

**Report of the Supervisory Board
of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna,
containing results of an evaluation of the Bank Management Board's report
on the activities of the Bank for 2004, financial statements of the Bank for 2004,
motion of the Management Board on distribution of profit gained by the Bank
in 2004 and retained profit of prior years,
as well as the Supervisory Board's report on the activities of the Supervisory
Board for 2004.**

1. INTRODUCTION

In accordance with relevant regulations of the Code of Commercial Companies, the Supervisory Board of PKO BP SA presents the Annual General Meeting of PKO BP SA with the report containing results of an evaluation of:

- 1) the Bank Management Board's report on the activities of the Bank for 2004,
- 2) the financial statements of the Bank for 2004,
- 3) the motion of the Management Board on distribution of profit gained by the Bank in 2004 and retained profit of prior years,

and the Supervisory Board's report on the activities of the Supervisory Board for 2004.

Planning the tasks for 2004, as well as while implementing the same, the Bank Supervisory Board had first of all focused on two principal priorities:

- preparations of the Bank to work in new competitive environment due to membership of Poland in the European Union,
- commencement of a privatising process of the Bank and launch of its shares on the Warsaw Stock Exchange in 2004.

In both those fields the Bank Supervisory Board intensively co-operated with the Bank Management Board. In the opinion of the Supervisory Board, implementation of the assumed Bank Modernisation Strategy improves effectiveness of PKO BP SA's functioning in all areas of its activities and creates permanent bases for effective competition on the uniform EU market. The Bank modernisation programme was also targeted at preparing the Bank – as intended by its owner – for privatisation and performance of duties of a public company by the Bank. As far as implementation of the second priority is concerned, in the general opinion the first stage of privatisation of the Bank was successfully completed. That success is definitely due to the Bank Management Board and the Ministry of State Treasury but the Supervisory Board was

intensively co-operating with the said bodies to guarantee accomplishment of that undertaking.

2. EVALUATION OF THE BANK MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES OF THE BANK, FINANCIAL STATEMENTS AND MOTION ON DISTRIBUTION OF PROFIT GAINED BY THE BANK IN 2004 AND RETAINED PROFIT OF PRIOR YEARS.

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

Discussing the report, the Supervisory Board underlined external conditions for activities of the Bank, long-term growth factors and the main objectives of the budget for 2005. The Supervisory Board discussed the balance sheet figures as at 31 December 2004 and financial result for 2004. It underlined the significance of development of activities in the area of basic business lines, as well as the overall risk management system.

For PKO BP SA the year 2004 was first of all the year of commencement of privatisation of the Bank and its preparations for operation in the conditions of membership of Poland in the European Union.

In accordance with the opinion of the Supervisory Board, implementation by the Bank Management Board of the objectives assumed in the Strategy for 2003-2005 and plans for 2004, enabled:

- overall modernisation of the Bank (in particular reorganisation of structures of the Bank and preparation for implementation of the Integrated IT System),
- expansion of the activities to new business areas, enhancement of business activeness and innovation, stimulation of sales and entrance into new markets.

The Bank Supervisory Board underlines that the privatisation process of PKO BP SA was successfully completed, which significantly improved the image of the Bank. The assumed privatisation model, including the privatisation deposit, was approved by the market.

In 2004 the Bank continued preparations for implementation of the Integrated IT System and performed tasks under the contract with the syndicate of Accenture Sp. z o.o., Alnova Technologies Corporation SL and Softbank SA. The Supervisory Board emphasizes that due to substantial and justified expansion of functionality of the

implemented system, the Bank will attain the level of IT solutions close to the standards of leading European banks whose profile corresponds to the one of PKO BP SA.

The structures of the Bank were successfully reorganised. The Supervisory Board shares the opinion of the Bank Management Board that the division of the Bank's network into retail and corporate branches, as well as releasing them from supporting duties, which were centralised in specialised organisational units and departments, will facilitate concentration of the employees of the Bank mainly on sales of products and services.

Completed works over customer segmentation allowed to better recognise customers' preferences. According to the Supervisory Board, stimulation of product and service sales performed by the Bank in various areas of functioning enabled to keep, and in some areas to strengthen, the market position of the Bank.

The Supervisory Board approved entering new areas of activities by the Bank, among other by:

- an agreement with PZU SA on distribution of some types of insurance for a specified group of customers of the Bank and an agreement with PZU Życie SA on group life insurance SUPEROPIEKA,
- activities in the area of EU funds,
- acquisition of shares of Kredyt Bank Ukraina SA and Bank Pocztowy SA.

In accordance with the Article 382 § 3 of the Code of Commercial Companies, having evaluated the *Bank Management Board's Report on the Activities of PKO BP SA for 2004*, containing information about the activities of the Management Board as a body of the company, the Bank Supervisory Board issued a positive opinion on a draft resolution of the Annual General Meeting on approving the *Bank Management Board's Report on the Activities of PKO BP SA for 2004*.

Evaluation of the financial statements

The Supervisory Board listened to the opinion of the certified auditor, appointed to audit financial statements of the Bank, on the economic and financial standing of the Bank. The Supervisory Board shares the opinions presented by the auditor.

In accordance with the Article 382 § 3 of the Code of Commercial Companies, having reviewed the *Financial Statements of PKO BP SA for 2004* and listened to the opinion

of the auditor, the Bank Supervisory Board issued a positive opinion on the said statements as drawn up in compliance with the books, documents and the actual status. The Supervisory Board issued a positive opinion on a draft resolution of the Annual General Meeting on approving *Financial Statements of PKO BP SA for 2004*.

The positive evaluation of the *Bank Management Board's Report on the Activities of PKO BP SA for 2004* and the *Financial Statements of PKO BP SA for 2004* constitutes the basis for issuing a positive opinion on a draft resolution of the Annual General meeting on acknowledgement of fulfilment of duties by members of the Bank Management Board for 2004.

The Supervisory Board sustains its negative opinion, expressed last year, on the current system of remunerating and motivating the Bank Management Board, established under the Act on Remunerating Managers of Some Legal Entities of 3 March 2000 (Journal of Laws No. 26 item 306).

Evaluation of the motion on distribution of profit gained by the Bank in 2004 and retained profit of prior years

Due to challenges for the Bank and in connection with implementation of the *Bank Strategy for 2003-2005*, the New Capital Accord, as well as modernisation of the Bank and completed privatisation process, the Bank Supervisory Board supports the motion of the Bank Management Board on suggested allocation of net profit amounting to PLN 1,511,065 thousand, gained in 2004 in the following manner: PLN 1,000,000 thousand for a dividend for shareholders, PLN 500,865 thousand for supplementary capital, PLN 10,000 thousand for capital reserve and PLN 200 thousand for the company's social benefit fund [ZFŚS]. At the same time the Supervisory Board supports the motion of the Bank Management Board to allocate profit gained by PKO BP SA in prior years, amounting to PLN 6,450 thousand, for supplementary capital.

3. SUPERVISORY BOARD'S REPORT ON THE ACTIVITIES OF THE SUPERVISORY BOARD

1) Co-operation with the Bank Management Board

In the opinion of the Supervisory Board its co-operation with the Bank Management Board during the reporting period was conducted in the atmosphere of a positive and constructive discussion.

The Supervisory Board appreciates the role of the Management Board in the results of the Bank, as well as its responsible approach to the performed work. The Supervisory Board is sure that the Bank is managed correctly and the manner of management creates no additional risks for activities of the Bank.

2) Key subjects of interest of the Supervisory Board

In 2004 the Supervisory Board handled, among other, the following subjects:

- privatisation of the Bank,
- strategy of the Bank,
- position of the retail banking of PKO BP SA in Poland – directions of development,
- current status and perspectives of PKO BP SA's presence on the securities market in Poland, with special attention paid to the position on the treasury bill market,
- reorganisation of regional branches and branches.

3) Subjects of regular discussions by the Supervisory Board

The Supervisory Board handled the following issues on a regular basis:

- realisation of the financial result of the Bank, with special attention paid to actions and effects referring to costs of the Bank,
- evaluation of the quality of the credit portfolio of the Bank,
- evaluation of the financial risk of the Bank,
- status of the largest exposures of the Bank,
- exposure of the Bank in financing sectors under the government's restructuring programmes,
- progress of implementation of the Integrated IT System programme,
- internal audit results, effectiveness of the internal control system and third party inspections,
- volume of PKO BP SA's exposure in non-public companies, taking account of changes in the said volume over the year.

4) Subjects discussed by the Supervisory Board in accordance with requirements of Articles of Association of the Bank

In 2004 the Supervisory Board reviewed and took decisions on the following matters:

- on 29 January 2004 the Supervisory Board gave consent to increase the initial capital of Poznański Fundusz Poręczeń Kredytowych Sp. z o.o. in accordance with the motion of the Bank Management Board,
- on 13 May 2004 the Supervisory Board:
 - recalled Mr. Jerzy Gapiński from the function of a member of the Bank Management Board as of 13 May 2004,
 - appointed Ms. Krystyna Szewczyk a member of the Bank Management Board as of 14 May 2004,
 - delegated Mr. Bazyl Samojlik, Chairman of the Bank Supervisory Board, to conclude contracts of employment with members of the Bank Management Board,
- on 17 June 2004 the Supervisory Board:
 - amended the resolution of the Bank Supervisory Board dated 14 November 2003 on giving consent to acquire shares of HSBC Securities Polska SA,
 - gave consent to acquire shares of Bank Pocztowy SA, on terms provided for under the motion of the Bank Management Board,
 - acknowledged information on acquisition of shares of Dom Maklerski Broker SA (former name HSBC Securities Polska SA),
- on 16 December 2004 the Supervisory Board approved the *Budget of PKO BP SA for 2005*.

5) Other subjects discussed by the Supervisory Board

The Supervisory Board also handled the following issues:

- impact of further harmonisation of the Polish law with the EU law on the activities of PKO BP SA,
- risk resulting from using data communication systems in the Bank,
- results of an inspection conducted in the Bank in 2003 by the General Inspectorate of Banking Supervision,
- principles of corporate governance, by taking a relevant resolution on the same.

6) Conducted controls and explanatory proceedings

The Supervisory Board found no need to conduct additional controls or explanatory proceedings.

7) Work plan of the Supervisory Board

In 2004 the Supervisory Board implemented tasks assumed in the general work plan for the said year. In December 2004 the Supervisory Board accepted the subjects planned for review in the meetings of the Supervisory Board in 2005.

8) Information about suspending members of the Management Board

In the discussed period the Supervisory Board suspended no members of the Bank Management Board in performing their functions and delegated no members of the Supervisory Board to perform functions of the Bank Management Board members.

9) Information about the term of office of the Supervisory Board, fulfilment of formal requirements for corporate governance, co-operation with the owner and banking supervision, as well as other remarks on works of the Supervisory Board

▪ Information about the term of office of the Supervisory Board and another year of the activity during the term of office

The Supervisory Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna was acting from the beginning of the business year 2004 and was appointed with the following resolutions:

- Resolution No. 3 of the Extraordinary General Meeting of the Company dated 25 March 2002 (notarial deed – Register A No. 7501/2002),
- Resolution No. 3 of the Extraordinary General Meeting of the Company dated 14 October 2002 (notarial deed – Register A No. 26785/2002),
- Resolution No. 4 of the Extraordinary General Meeting of the Company dated 25 August 2003 (notarial deed – Register A No. 20726/2003).

▪ Composition of the Supervisory Board, performed functions and changes to the composition in 2004

In 2004 the Supervisory Board of PKO BP SA was composed of:

1. Bazyl Samojlik – Member of the Bank Supervisory Board – Resolution No. 3 of the Extraordinary General Meeting of the Company dated 14 October 2002 (notarial deed – Register A No. 26785/2002); Chairman of the Bank

Supervisory Board – Resolution No. 4 of the Extraordinary General Meeting of the Company dated 25 August 2003 (notarial deed – Register A No. 20726/2003),

2. Ryszard Kokoszczński – Deputy Chairman of the Bank Supervisory Board,
3. Arkadiusz Kamiński – Secretary of the Bank Supervisory Board,
4. Andrzej Giryn – Member of the Bank Supervisory Board,
5. Jerzy Osiatyński – Member of the Bank Supervisory Board,
6. Władysław Szymański – Member of the Bank Supervisory Board,
7. Stanisław Kasiewicz – Member of the Bank Supervisory Board – Resolution No. 4 of the Extraordinary General Meeting of the Company dated 25 August 2003 (notarial deed – Register A No. 20726/2003).

Over the whole 2004 the Supervisory Board acted in the aforesaid composition.

▪ Information about meetings of the Supervisory Board and the number of passed resolutions

In 2004 the Supervisory Board of the 2nd term of office held the total of 7 minuted meetings on the following days: 29 January, 11 March, 13 May, 17 June, 17 August, 23 September and 16 December.

In 2004 the Supervisory Board passed 28 resolutions.

The list of passed resolutions is attached hereto.

▪ Information about presence of members of the Supervisory Board in the meetings and passed resolutions on excused or unexcused absences

The following members were absent in the meetings of the Supervisory Board in 2004:

- Ryszard Kokoszczński
11 March (absence excused with Resolution No. 4/II/2004) and 16 December (absence excused with Resolution No. 27/II/2004);
- Arkadiusz Kamiński
16 December (absence excused with Resolution No. 27/II/2004);
- Jerzy Osiatyński
29 January (absence excused with Resolution No. 1/II/2004).

- Information about execution of resolutions of the General Meeting pertaining to the activity of the Supervisory Board and information about performance of orders and tasks assigned to the Supervisory Board by the Minister of State Treasury
Resolutions passed by the General Meetings were executed by PKO BP SA.

- Monitoring of growth in the average monthly remuneration
The Supervisory Board monitored the level of remuneration in the Bank on a current basis. The PKO BP SA's ratio of average salary growth in 2004 was 7.1%, including 3.6% due to higher payments than in the prior year, inclusive of an increase in employee remuneration as of 1 March 2004, and 3.5% due to headcount reduction.

- Performance of reporting duties
The Supervisory Board presented the Ministry of State Treasury with *Quarterly Information about the Company*.

- Participation of members of the Supervisory Board in specialist training and seminars, as well as other information about works of the Supervisory Board
Members of the Supervisory Board attended specialist seminars, training and conferences on corporate governance and other issues of special significance for the activities of the Bank. They also held meetings on conditions of operations of the Bank with representatives of government departments, banking supervision and Bank Management Board.

Chairman
of the Bank Supervisory Board
/-/ Bazyl Samojlik

Warsaw, 7 April 2004

List of resolutions of the Supervisory Board of PKO BP SA passed in 2004

1. Resolution No. 1/II/2004 of the Bank Supervisory Board dated 29 January 2004 on excusing the absence of a member of the Bank Supervisory Board in the Supervisory Board meeting.
2. Resolution No. 2/II/2004 of the Bank Supervisory Board dated 29 January 2004 on entrusting the Bank with a new issue of shares of the Bank and a process of public listing of PKO BP SA.
3. Resolution No. 3/II/2004 of the Bank Supervisory Board dated 29 January 2004 on giving consent to increase the initial capital of Poznański Fundusz Poręczeń Kredytowych Sp. z o.o.
4. Resolution No. 4/II/2004 of the Bank Supervisory Board dated 11 March 2004 on excusing the absence of a member of the Bank Supervisory Board in the Supervisory Board meeting.
5. Resolution No. 5/II/2004 of the Bank Supervisory Board dated 13 May 2004 on the Annual General Meeting of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.
6. Resolution No. 6/II/2004 of the Bank Supervisory Board dated 13 May 2004 on the financial statements of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.
7. Resolution No. 7/II/2004 of the Bank Supervisory Board dated 13 May 2004 on the Bank Management Board's report on the activities of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna for 2003.
8. Resolution No. 8/II/2004 of the Bank Supervisory Board dated 13 May 2004 on distribution of profit of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna gained in 2003.
9. Resolution No. 9/II/2004 of the Bank Supervisory Board dated 13 May 2004 on certification of increase in supplementary capital due to posting fixed asset revaluation reserve to supplementary capital.
10. Resolution No. 10/II/2004 of the Bank Supervisory Board dated 13 May 2004 on acknowledgement of fulfilment of duties by members of the Bank Management Board for 2003.
11. Resolution No. 11/II/2004 of the Bank Supervisory Board dated 13 May 2004 on granting the annual bonus to the President of the Bank Management Board for 2003.
12. Resolution No. 12/II/2004 of the Bank Supervisory Board dated 13 May 2004 on the consolidated financial statements of the Capital Group of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna for 2003.
13. Resolution No. 13/II/2004 of the Bank Supervisory Board dated 13 May 2004 on the Bank Management Board's report on the activities of the Capital Group of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna for 2003.

14. Resolution No. 14/II/2004 of the Bank Supervisory Board dated 13 May 2004 on the report on the activities of the Supervisory Board for 2003.
15. Resolution No. 15/II/2004 of the Bank Supervisory Board dated 13 May 2004 on acknowledgement of fulfilment of duties by members of the Bank Supervisory Board for 2003.
16. Resolution No. 16/II/2004 of the Bank Supervisory Board dated 13 May 2004 on the annual bonus for members of the Bank Management Board for 2003.
17. Resolution No. 17/II/2004 of the Bank Supervisory Board dated 13 May 2004 on recalling a member of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.
18. Resolution No. 18/II/2004 of the Bank Supervisory Board dated 13 May 2004 on appointing a member of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.
19. Resolution No. 19/II/2004 of the Bank Supervisory Board dated 13 May 2004 on delegating a representative of the Bank Supervisory Board to conclude contracts of employment with members of the Bank Management Board.
20. Resolution No. 20/II/2004 of the Bank Supervisory Board dated 17 June 2004 on amending the resolution on giving consent to acquire shares of HSBC Securities Polska SA.
21. Resolution No. 21/II/2004 of the Bank Supervisory Board dated 17 June 2004 on acquiring shares of Bank Pocztowy Spółka Akcyjna.
22. Resolution No. 22/II/2004 of the Bank Supervisory Board dated 17 June 2004 on a motion to grant additional benefits to the President of the Management Board of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.
23. Resolution No. 23/II/2004 of the Bank Supervisory Board dated 17 August 2004 on separating funds from capital reserve of the Bank to increase the fund for brokerage activity.
24. Resolution No. 24/II/2004 of the Bank Supervisory Board dated 17 August 2004 on convening the Extraordinary General Meeting of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna.
25. Resolution No. 25/II/2004 of the Bank Supervisory Board dated 23 September 2004 on the position of the Bank Supervisory Board on the sale of shares of PKO BP SA in the first public offering under the Bank Customers Sub-tranche.
26. Resolution No. 26/II/2004 of the Bank Supervisory Board dated 23 September 2004 on accepting the principles of corporate governance.
27. Resolution No. 27/II/2004 of the Bank Supervisory Board dated 16 December 2004 on excusing the absence of members of the Bank Supervisory Board in the Supervisory Board meeting.
28. Resolution No. 28/II/2004 of the Bank Supervisory Board dated 16 December 2004 on approving the Budget of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna for 2005.