member of the Audit Committee of the Supervisory Board,
77. Resolution No. 77/2017 of the Supervisory Board of 24th of August, 2017 regarding the appointment of a member of the Audit Committee of the Supervisory Board,
78. Resolution No. 78/2017 of the Supervisory Board of 24th of August, 2017 regarding the appointment of a member of the Audit Committee of the Supervisory Board,
79. Resolution No. 79/2017 of the Supervisory Board of 24th of August, 2017 regarding the appointment of a member of the Audit Committee of the Supervisory Board,
80. Resolution No. 80/2017 of the Supervisory Board of 24th of August, 2017 regarding the appointment of the chairman of the Audit Committee of the Supervisory Board,
81. Resolution No. 81/2017 of the Supervisory Board of 24th of August, 2017 regarding the Regulations of the Audit Committee,
82. Resolution No. 82/2017 of the Supervisory Board of 24th of August, 2017 on the policy of providing audit services by the audit company, entities related to this auditing company and a member of the auditing company network of permitted non-audit services to PKO Bank Polski S.A. and companies in the capital group of PKO Bank Polski S.A.,
83. Resolution No. 83/2017 of the Supervisory Board of 24 August, 2017 approving the "Rules of investing in financial instruments on own account by members of the Supervisory Board as persons related to Dom Maklerski of PKO BP and PKO BP S.A.",
84. Resolution No. 84/2017 of the Supervisory Board of 24th of August, 2017 regarding a consent to the conclusion by PKO Bank Polski S.A. of an agreement with PKO Bank Hipoteczny S.A.,
85. Resolution No. 85/2017 of the Supervisory Board of 7 September 2017 regarding the plan for repair of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group,

86. Resolution No. 86/2017 of the Supervisory Board of 21st of September, 2017 regarding justification of absence of a member of the Supervisory Board at a meeting of the Supervisory Board,
87. Resolution No. 87/2017 of the Supervisory Board of 21st of September, 2017 regarding justification of absence of a member of the Supervisory Board at a meeting of the Supervisory Board,
88. Resolution No. 88/2017 of the Supervisory Board of 21st of September, 2017 regarding the appointment of the Vice-President of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna,
89. Resolution No. 89/2017 of the Supervisory Board of 21st of September, 2017 regarding the approval of the Organizational Regulations of the Powszechna Kasia Oszczędności Bank Polski Spółka Akcyjna,
90. Resolution No. 90/2017 of the Supervisory Board of 21st of September, 2017 amending resolution No. 73/2016 of the Supervisory Board regarding the appointment of the Strategy Committee,
91. Resolution No. 91/2017 of the Supervisory Board of September 21st 2017 regarding justification of absence a member of the Supervisory Board at a meeting of the Supervisory Board,
92. Resolution No. 92/2017 of the Supervisory Board of 9th November, 2017 on the assessment of compliance by a member of the Supervisory Board with the independence criteria,
93. Resolution No. 93/2017 of the Supervisory Board of 9th November, 2017 on the assessment of compliance by a member of the Supervisory Board with the independence criteria,
94. Resolution No. 94/2017 of the Supervisory Board of 9th November, 2017 on the assessment of compliance by a member of the Supervisory Board with the independence criteria,
95. Resolution No. 95/2017 of the Supervisory Board of 9th November, 2017 on the assessment of compliance by a member of the Supervisory Board with the independence criteria,
96. Resolution No. 96/2017 of the Supervisory Board of 9th November, 2017 on the assessment of compliance by a member of the Supervisory Board with the independence criteria,
97. Resolution No. 97/2017 of the Supervisory Board of 9th November, 2017 on the assessment of compliance by a member of the Supervisory Board with the independence criteria,
98. Resolution No. 98/2017 of the Supervisory Board of 9th November, 2017 on the assessment of compliance by a member of the Supervisory Board with the independence criteria,
99. Resolution No. 99/2017 of the Supervisory Board of 9th November, 2017 on the assessment of compliance by a member of the Supervisory Board with the independence criteria,
100. Resolution No. 100/2017 of the Supervisory Board of 9th November, 2017 on the assessment of compliance by a member of the Supervisory Board with the independence criteria,
101. Resolution No. 101/2017 of the Supervisory Board of 9th November, 2017 on the assessment of compliance by a member of the Supervisory Board with the independence criteria,
102. Resolution No. 102/2017 of the Supervisory Board of 9th November, 2017 on the assessment of compliance by a member of the Supervisory Board with the independence criteria,
103. Resolution No. 103/2017 of the Supervisory Board of 9th November, 2017 regarding the consent for the member of the Bank's Management Board to act as a member of the Supervisory Board of Bank Pocztowy S.A.,
104. Resolution No. 104/2017 of the Supervisory Board of 9th November, 2017 regarding the Regulations of the Risk Committee,

105. Resolution No. 105/2017 of the Supervisory Board of 9th November, 2017 on the policy of providing audit services by the audit company, entities related to this auditing company and a member of the auditing company network of permitted non-audit services to PKO Bank Polski S.A. and companies of the capital group of PKO Bank Polski S.A.,
106. Resolution No. 106/2017 of the Supervisory Board of 9th November, 2017 on the policy of selecting an audit company to audit financial statements of PKO Bank Polski S.A. and the capital group of PKO Bank Polski S.A.,
107. Resolution No. 107/2017 of the Supervisory Board of 9th November, 2017 on the procedure for the selection of an audit company to audit financial statements of PKO Bank Polski S.A. and the PKO Bank Polski S.A. Group,
108. Resolution No. 108/2017 of the Supervisory Board of 9th November, 2017 regarding the approval of the "Audit Charter",
109. Resolution No. 109/2017 of the Supervisory Board of 9th November, 2017 regarding the approval of the "Strategy of the Internal Audit Department for the years 2017-2020",
110. Resolution No. 110/2017 of the Supervisory Board of 1st December 2017 on granting consent for the Bank to conclude donation agreements, debt relief agreements or other agreements with a similar effect,
111. Resolution No. 111/2017 of the Supervisory Board of 21st of December, 2017 on justifying the absence of a member of the Supervisory Board at a meeting of the Supervisory Board,
112. Resolution No. 112/2017 of the Supervisory Board of 21st of December, 2017 regarding recalling a member of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna,
113. Resolution No. 113/2017 of the Supervisory Board of 21st of December, 2017 regarding the appointment of the Vice-President of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna,
114. Resolution No. 114/2017 of the Supervisory Board of 21st of December, 2017 amending the resolution on obtaining a guarantee instrument from the entity referred to in this resolution,
115. Resolution No. 115/2017 of the Supervisory Board of 21st of December, 2017 approving the risk management strategy in PKO Bank Polski S.A. and PKO Bank Polski S.A. Group,
116. Resolution No. 116/2017 of the Supervisory Board of 21st of December, 2017 regarding approval of the principles of capital adequacy and equity management in PKO Bank Polski S.A. and in the PKO Bank Polski S.A. Group.

Appendix 2

2017
REMUNERATION COMMITTEE
REPORT

1. Legal grounds:

1. The Remuneration Committee was formed by virtue of Supervisory Board Resolution No. 52/2011 of 2 November 2011 (as amended) to assist the Supervisory Board in performance of their statutory duties and tasks, as provided for by the law, in particular as regards the variable remuneration framework for the persons holding managerial positions at the Bank, the remuneration terms and the remuneration of the Management Board Members. The Committee operates under the Remuneration Committee Rules – a document which sets out the activities, framework, the functioning mode and the tasks of the Committee.
2. The report was developed under section 3.3 of the Remuneration Committee Rules, being enclosure with Supervisory Board Resolution No. 9/2018 of 8 February 2018.

2. Remuneration Committee composition in 2017:

As at 31 December 2017, the Remuneration Committee Members were:

Full name	Function
Piotr Sadownik	Committee Chair
Grażyna Ciużyńska	Committee Member (until 22 June 2017 – Committee Deputy Chair)
Wojciech Jasiński	Committee Member
Elżbieta Mączyńska-Ziemacka	Committee Member
Janusz Ostaszewski	Committee Member

3. Number of Committee meetings in 2017:

In 2017, there were 5 meetings of the Remuneration Committee. The meetings were held on: 26 January, 2 March, 13 April, 18 May, and 14 June. All the Committee meetings were attended by the Remuneration Committee Members in the number enabling their correct course.

4. Topics on the Committee agenda

After the analysis, the Remuneration Committee:

- 1) provided the Supervisory Board with advice on:
 - the settlement of the 2016 MBOs of the Bank Management Board Members,
 - proposal of 2017 MBOs and their values plus weights for the Management Board Members, and
 - a draft Resolution of the General Meeting of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna on the terms of remuneration of Bank Management Board Members as presented by the Minister for Development and Finance, representing the State Treasury – the shareholder requesting convening of the Extraordinary General Meeting of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna

- 2) recommended – following the analysis during which it was concluded that there were no grounds for reducing the 2013-2015 deferred variable remuneration awarded to Management Board Members in 2017 as a cash component and a financial instrument – that the Supervisory Board resolve not to reduce the 2013-2015 deferred variable remuneration awarded to Management Board Members in 2017,

At the same time, the Remuneration Committee:

- 1) upon reviewing the update on the amount of variable remuneration paid out in 2017 to the persons employed in managerial positions within the meaning of the Variable Remuneration Rules for Persons Holding Managerial Positions and Persons Acquired from Nordea Bank Polska wherewith the employer entered into the agreement on deferral and retention of 2012-2014 variable remuneration, presented by the President of the Management Board, – did not voice any remarks to the payouts planned, and
- 2) upon reviewing the update on and the outcome of the review of the amounts of base salaries, and also considering the impact of planned payouts of variable remuneration on the risk profile of the Bank and long-term development plans as well as absence of the grounds for the decision to reduce the variable remuneration, as presented by the President of the Management Board, – did not voice any remarks to the 2013-2016 variable remuneration payouts planned for Management Board Members in 2017 and January 2018 or the amounts of variable remuneration of the Management Board Members and recommended that the Supervisory Board pass the relevant resolutions in that regard.

Further, the Remuneration Committee:

- noted the draft report “Assessment of the remuneration policy of PKO Bank Polski” and recommended that the Supervisory Board accept the report as drafted in order to submit the same to the General Meeting,
- noted the update on the implementation at the Bank of resolutions of the Extraordinary General Meeting of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna on the terms of remuneration of Bank Management Board Members and on the terms of remuneration of Supervisory Board Members,
- discussed the assumptions of service provision agreements to be concluded with Management Board Members,
- recommended that the Supervisory Board approve the “Employment and Remuneration Framework for the Management Board Members”, and
- recommended that the Supervisory Board approve the “Remuneration Policy for PKO BP and PKO BP Group Employees”.

5. Assessment of the Remuneration Committee performance

At the Supervisory Board meeting on 8 February 2018, the Remuneration Committee assessed their performance in 2017.

In 2017, the Remuneration Committee performed their statutory tasks while striving after enhancing their performance in that regard. All Remuneration Committee Members actively participated in the meetings. In their discussions, they considered the current standing of the company, market developments, best practices and standards – in order to make an effective assessment of and enhance the remuneration policy.

The cooperation of the Remuneration Committee with the Management Board was smooth; the Committee responded to the information received in a constructive manner, to ensure transparent and correct communication process in the future.

In 2017, all PKO Bank Polski SA Supervisory Board Members, including the Remuneration Committee Members, filed statements on compliance with the independence criteria as referred to in item II.Z.4 of the 2016 Best Practice for WSE Listed Companies, as enclosed with Warsaw Stock Exchange Board Resolution No. 26/1413/2015.

Warsaw, 8 March 2018

2017
SUPERVISORY BOARD
RISK COMMITTEE REPORT

1. Legal grounds:

- The Supervisory Board Risk Committee (Risk Committee) was formed by virtue of Supervisory Board Resolution No. 35/2015 of 4 November 2015.
- The Risk Committee Report was developed under section 3.3 of the Committee Rules, being enclosure with Supervisory Board Resolution No. 104/2017 on the Risk Committee Rules of 9 November 2017.

2. Risk Committee composition in 2017:

As at 31 December 2017, the Risk Committee Members were:

Full name	Function
Andrzej Kisielewicz	Risk Committee Chair
Grażyna Ciużyńska	Risk Committee Deputy Chair
Mariusz Andrzejewski	Risk Committee Member
Adam Budnikowski	Risk Committee Member
Elżbieta Mączyńska-Ziemacka	Risk Committee Member
Jerzy Paluchniak	Risk Committee Member

Changes to the Risk Committee composition in 2017:

Following the commencement of a new joint term of office on 22 June 2017, on 24 August 2017, the Supervisory Board appointed the following Risk Committee Members: Mariusz Andrzejewski, Adam Budnikowski, Grażyna Ciużyńska, Andrzej Kisielewicz, Elżbieta Mączyńska-Ziemacka and Jerzy Paluchniak.

Further, on 24 August 2017, the Supervisory Board appointed Andrzej Kisielewicz the Risk Committee Chair and on 9 November 2017 the Risk Committee appointed Grażyna Ciużyńska the Risk Committee Deputy Chair.

Between 1 January 2017 and 22 June 2017, the Risk Committee Members were:

Andrzej Kisielewicz – Committee Chair,

Grażyna Ciużyńska – Committee Deputy Chair,

Adam Budnikowski – Risk Committee Member, and

Elżbieta Mączyńska-Ziemacka – Risk Committee Member.

3. Risk Committee meetings in 2017:

In 2017, the Risk Committee met 6 times (on 2 March, 13 April, 14 June, 21 September, 9 November and 21 December) to perform their tasks. All the Committee meetings held in 2017 were attended by the Risk Committee Members in the number enabling their correct course.

The following persons were invited to and attended the Risk Committee meetings: the Bank Management Board, the Bank Risk Division Director, the Internal Audit Department Director and the Compliance Department Director.

4. Topics on the Risk Committee agenda:

The key topics handled by the Risk Committee in 2017 included:

4.1 Assisting the Supervisory Board in overseeing the implementation of the risk management strategy in the Bank operations by senior management staff and monitoring the risk management system at PKO Bank Polski SA, including:

1. analysing and advising on interim risk management reports, including those concerning: credit risk, financial risk, operational risk and business risk,
2. analysing and advising on interim reports concerning compliance risk and conduct risk at PKO Bank Polski SA as well as reputational risk at PKO Bank Polski SA,
3. advising on risk management strategy,
4. monitoring the model risk at PKO Bank Polski SA, including analysing and advising on the annual model risk report, and
5. Recommendation C: Concentration Risk Management – implementation status for recommendation C requirements.

4.2 Advising on the “Principles of Equity and Capital Adequacy Management at PKO Bank Polski SA and PKO Bank Polski SA Group”, and also analysing and advising on interim capital adequacy reports.

4.3 Advising on the business risk mitigation solutions – the use of property insurance and third-party liability insurance of Bank authorities Members and holders of commercial powers of attorney, including assessment of Bank actions taken to eliminate the risk through property insurance and third-party liability insurance of Bank authorities Members and holders of commercial powers of attorney.

4.4 Review of the Risk Committee Rules.

5. Description of the Risk Committee works:

5.1. Assisting the Supervisory Board in overseeing the implementation of the risk management strategy in the Bank operations by senior management staff and monitoring the risk management system at PKO Bank Polski SA.

While performing the afore-referred tasks, every quarter, the Risk Committee analysed and advised on the reports on credit risk, financial risk, operational risk and business risk; the said reports were later discussed at the Supervisory Board meetings.

Based on the information from the monthly reports compiled for the Committee by the Bank Risk Division, the Risk Committee monitored the risk level on an ongoing basis.

Further, every quarter, the Risk Committee analysed and advised on the compliance risk and conduct risk. Every 6 months, the Risk Committee analysed and advised on the reputational risk report. Both reports were later discussed by the Supervisory Board.

As part of ongoing monitoring of the risk management system at the Bank, on 21 December 2017, the Risk Committee together with the Audit Committee met with the Director of the Bank Risk Division – without Management Board Members. During the meeting, the Risk Committee was reassured that the risk management system at PKO Bank Polski SA matched the scale of Bank business and that it was coherent and effective.

5.2 Advising on risk management strategy.

After analysing the scope of changes and amendments made, the Risk Committee gave positive advice for the Supervisory Board:

- 1) on 2 March 2017 – on the Risk Management Strategy at PKO Bank Polski SA, factoring in, inter alia, the changes to the strategic tolerance limits and institution of the interest rate risk management strategy for the banking portfolio, definition of the banking portfolio and economic value, and
- 2) on 21 December 2017 – on the Risk Management Strategy at PKO Bank Polski SA, in particular factoring in the changes following the adaptation to the Regulation of the Minister for Development and Finance on the Risk Management System and Internal Control System, Remuneration Policy and Detailed Methods of Internal Capital Quantification at Banks of 6 March 2017, implementation of PFSA and Internal Audit Department recommendations.

5.3 Monitoring of model risk at PKO Bank Polski SA

The Risk Committee analysed and advised on the annual model risk report for PKO Bank Polski SA as at 2016 yearend; the report was later discussed at the Supervisory Board meeting.

5.4 Advising on the “Principles of Equity and Capital Adequacy Management at PKO Bank Polski SA and PKO Bank Polski SA Group”, and also analysing and advising on interim capital adequacy reports.

After analysis, the Risk Committee gave positive advice for the Supervisory Board:

- 1) on 2 March 2017 – on the “Principles of Equity and Capital Adequacy Management at PKO Bank Polski SA and PKO Bank Polski SA Group” factoring, inter alia, the stance of the PFSA of 6 December 2016 on the dividend policy for the 2016 profit, new strategic limits on capital adequacy and new thresholds on capital adequacy metrics, and
- 2) on 21 December 2017 – on the Principles of Equity and Capital Adequacy Management at PKO Bank Polski SA and PKO Bank Polski SA in particular factoring in the changes following the adaptation to the Regulation of the Minister for Development and Finance on the Risk Management System and Internal Control System, Remuneration Policy and Detailed Methods of Internal Capital Quantification at Banks of 6 March 2017, implementation of PFSA and Internal Audit Department recommendations.

Every quarter, the Risk Committee analysed and advised on the capital adequacy report which was later discussed by the Supervisory Board.

- 5.5 Advising on the business risk mitigation solutions – the use of property insurance and third-party liability insurance of Bank authorities Members and holders of commercial powers of attorney, including assessment of Bank actions taken to eliminate the risk through property insurance and third-party liability insurance of Bank authorities Members and holders of commercial powers of attorney.

While performing the afore-referred tasks, the Risk Committee reviewed the material on the Bank actions taken to eliminate the risk through property insurance and third-party liability insurance of Bank authorities Members and holders of commercial powers of attorney, including the detailed information on the coverage under the third-party liability insurance policy for company authorities Members.

Further, the Risk Committee:

- upon reviewing the Risk Committee Rules – passed a resolution in which they recommended that the Supervisory Board amend the Risk Committee Rules, and
- attended the workshops on Recommendation C; during the workshops, the Committee Members, inter alia, familiarised themselves with the presentation titled: Concentration Risk Management – implementation status for the new Recommendation C requirements.

5.6 2018 Risk Committee Action Plan.

At the meeting on 21 December 2017, the Risk Committee adopted the 2018 Risk Committee Action Plan.

6. Assessment of the Risk Committee performance in 2017

At the PKO Bank Polski SA Supervisory Board meeting on 8 February 2018, the Risk Committee assessed their performance in 2017.

The Risk Committee assessed that the Risk Committee Members had adequate competence and expertise enabling them to be successful in their role of the Risk Committee Members.

In 2017, all the Risk Committee Members were active during the Risk Committee meetings and demonstrated high engagement in the proper performance of their duties.

The number and duration of meetings as well as access to resources were sufficient to enable the Risk Committee to discharge their duties.

In 2017, the Risk Committee performed their statutory tasks while striving after enhancing their performance in that regard. The discussions at the Risk Committee meetings were very professional.

The cooperation of the Risk Committee with the Management Board and other key persons at the Bank was smooth; the Risk Committee responded to the information received in a constructive manner, to ensure transparent and correct communication process in the future.

In 2017, all PKO Bank Polski SA Supervisory Board Members, including the Risk Committee Members, filed statements on compliance with the independence criteria as referred to in item II.Z.4 of the 2016 Best Practice for WSE Listed Companies, as enclosed with Warsaw Stock Exchange Board Resolution No. 26/1413/2015.

Warsaw, 8 March 2018

2017
SUPERVISORY BOARD
AUDIT COMMITTEE REPORT

1. Legal grounds:

- The Supervisory Board Audit Committee (Audit Committee) was formed by virtue of Supervisory Board Resolution No. 44/2006 of 30 November 2006 (as amended).
- The Audit Committee Report was developed under section 3.4 of the Committee Rules, being enclosure with Supervisory Board Resolution No. 81/2017 on the Audit Committee Rules of 24 August 2017.

2. Audit Committee composition in 2017:

As at 31 December 2017, the Audit Committee Members were:

Full name	Function
Zbigniew Hajłasz	Audit Committee Chair
Grażyna Ciużyńska	Audit Committee Deputy Chair
Mariusz Andrzejewski	Audit Committee Member
Andrzej Kisielewicz	Audit Committee Member
Janusz Ostaszewski	Audit Committee Member
Jerzy Paluchniak	Audit Committee Member
Piotr Sadownik	Audit Committee Member

Changes to the Audit Committee composition in 2017:

Following the commencement of a new joint term of office of the Supervisory Board as at the day of the General Meeting convened for 22 June 2017, on 24 August 2017, the Supervisory Board appointed the following Audit Committee Members: Mariusz Andrzejewski, Grażyna Ciużyńska, Zbigniew Hajłasz, Andrzej Kisielewicz, Janusz Ostaszewski, Jerzy Paluchniak and Piotr Sadownik.

Further, on 24 August 2017, the Supervisory Board appointed Zbigniew Hajłasz the Audit Committee Chair and the Audit Committee appointed Grażyna Ciużyńska the Audit Committee Deputy Chair.

Between 1 January 2017 and 22 June 2017, the Audit Committee Members were:

Zbigniew Hajłasz – Audit Committee Chair,
Grażyna Ciużyńska – Audit Committee Deputy Chair,
Andrzej Kisielewicz – Audit Committee Member,
Janusz Ostaszewski – Audit Committee Member, and
Piotr Sadownik – Audit Committee Member.

3. Audit Committee meetings in 2017:

In 2017, the Audit Committee met 7 times (on 26 January, 2 March, 13 April, 18 May, 24 August, 9 November and 21 December) to perform their tasks. All the Committee meetings held in 2017 were attended by the Audit Committee Members in the number enabling their correct course.

The following persons were invited to and attended the Audit Committee meetings: the Bank Management Board, the Internal Audit Department Director and the Compliance Department Director.

During their meetings in 2017, the Audit Committee met – without the Management Board Members – with the Directors of: the Bank Risk Division, the Internal Audit Department, the Legal Department and the Compliance Department as well as with the external auditors.

The Committee worked in line with the 2017 Audit Committee Action Plan.

4. Topics on the Audit Committee agenda:

The key topics handled by the Audit Committee in 2017 included:

4.1 Financial reporting process monitoring, including:

1. review of interim and annual financial statements of PKO Bank Polski SA and PKO Bank Polski SA Group (stand-alone and consolidated financial statements); i.e. the financial statements for 2016, Q1 2017, H1 2017, Q3 2017,
2. review of implementation status for external auditors' recommendations for the Management Board from the audit of the financial statements and the outstanding past-year recommendations, and
3. acceptance of external auditors' recommendations for the Management Board from the audit of the financial statements for the financial year ended 31 December 2016 and the manner of recommendation implementation.

4.2 Monitoring of internal control system effectiveness and monitoring of the Internal Audit Department performance, including:

1. monitoring of internal control system effectiveness at the Bank in 2016,
2. the internal control framework at the Bank,
3. the principles of internal audit at the Bank,
4. delivery of the 2017 Bank Internal Audit Plan and results of audits conducted by the Internal Audit Department,
5. draft 2018 Bank internal audit plan,
6. the Audit Charter,
7. review of the Internal Audit Department performance in the context of resources and 2017-2020 Internal Audit Department Strategy, and
8. monitoring of remuneration of Internal Audit Department employees.

4.3 Monitoring of risk management system effectiveness, including: analysis of current risk ratings at the Bank.

- 4.4 Monitoring of compliance risk management system effectiveness and performance of the Compliance Department, including:
 1. review of effectiveness of the compliance monitoring system and regulatory compliance of the Bank and employees, and
 2. monitoring of remuneration of the Compliance Department Director and employees.
 - 4.5 Cooperation with external auditors, including:
 1. the policy on provision of permitted non-audit services by the audit firm performing the audit, its associates and the member of the audit firm network for PKO Bank Polski S.A. and PKO Bank Polski SA Group Members,
 2. provision of permitted non-audit services by the audit firm KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp. k., its associates and the member of the audit firm network to PKO Bank Polski SA and PKO Bank Polski SA Group Members,
 3. the policy of selection of the external auditors to audit the financial statements of PKO Bank Polski SA and PKO Bank Polski SA Group members,
 4. the procedure for selection of the external auditors to audit the financial statements of PKO Bank Polski SA and PKO Bank Polski SA Group members,
 5. control and monitoring of independence and objectivity of the statutory auditor and the entity authorised to audit the financial statements of PKO Bank Polski SA and PKO Bank Polski SA Group (rotation of key team Members and remuneration), including the external auditor's independence declaration and information on auditor fees under audit and non-audit tasks,
 6. recommendation on selection of the external auditors to audit and review the financial statements of the Bank and Bank Group for the years 2017-2019, and
 7. acceptance of external auditors' recommendations for the Management Board from the audit of the financial statements for the financial year ended 31 December 2016 and the manner of recommendation implementation.
 - 4.6 Implementation of the Polish Financial Supervision Authority recommendations,
 - 4.7 Distribution of 2016 profit of PKO Bank Polski SA and Dividend Policy of PKO Bank Polski SA, and
 - 4.8 Legal matters of significance for the Bank and review of the Audit Committee Rules.
5. Description of the Audit Committee works:
- 5.1. Financial reporting process monitoring.
 1. Review of interim and annual financial statements of PKO Bank Polski SA and PKO Bank Polski SA Group (stand-alone and consolidated financial statements).
In its review of the interim and annual financial statements of the Bank (stand-alone and consolidated financial statements), the Audit Committee primarily centred around:

- 1) the analysis of financial results of PKO Bank Polski SA and PKO Bank Polski SA Group in individual periods; focus was placed on the key developments impacting the functioning and financial results of the Bank Group, the peer review of Bank results, and also the analysis of individual income statement items and their change dynamics. Every quarter, the Audit Committee analysed the update on the financial results of PKO Bank Polski SA Group, and
- 2) the results of the audit of the 2016 Financial Statements of PKO Bank Polski SA and PKO Bank Polski SA Group conducted by the external auditors and the confirmation from the external auditors that the Bank's financial statements are compliant in formal and legal terms; i.e., that they comply with the International Financial Reporting Standards, the International Accounting Standards and for the matters not governed there – with the Accounting Act, – using the best market practice available.

Upon reviewing the Financial Statements of PKO Bank Polski SA for the year ended 31 December 2016 and the Consolidated Financial Statements of PKO Bank Polski SA Group for the year ended 31 December 2016, the results of the review of the said financial statements by the external auditors and upon discussing the said documents as well as considering the opinion without reservations issued by the external auditors, the Audit Committee recommended that the Supervisory Board give positive advice on: the Financial Statements of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna for the year ended 31 December 2016 and the Consolidated Financial Statements of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group for the year ended 31 December 2016.

The Audit Committee:

- upon reviewing the Condensed Interim Consolidated Financial Statements of PKO Bank Polski SA Group for the period of 6 months ended 30 June 2017 and the Condensed Interim Financial Statements of PKO Bank Polski SA for the period of 6 months ended 30 June 2017, the results of the review of the said financial statements by the external auditors, including the audit and disclosure adjustments and upon discussing the said documents, – noted the said reports, and
 - upon examining and discussing the PKO Bank Polski SA Group Report for Q1 2017 and the PKO Bank Polski SA Group Report for Q3 2017 – noted the said documents.
2. Review of implementation status for external auditors' recommendations (outstanding from past years) for the Management Board from the audit of the financial statements of PKO Bank Polski SA.
In their analysis of the implementation status for the aforesaid recommendations for the Management Board from the audit of the financial statements of PKO Bank Polski SA, the Audit Committee cyclically centred around monitoring of pending recommendations.
 3. Acceptance of external auditors' recommendations for the Management Board from the audit of the financial statements for the financial year ended 31 December 2016 and the manner of recommendation implementation.

In their analysis of the external auditors' recommendations for the Management Board from the audit of the financial statements for the financial year ended 31 December 2016 and the manner of recommendation implementation, the Audit Committee was advised of the most material recommendation; the Audit Committee noted the external auditors' recommendations for the Management Board from the audit of the financial statements for the financial year ended 31 December 2016 and the manner of recommendation implementation.

5.2. Monitoring of internal control system effectiveness and monitoring of the Internal Audit Department performance.

1. Internal control system effectiveness in 2016.

In 2017, the Audit Committee reviewed the update on the internal control system effectiveness in 2016, as developed by the Internal Audit Department (IAD), including the opinion of that Department which read that based on the results of internal audits conducted by the Department in 2016, no indicators of material weaknesses of the internal control system or of the risk management system at the Bank were found.

2. Delivery of the 2017 Bank Internal Audit Plan and results of audits conducted by the IAD.

Every quarter, the Audit Committee discussed the status of the 2017 Bank Internal Audit Plan and the results of IAD audits.

Upon reviewing and analysing the draft 2018 Internal Audit Plan for PKO Bank Polski SA, the Audit Committee gave positive advice on the said document.

3. On 9 November 2017, the Audit Committee gave positive advice on the “Audit Charter” which covers: Principles of internal audit at PKO Bank Polski and the PKO Bank Polski Internal Audit Department Framework, developed in the course of adaptation of the relevant Bank’s internal regulations to the requirements of the revised PFSA Recommendation H.

4. On 9 November 2017, the Audit Committee gave positive advice on the “2017-2020 Internal Audit Department Audit Strategy Memorandum”.

5. Review of IAD performance in the context of resources.

The Audit Committee received from the Director of the Internal Audit Department a confirmation of independence of the internal audit function. The Audit Committee was also advised that no circumstances had been found which could threaten the impartial performance of duties by the internal audit function. Further, the work tools and resources of the Internal Audit Department were discussed, including the actual and planned structures of the said resources.

6. Monitoring of remuneration of the Internal Audit Department employees.

Upon being reassured that the remuneration of the IAD employees was close to the average market level and ensured keeping the independence of the IAD employees and proper performance by that Department of their statutory tasks, the Audit Committee noted the Report on Remuneration of IAD Employees – 2016 analysis.

7. On 9 November 2017, the Audit Committee met with the Director of the Internal Audit Department – without Management Board Members. During the meeting, the Audit Committee was advised by the Director of: IAD employee retention, identification of key threats to Bank business, as identified by the internal auditor, cooperation with the Bank Management Board and absence of any difficulties or constraints in performance of IAD tasks, whereby the independence of the internal audit function at the Bank could be preserved.

Following the effective entry of the Regulation of the Minister for Development and Finance on the Risk Management System and Internal Control System, Remuneration Policy and Detailed Methods of Internal Capital Quantification at Banks of 6 March 2017 – in the process of adaptation of the Bank's internal regulations to the requirements of the said regulation, on 18 May 2017, the Audit Committee gave positive advice for the Supervisory Board on the resolution on the PKO Bank Polski SA Internal Control Framework.

Further, on 18 May 2017, the Audit Committee gave positive advice for the Supervisory Board on the resolution on the Principles of Internal Audit at PKO Bank Polski SA.

5.3 Monitoring of risk management system effectiveness at the Bank.

As part of ongoing monitoring of risk management system effectiveness at the Bank, on 21 December 2017, the Audit Committee together with the Risk Committee met with the Director of the Bank Risk Division – without Management Board Members. During the meeting, the Audit Committee was reassured that the risk management system at PKO Bank Polski SA matched the scale of Bank business, was coherent and effective, which was confirmed with the risk parameters presented in the cyclical reports on the bank risk.

5.4 Monitoring of compliance risk management system effectiveness and performance of the Compliance Department.

As part of their tasks, the Audit Committee:

1. reviewed effectiveness of the compliance monitoring system and regulatory compliance of the Bank and employees, and noted the relevant material of the Compliance Department,
2. analysed and noted the Remuneration Report for Compliance Department Employees 2016 Analysis,
3. during the meeting with the Compliance Department Director – without Management Board Members – the Audit Committee was:
 - reassured of good cooperation with the Bank Management Board as regards the tasks of the Compliance Department and adequacy of resources,
 - advised of material changes to the tasks performed by the Compliance Department and the headcount in the years 2014-2017, and
 - advised of key challenges encountered in ensuring compliance and compliance risk management in 2017.

5.5 Implementation of the Polish Financial Supervision Authority recommendations

Every quarter, the Audit Committee assessed the implementation status for the Polish Financial Supervision Authority recommendations.

5.6 Cooperation with external auditors.

On 24 August 2017, the Audit Committee met with the external auditors (without Management Board Members). During the meeting,

- representatives of external auditors confirmed that they did not identify any non-standard significant risks in the Bank business or threats that should be put to the attention of the Audit Committee, and
- as regards cooperation of external auditors with the Bank Management Board and potential pressure exerted by the Management Board during the review to adopt the solutions preferred by the Management Board, the representatives of the auditors confirmed that no such situation occurred.

Further, the representatives of the external auditor related in detail the number of statutory auditors engaged in the review and the number of hours worked by those statutory auditors.

On 21 December 2017, the Audit Committee met with the external auditors to discuss the plan and approach to the audit of the 2017 financial statements, including potential key audit aspects. During the meeting, the representatives of the auditors elaborated on:

- the new audit reporting requirements arising from the Act on Statutory Auditors, Audit Firms and Public Oversight of 11 May 2017, and
- the audit schedule for the financial statements, indicating the key dates during the preliminary audit and the final audit, including the date of the meeting with the Audit Committee during which the audit firm would summarise the audit results and the audit report would be signed as well as the publishing date of the financial statements.

The Audit Committee reviewed the “KPMG Declaration” developed by the external auditors, where the audit firm:

1. declared to comply with the impartiality and independence requirements as laid down in Article 56.3 and Article 56.4 of the Act on Statutory Auditors and Their Self-Government, Entities Authorised to Audit the Financial Statements and Public Oversight, and also with the provisions of the Code of Ethics for Professional Accountants of the International Federation of Accountants,
2. declared that there were no links between KPMG or members of KPMG network and the Company which according to the professional judgment of the auditor should be deemed as compromising the independence,
3. communicated that from 1 January 2016 to the date of KPMG declaration of independence neither KPMG nor the members of KPMG network provided PKO Bank Polski SA or the entities in its control with the services other than the audit or review of the financial statements or the services listed in the declaration of independence.

The Audit Committee also noted the information about the total remuneration of the external auditors for the reporting period.

Due to the termination date of the agreement on the audit and review of the 2015-2016 financial statements with the audit firm KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa – on 15 December 2016, the Supervisory Board resolved to re-commission KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa (KPMG) to audit and review the financial statements of the Bank and Bank Group for the years 2017-2019, provided the Bank receives a satisfactory offer. Following the review and analysis of the offer submitted, on 26 January 2017, the Audit Committee passed a resolution in which they recommended that the Supervisory Board should pass a resolution on the selection of KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa to audit and review the 2017-2019 financial statements of the Bank and Bank Group.

Following the effective entry of the Act on Statutory Auditors, Audit Firms and Public Oversight of 11 May 2017 and the Guidelines on the Selection Procedure and Cooperation with the Audit Firm Auditing the Annual Financial Statements of the Company with the Share of the State Treasury, on 24 August 2017 and 9 November 2017, the Audit Committee passed the resolutions on:

- the recommendation for the Supervisory Board to pass a resolution on the policy on provision of permitted non-audit services by the audit firm performing the audit, its associates and the member of the audit firm network for PKO Bank Polski S.A. and PKO Bank Polski SA Group members,
- the provision of permitted non-audit services by the audit firm KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp. k., its associates and the member of the audit firm network to PKO Bank Polski SA and PKO Bank Polski SA Group members,
- the recommendation for the Supervisory Board to pass a resolution on the policy of selection of the external auditors to audit the financial statements of PKO Bank Polski SA and PKO Bank Polski SA Group members,
- the recommendation for the Supervisory Board to pass a resolution on the procedure for selection of the external auditors to audit the financial statements of PKO Bank Polski SA and PKO Bank Polski SA Group members.

5.7 Distribution of 2016 profit of PKO Bank Polski SA.

Upon reviewing the draft resolution and discussion, on 2 March 2017, the Audit Committee gave positive advice on the dividend policy of PKO Bank Polski SA which forms an element of the “Principles of Equity and Capital Adequacy Management at PKO Bank Polski SA and PKO Bank Polski SA Group” and recommended that the Supervisory Board approve the said dividend policy.

On 13 April 2017, the Audit Committee recommended that the Supervisory Board give positive advice on the Management Board motion on distribution of 2016 profit of PKO Bank Polski SA.

5.8 Legal matters of significance for the Bank

During the meeting of the Audit Committee with the Director of the Legal Department on 21 December 2017 – without Management Board Members – the Department Director:

- confirmed that there were no cases for the time being which would be of legal significance but which the Supervisory Board and the Management Board would not be advised of and communicated the number of pending court cases the Department was handling,
- communicated that in line with the corporate governance principles as of 2018 the Supervisory Board would be required to review the significant court cases on a quarterly basis,
- related the CHF loans issues and the court claims filed by clients in that regard, and
- communicated the number of the Legal Department employees and the number of legal counsels cooperating with the Bank as individual law firms.

On 24 August 2017, the Audit Committee reviewed the effective Audit Committee Rules and passed a resolution on the recommendation for the Supervisory Board on the amendments to the Audit Committee Rules following the need to accommodate the said document to:

- the Act on Statutory Auditors, Audit Firms and Public Oversight of 11 May 2017, and
- the Regulation of the Minister for Development and Finance on the Risk Management System and Internal Control System, Remuneration Policy and Detailed Methods of Internal Capital Quantification at Banks of 6 March 2017

5.9 2018 Audit Committee Action Plan.

At the meeting on 21 December 2017, the Audit Committee adopted the 2018 Audit Committee Action Plan.

6. Assessment of the Audit Committee performance in 2017

At the PKO Bank Polski SA Supervisory Board meeting on 8 February 2018, the Audit Committee assessed their performance in 2017.

The Audit Committee assessed that the Audit Committee Members had adequate competence and expertise enabling them to be successful in their role of the Audit Committee Members.

In 2017, all the Audit Committee Members were active during Audit Committee meetings and demonstrated high engagement in the proper performance of their duties.

The number and duration of meetings as well as access to resources were sufficient to enable the Audit Committee to discharge their duties. The documents prepared for the Audit Committee listed material information and they were drafted in advance.

In 2017, the Audit Committee performed their statutory tasks while striving after enhancing their performance in that regard. The discussions at the Audit Committee meetings were very professional.

The cooperation of the Audit Committee with the Management Board, the Internal Audit Department and other key persons at the Bank as well as with the external auditors was smooth. The Audit Committee responded to the information received in a constructive manner, to ensure transparent and correct communication process in the future. As a result of monitoring of the audit process and based on the analysis of the information and materials provided by the Internal Audit Department and external auditors, the Audit Committee deemed audit independence satisfactory.

In 2017, all PKO Bank Polski SA Supervisory Board Members, including the Audit Committee Members, filed statements on compliance with the independence criteria as referred to in item II.Z.4 of the 2016 Best Practice for WSE Listed Companies, as enclosed with Warsaw Stock Exchange Board Resolution No. 26/1413/2015. In 2017, the Audit Committee Members also filed declarations on having the knowledge of and competence in accounting or audit of the financial statements and on having the knowledge of and competence in banking.

7. Summary:

Based on the interim reports and other documents received, the Audit Committee regularly monitored the process of financial reporting and information disclosure, the effectiveness of the internal control system, the internal audit and the compliance risk management system at the Bank, and also the financial review and the independence of the statutory auditor.

Warsaw, 8 March 2018

2017
SUPERVISORY BOARD
STRATEGY COMMITTEE REPORT

1. Legal basis:

- 1) The Strategy Committee was established under Supervisory Board Resolution No. 73/2016 of 25 August 2016.
- 2) This report has been prepared on the basis of Article 3(3) of the Strategy Committee Regulations - an appendix to Supervisory Board Resolution No. 73/2016 of 25 August 2016 in respect of establishment of the Strategy Committee (as amended under Supervisory Board Resolution No. 90/2017 of 21 September 2017).

2. Composition of the Strategy Committee as at 31 December 2017

Name and surname	Role
Grażyna Ciurzyńska	Strategy Committee Chair
Zbigniew Hajłasz	Strategy Committee Deputy Chair
Mirosław Barszcz	Strategy Committee Member
Adam Budnikowski	Strategy Committee Member
Elżbieta Mączyńska-Ziemacka	Strategy Committee Member
Janusz Ostaszewski	Strategy Committee Member
Piotr Sadownik	Strategy Committee Member

3. Number of meetings of the Committee in 2017:

In 2017, by way of fulfilling its statutory duties, the Committee held 4 meetings on the following dates: 13 April, 14 June, 21 September and 21 December 2017. The number of members of the Strategy Committee participating in the meetings of the Strategy Committee in 2017 warranted the proper course of all the meetings of the Strategy Committee in 2017.

4. Topics addressed by the Committee:

The PKO Bank Polski Strategy 2016-2020 "We Support the Growth of Poland and Poles" adopted by the Management Board and the Supervisory Board focuses on supporting the Polish entrepreneurship, especially in the small and medium-sized enterprise segment and on increasing customer satisfaction understood as building lasting and positive customer experiences in banking with PKO Bank Polski.

The most important issues which the Strategy Committee worked on in 2017 were those connected with supporting the Strategy Committee in overseeing the implementation of the PKO Bank Polski Strategy 2016-2020 “We Support the Growth of Poland and Poles”, particularly through reviewing the level of accomplishment of the strategic goals covered by the regular PKO Bank Polski Strategy Implementation reports. During its meetings, the Committee reviewed the business activities undertaken or contemplated in regard to the accomplishment of each of the long-term strategic levers, namely: “Close to Customer”, “Distribution Excellence”, “Operational Efficiency”, “Modern Organization”, “Innovation and Technology” and “Business Model Expansion. In addition, the Committee monitored the competitive position of PKO Bank Polski and developments in the market environment, especially for risks affecting the implementation of the Strategy.

The Strategy Committee reviewed and accepted the PKO Bank Polski Strategy 2016-2020 Implementation Reports as at: 31 December 2016 as well as 31 March, 30 June and 30 September 2017. The Strategy Committee was assured by the Management Board of the Bank that the implementation of all 12 strategic projects was progressing according to plan and there were no deviations which could adversely affect the implementation.

5. Appraisal of the Performance of the Strategy Committee in 2017

The Strategy Committee appraised the performance of the Strategy Committee in 2017 at the meeting of the Supervisor Board of PKO Bank Polski SA on 8 February 2018.

The Strategy Committee found that the members of the Strategy Committee had relevant competencies and experience allowing them to play the role of the Strategy Committee members effectively.

In 2017, all the Strategy Committee members took active part in the Strategy Committee meetings and demonstrated great commitment to the proper fulfilment of their duties.

In 2017, the Strategy Committee performed statutory duties, at the same time taking care of constant improvement of its performance in this regard. Discussions during the meetings of the Strategy Committee were highly professional.

The co-operation of the Strategy Committee with the Management Board and other key officers of the Bank was positive.

In 2017, all the members of the Supervisory Board of PKO Bank Polski SA, including the members of the Strategy Committee, submitted declarations of fulfilment of the impartiality criterion specified in section II. Z.4 of Best Practice for WSE-Listed Companies 2016, according to the form as attached to Resolution No. 26/1413/2015 of the Stock Exchange Board.

Warszawa, 19 April 2018