

Mr. Sascha Klaus

*Member of the Supervisory Board of BRE Bank S.A.
Chairman of the Risk Committee*

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Report on the activities of the Risk Committee of the Supervisory Board of BRE Bank S.A. for 2010

The Risk Committee of the Supervisory Board of BRE was established in 2004. Its current composition was defined in 2008. The Risk Committee carried out its activities in 2010 pursuant to the rules set in the By-Laws of BRE Bank S.A. The members of the Risk Committee have changed in March 2010. Mr. Sascha Klaus succeeded Mr. Michael Schmid as Chairman of the Risk Committee. Since then the Risk Committee consists of the following members:

Mr. Sascha Klaus (Chairman of the Risk Committee and Member of the Supervisory Board)
Dr Andre Carls (Member of the Supervisory Board)
Mr. Maciej Lesny (Chairman of the Supervisory Board)
Mr. Waldemar Stawski (Member of the Supervisory Board)

As intended, the Risk Committee held its meetings on a quarterly basis in 2010, namely in March, May, September and November 2010. The minutes of the Risk Committee were presented to and approved by the full Supervisory Board. According to the tasks outlined in the By-Laws of BRE, the Risk Committee exercised regular supervision of credit risk, market risk, liquidity risk and operational risk in the course of 2010 – based on the reports presented by the BRE Chief Risk Officer (CRO), Member of the Management Board, and on the Quarterly Risk Reports as well as other documentation submitted to the Risk Committee on a regular basis. Special topics of 2010 can be followed in the Risk Committee agendas.

Operations

In 2010 the Risk Committee analysed, discussed and voted on nearly 70 cases/issues according to the parameters defined by the Supervisory Board. Some of these were classified as “out of policy” and were therefore recommended by Risk Committee as to decline.

BRE has further enhanced the Quarterly Risk Report for the Risk Committee. The Report includes a comparison to Credit Risk Strategy / target figures.

The bulk risk definition and its structure were defined with the levels depending on CVaR and All-In exposure. The bulk risks were presented regularly in the Risk Committee meetings. The Risk Committee guides the process of reducing relevant bulk exposures with the aim to decrease unexpected loss risk.

Reviews on subportfolios and BRE subsidiaries were carried out in 2010. Furthermore, specific product and risk strategy reviews were carried out.

Early warning indicators for regular portfolio monitoring were defined and implemented.

The Intensive Care Department was newly set-up and its compliance with MaRisk Rules was confirmed by PWC as well as Internal Audit.

The list with new substantial Intensive Care cases was presented to each Risk Committee and reported to the Risk Committee Chairman on a monthly basis. Moreover, defaulted exposures were presented to the Risk Committee in case the set LLP parameters were exceeded.

RAROC based pricing tool was successfully implemented in BRE.

The credit decision process was reviewed by internal audit on a regular basis.

The development of Polish economy and its possible impacts on BRE Bank S.A. were regularly discussed during the Risk Committee meetings.

In the last quarter of 2010 the Risk Committee initiated a review of the credit risk strategy.

Regulatory issues:

The Basle II project, namely introduction of AIRB standards in BRE, was audited by KNF and discussed by the Risk Committee on a regular basis. The final decision by KNF and BaFin is expected in due course.

Furthermore, the Risk Committee reviewed the progress on the implementation of recommendations and actions resulting from KNF inspections and internal risk audits.

Sascha Klaus
Chairman of the Risk Committee