

# **STATEMENT OF BRE BANK ON APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES IN 2012**

**WARSZAWA, 2013, MARCH 7**

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This statement on application of corporate governance principles was prepared pursuant to Article 91.5(4) of the Regulation of the Minister of Finance dated February 19, 2009, on current and periodic information published by issuers of securities and on the conditions under which such information may be recognised as being equivalent to information required by the regulations of law of a state which is not a member state (Journal of Laws No. 33/2009, item 259).

Information contained in the Statement meets the requirements of the report on application of the "Code of Best Practice for Warsaw Stock Exchange Listed Companies" set forth in Article 1 of Resolution No. 1013/2007 of the Management Board of the Warsaw Stock Exchange of December 11, 2007. In connection with the foregoing, under Article 2 of Resolution No. 718/2009 of the Management Board of the Warsaw Stock Exchange (WSE) of December 16, 2009, providing the WSE with this Statement is equivalent to providing the WSE with the report referred to in Article 29.5 of the Warsaw Stock Exchange Rules.

## **I. Corporate Governance Principles binding on BRE Bank**

The set of corporate governance principles binding on BRE Bank is contained in the document "Code of Best Practice for WSE Listed Companies". In 2012, the version of "Code of Best Practice for WSE Listed Companies" adopted by the WSE Board on October 19, 2011, (Resolution No. 20/1287/2011) was in force. On November 21, 2012, the WSE Board amended the "Code of Best Practice" under Resolution No. 19/1307/2012. The amendments govern mainly the organisation of electronic annual meetings of listed companies. The amended version of the "Code of Best Practice for WSE Listed Companies" entered into force on January 1, 2013.

The text of the "Code of Best Practice for WSE Listed Companies" is available on the website of the Warsaw Stock Exchange (<http://www.corp-gov.gpw.pl/>), and a link to this site is also available on BRE Bank's website (<http://www.brebank.pl>).

In its internal statutory documents, the Bank has integrated the regulations concerning the corporate governance principles, in particular those relating to the rules of operation of the General Meeting and the Supervisory Board (and its standing committees) as well as the rights of the shareholders and the Supervisory Board.

Irrespective of the "Code of Best Practice for WSE Listed Companies", already in 1995, BRE Bank undertook to voluntarily abide by best industry practices, that is the Good Banking Practice Principles, developed by the Polish Bank Association (the original name - Code of Best Banking Practice). The Good Banking Practice Principles are a set of rules relating to the operation of banks and apply to banks, bank employees, persons acting as intermediaries in banking activities of banks.

The document establishes standards which should be observed by bank employees in their everyday work with clients. The Good Banking Practice Principles are available on the website of the Polish Bank Association (<http://zbp.pl/site.php?s=MDAwMTk4>).

In December 2012, the authorities of BRE Bank approved the Corporate Governance Policy at BRE Bank. The document outlines the uniform standards applicable at BRE Bank with respect to creating, documenting and maintaining an integrated organisational structure (including guidelines on powers of attorney and job descriptions). The main goals of the policy include:

- to lay down the guidelines for effective management of the Bank and its units,
- to lay the foundation for an effective internal control system,
- to set out guidelines for creating a flat organisational structure with simple decision-making paths and clearly defined responsibilities,
- to meet the requirement of compliance with the requirements of the major shareholder.

## II. Application of corporate governance principles

In 2012, BRE Bank was applying all the corporate governance principles established in the document "Code of Best Practice for WSE Listed Companies" (chapter II, III and IV) in accordance with the "comply or explain" principle.

The following points of the Recommendations require an additional commentary:

- Point 5 of the Recommendations regarding the remuneration policy. In accordance with the recommendation, BRE Bank has a remuneration policy which determines the form, structure and level of remuneration, including the remuneration of members of the supervisory and management bodies of the Company. The remuneration system is transparent and ensures a linkage between the remuneration of senior managers, the financial results of the Company and the performance of the remunerated persons. The remuneration system integrates a range of principles derived from the Commission Recommendation of December 14, 2004, fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC) supplemented by the Commission Recommendation of April 30, 2009 (2009/385/EC). These principles include among others: determination of fixed and variable components of remuneration of the Management Board, a linkage of the variable components of remuneration with pre-defined performance criteria, detailed regulations concerning the option scheme, and specification of the total remuneration and its components of individual members of the Management Board and the Supervisory Board in the notes to the annual financial statements. In H1 2012, as a result of amendments to the By-laws of BRE Bank introduced on March 30, 2012 by the 25th Ordinary General Meeting, the Bank established the Remuneration Committee which establishes the remuneration principles and determines the amount of remuneration paid to members of the Management Board. The solution is in accordance with the Commission Recommendation.

However, the Commission Recommendations were not used as a model for the remuneration system of the Bank and not all their provisions were applied. In particular, the remuneration policy is not regularly a separate item on the agenda of every General Meeting and is not submitted for a vote.

- Point 9 of the Recommendations which calls for ensuring a balanced proportion of women and men in management and supervisory functions in companies. Both the General Meeting, which appoints the Supervisory Board, and the Supervisory Board, which appoints the Management Board, are guided by the principle that the persons sitting on the company's bodies should display the highest competence, be creative, adequately educated and experienced. Other factors, such as gender, are not a determinant in this respect. The Bank is of the opinion that it would be unjustified to introduce regulations based on pre-established parities, and leaves the decision on selecting members of the Management Board and Supervisory Board in the hands of duly authorised bodies of the Company.

Since the Ordinary General Meeting held in 2002, the 10-member Supervisory Board of BRE Bank has had one female member - Teresa Mokrysz. At the same time, Ms. Mokrysz is a member of the Audit Committee of the Supervisory Board. At the end of 2012, the Management Board of BRE Bank was composed of men only. From September 2008 to April 2012, Karin Katerbau was a member of the Management Board supervising the finance area.

- Point 12 of the Recommendations concerning the possibility to participate in the annual meeting with the use of electronic means of communication, which consists in broadcasting the meeting, enabling real-time bilateral communication and execution of the voting right in person or by proxy during the annual meeting. On January 1, 2013, the principle on ensuring real-time bilateral communication during annual meeting, which allows the shareholders located outside the meeting place to address the meeting, was added to part IV of the "Code of Best Practice for WSE Listed Companies".

For many years, BRE Bank has been broadcasting its annual meetings in real time. However, neither the By-laws of the Company or the Standing Rules of the Annual Meeting provide for real-time bilateral communication with shareholders located outside the meeting place, and for execution of voting rights with the use of electronic communication. BRE Bank's primary goal is to ensure that the Annual Meeting proceeds smoothly and that the risk of any potential attempt to challenge the adopted resolutions due to technical errors is minimized. At the same time, the Bank takes into account the existing conditions, in particular the geographic diversification of the Bank's shareholders, their number, potential time delays in communication and the need to identify the meeting participants and ensure the adequate security and confidentiality of the voting process.

It is worth stressing that the principle which requires companies to publish the broadcast of their general meetings on the Internet, introduced to the Code of Best Practice in 2013, has already been applied by BRE Bank for many years.

BRE Bank attaches a lot of weight to open, transparent and effective information policy. On a regular basis, the representatives of the Management Board and the Investor Relations team actively participate in meetings with investors, both in Poland and abroad.

The website operated by the Company has become an important communication platform. In the investor relations section ([www.brebank.pl/relacje\\_inwestorskie](http://www.brebank.pl/relacje_inwestorskie)) the Bank publishes information on the shareholders of BRE Bank, Annual Meetings, ratings, quotations of the Bank's shares on the WSE, analysts' recommendations, consensus of BRE Bank Group's forecasted performance, and the target share price. All those interested may review annual statements, periodic and current reports, presentations on the Company's strategy and performance, as well as spreadsheets containing business and financial data. BRE Bank was one of the first banks in Poland to offer an on-line version of its annual report, which provides convenient and highly interactive access to financial data of BRE Bank Group. Moreover, in 2012 BRE Bank launched BRE Analyzer, an innovative interactive tool which can be used to analyse financial and business data of BRE Bank Group from many different angles. Additionally, the information is accompanied by webcasts of meetings with analysts at which the financial results of the BRE Bank Group are presented (more information in chapter VI.2. "Investor Relations (IR) function at BRE Bank").

The website also has a section dedicated to corporate governance and best practice, which includes among others the By-laws and rules of the Bank's bodies, statements on the application of corporate governance principles, principles of remunerating the Management Board and the Supervisory Board and information on incentive programmes.

### **III. Internal control and risk management systems with regard to the process of preparing financial statements of the Bank**

The process of preparing of financial statements is covered by the Bank's internal control system, which contributes to full reliability and accuracy of financial reports.

The internal control system includes the following:

- functional internal control,
- institutional internal control.

Functional internal control is a system applicable to each organisational unit of BRE Bank. Each organisational unit of the Bank performs internal control tasks under the supervision of the head of the organisational unit. The functional internal control system is subject to regular assessment and monitoring through institutional internal control.

Institutional internal control is exercised by the Internal Audit Department (DAW). DAW operates based on the Banking Law, BRE Bank's internal regulations, International Standards for the Professional Practice of Internal Auditing, and best business practices in this respect.

The Internal Audit Department is under the administration of the President of the Management Board of the Bank and reports to the President of the Management Board and to the Audit Committee of the Supervisory Board of the Bank. The principle of operational independence of internal audit is respected since auditors are not involved in operational activity.

The process of preparing financial data for reporting needs is automated and based on the General Ledger of the Bank. Preparation of data in source systems is subject to formalised operational and acceptance procedures. Creating the General Ledger of the Bank takes place within a process covering respective internal controls. Manual adjustments are subject to special controls.

The process of monitoring the operational risk which occurs in the preparation of financial statements in the Bank includes mechanisms which effectively ensure the security of IT systems. The Bank has in place a business continuity plan which covers also the IT systems used in the process of preparing financial statements.

The financial statements of the Bank and the Group for 2012 were prepared by the Accounting Department. On April 1, 2013, the Accounting Department will be split into two specialized units: the Accounting Department and the Financial Reporting Department. The Financial statements will be prepared in the Financial Reporting Department, while the Accounting Department will be responsible for keeping the Bank's books and records as well as administering the model chart of accounts. Both Departments will report directly to the Chief Financial Officer.

The prepared financial statements are submitted to the Management Board for verification. The Audit Committee of the Supervisory Board receives information on the quarterly financial statements and on profit and loss before it is published. After in-depth discussions with the Bank's external auditor and the Management Board of the Bank, the Audit Committee recommends whether the Supervisory Board should approve or reject the annual financial statements.

The annual and semi-annual financial statements of the Bank are subject to an independent audit and a review by a statutory auditor, respectively. The selection of the statutory auditor of the Bank requires a resolution of the General Meeting. The Audit Committee of the Supervisory Board issues an opinion on the selection of the statutory auditor. BRE Bank observes the rule stipulating that the key statutory auditor should change at least once every five years. This is in line with Article 89 of the Act on Statutory Auditors and their Self-Government, Entities Entitled to Audit Financial Statements and Public Supervision dated May 7, 2009 (Journal of Laws of 2009, No. 77, item 649).

The Bank and the external auditor introduced cooperation procedures under which all the important issues related with the recognition of economic events in the books and financial statements are being consulted on an ongoing basis.

All the subsidiaries of BRE Bank Group consolidated for the purpose of financial statements are obliged to apply uniform accounting policies with respect to the recognition of measurement and disclosures in accordance with the International Accounting Standards. The Accounting Department monitors the reporting packages prepared by the subsidiaries in terms of their correctness, completeness, coherence and continuity of data. The control functions with respect to the Group subsidiaries are performed by representatives of BRE Bank sitting on the Supervisory Boards of the subsidiaries.

The aspiration to ensure the highest standards of financial statements is reflected in the high quality of reporting. The financial statements of BRE Bank Group have been appreciated not only by shareholders and analysts, but also by independent industry institutions.

The annual consolidated financial statements of BRE Bank Group for 2011 ranked second in "The Best Annual Report" category of the contest organised by the Institute of Accounting and Taxes (IRiP). Moreover, BRE Bank was also awarded in the Best Online Report category. This has been yet another award won by BRE Bank in this contest. In the six editions which have taken place so far, BRE Bank won the first prize in the financial institutions category for its financial statements for 2006, 2007 and 2009. In 2008, the Bank came second in this category, while in 2010 BRE Bank won the special award "The Best of the Best".

#### IV. Significant blocks of shares

Commerzbank AG is the majority shareholder of BRE Bank. The share of Commerzbank has been increasing from 21.00% in 1995, to 50.00% in 2000 and 72.16% in 2003. Starting from 2005, the share has declined slightly due to the implementation of the managerial options programme in BRE Bank.

At the end of 2012, Commerzbank held 29,352,897 shares of BRE Bank, which accounted for 69.66% of the share capital and votes at the General Meeting. By December 27, 2012, the stake was held by Commerzbank Auslandsbanken Holding AG, a 100% subsidiary of Commerzbank. On December 27, 2012, Commerzbank acquired the stake in BRE Bank through an internal transfer of shares within Commerzbank AG Group, so the dominant entity of BRE Bank has not changed.

30.34% of shares in free float are held by institutional investors (in particular Polish pension funds, and Polish and foreign investment funds and individual investors. ING Otwarty Fundusz Emerytalny exceeded the 5% threshold of shares and votes at the General Meeting, which obligated it to announce the shares purchase.

Shareholder Status as of 31.12.2012	Percentage of share capital and total number of votes
Commerzbank AG	69.66%
ING Otwarty Fundusz Emerytalny	6.67%

The strategic shareholder of BRE Bank, Commerzbank AG, is a leading German bank with a history dating back to 1870, which provides its services to private and corporate customers.

At the turn of 2008 and 2009, in an effort to support the takeover of Dresdner Bank, the German government - currently the largest shareholder of Commerzbank - acquired a stake giving it 25% plus one share. Institutional investors hold about 47% of shares in free float (the largest investor - BlackRock - holds more than 3%). Individual investors hold about 25% of shares.

With the segments Private Customers, Small and Medium-sized Enterprises (Mittelstandsbank), Corporates & Markets, Central & Eastern Europe, Commerzbank offers its customers an attractive portfolio of products and services. Commerzbank is a strong partner for the export-oriented SME sector in Germany and worldwide. With a total of about 1,200 branches in Germany, Commerzbank has one of the densest networks of branches among German banks. Moreover, Commerzbank operates in more than 50 countries through 25 foreign branches, 32 representative offices and 8 major subsidiaries. In 2012, Commerzbank had nearly 15 million individual clients and about 1 million corporate clients. At the end of December 2012, Commerzbank Group held assets of EUR 635.9 billion and total capital of EUR 27.0 billion. Commerzbank Group employs 53.6 thousand employees, including 42.9 thousand in Germany.

#### V. Special control rights and limitations concerning the shares

Pursuant to the By-laws of BRE Bank, all the existing shares are ordinary bearer shares. In no way are the shares differentiated in terms of the rights carried by them. There are no preferred shares. The

control rights of Commerzbank AG as the parent entity of BRE Bank are a result of the number of shares held and their percentage share in the equity and the number of votes at the General Meeting of BRE Bank.

The By-laws of BRE Bank do not impose any limitations on the exercise of the voting right. There are no provisions which would separate the equity rights attached to securities from the holding of securities. Furthermore, there are no limitations on the transfer of the property right to securities issued by the Bank.

## **VI. Principles of appointing and dismissing Management Board Members**

Pursuant to the By-laws of BRE Bank, the Management Board is composed of at least three members appointed for a joint term of 5 years. At least half of the Management Board members, including the President of the Management Board, must hold Polish citizenship.

The President of the Management Board, the Vice-Presidents of the Management Board and the other Members of the Management Board are appointed and dismissed by the Supervisory Board, acting pursuant to the provisions of the Banking Law and considering relevant qualifications for the assigned functions. The Polish Financial Supervision Authority (PFSA) approves two Members of the Management Board of the Bank: the President of the Management Board and the member responsible for developing and implementing the Bank's credit policy and risk management.

In accordance with the Code of Commercial Partnerships and Companies, a Member of the Management Board may also be dismissed or suspended by the General Meeting.

The mandate of a Member of the Management Board expires at the latest on the day of the General Meeting that approves the financial statements for the last full financial year of the term of that Management Board Member. The mandate of a Member of the Management Board also expires if the member dies, resigns from his position or is recalled. The mandate of a Member of the Management Board appointed before the end of the term expires on the expiration of mandates of the other Members of the Management Board.

## **VII. Amendments to the Company's By-Laws**

Amendments to the By-Laws of BRE Bank require adoption of a resolution by the General Meeting of BRE Bank and registration of the adopted amendment in the National Court Register. Before the General Meeting of BRE Bank is presented with a draft resolution concerning amendment to the By-Laws, the Management Board of BRE Bank adopts a resolution on the proposed amendment by approving the draft resolution of the General Meeting, and then the draft is presented to the Supervisory Board of BRE Bank for approval. Under the Code of Commercial Partnerships and Companies, the resolution on amendments to the By-Laws is passed by a majority of 75% of votes. In accordance with Article 34.2 of the Banking Law Act of 29 August 1997, any amendment to the Bank's By-laws requires the authorisation of the Polish Financial Supervision Authority where such amendment relates to:

- the Bank's registered business name,
- the Bank's registered office, objects and scope of the Bank's activity,
- the bodies and their competences, including particularly the competences of the Members of the Management Board appointed with the approval of the Polish Financial Supervision Authority and the decision-making principles, the basic organisational structure of the Bank, the procedures applicable to making legally binding statements regarding property rights and obligations, the procedures for issuing internal regulations and the procedure for making decisions on assuming

obligations or disposing of assets whose total value with regard to a single entity exceeds 5% of the Bank's own funds,

- the principles of functioning of the internal control system,
- the own funds and the financial management principles, and
- shares preferred or limited as to voting rights.

The latest amendments to the Bank's By-laws were introduced by Resolution No. 25 of the 25th General Meeting held on March 30, 2012.

The amendments are itemized in detail in Resolution No. 25 of the General Meeting on amending the By-laws of BRE Bank SA published on the Bank's website.

([http://www.brebank.com.pl/Relacje\\_Inwestorskie/ZWZ/Archiwum\\_ZWZ/](http://www.brebank.com.pl/Relacje_Inwestorskie/ZWZ/Archiwum_ZWZ/))

## **VIII. General Meeting procedures and authority, shareholder rights and exercise procedures**

### **VIII.1. General Meeting procedures**

The General Meeting is convened and prepared pursuant to the provisions of the Code of Commercial Partnerships and Companies, the Bank's By-laws, and the Standing Rules of the General Meeting. Both the By-laws and the Standing Rules of the General Meeting are available on BRE Bank's website.

The General Meeting (GM) convened by the Management Board by way of an ordinary procedure is held once a year, no later than in June. The Supervisory Board may convene an Ordinary General Meeting if the Management Board fails to convene it within the time limits set out in the By-laws and an Extraordinary General Meeting if the Supervisory Board considers it necessary. In addition, under specific circumstances, the shareholders have the right to convene a General Meeting or to request that a General Meeting be convened.

Shareholders may participate in the General Meeting and cast their votes either in person or by proxies. One proxy may represent more than one shareholder.

Subject to the cases defined in the Code of Commercial Partnerships and Companies, the General Meeting is valid regardless of the number of shares represented at the General Meeting.

All matters submitted to the General Meeting are previously submitted to the Supervisory Board for consideration.

Subject to specific exceptions, resolutions of the General Meeting are passed in an open ballot by a simple majority of votes, unless the Code of Commercial Partnerships and Companies or the BRE Bank By-laws impose a stricter requirement for the passing of resolutions on specific issues. A secret ballot is required in the case of elections and motions for dismissal of members of the authorities of the Bank or liquidators, motions to bring members of the authorities of the Bank or liquidators to justice, and in personnel issues. In addition, a secret ballot is required if requested by at least one shareholder present or represented at the General Meeting.

Voting takes place with the use of a computer system which also counts the votes. The correct course of voting is supervised by the three-member Returning Committee elected from among the candidates put forward by the Chairman of the Meeting.

The By-laws and Standing Rules of the General Meeting do not provide for the possibility to vote by mail or with the use of electronic means of communication.

The Bank's Supervisory Board is elected in a secret ballot by the General Meeting. The shareholders propose candidates for Members of the Supervisory Board to the Chairman of the General Meeting, orally or in writing. The right to propose candidates concerns also Members of the existing Supervisory Board. Prior to the election to the Supervisory Board, the General Meeting determines the number of Members of the Supervisory Board of the given term within the limits specified in the By-laws.

### **VIII.2. Fundamental Authority of the General Meeting**

The following matters require a resolution of the General Meeting in addition to other matters set out in the Code of Commercial Partnerships and Companies:

- examination and approval of the report of the Management Board on the Bank's operations and financial statements for the past financial year,
- adoption of resolutions on the distribution of profit or coverage of losses,
- vote of discharge of duties for members of the Bank's authorities,
- election and dismissal of Members of the Supervisory Board,
- amendment of the By-laws,
- increase or reduction of the Bank's share capital,
- adoption of resolutions concerning the cancellation of shares and resolutions on cancellation of shares, in particular on setting the policy of share cancellation not regulated in the By-laws,
- creation and winding up of special purpose funds,
- issue of convertible bonds or preferred bonds,
- establishment of the principles of remunerating Members of the Supervisory Board,
- liquidation of the Bank or its merger with another bank,
- appointment of liquidators,
- matters submitted by the Supervisory Board,
- matters submitted by shareholders in accordance with the By-laws,
- election of an entity qualified to audit financial statements as statutory auditor of the Bank.

### **VIII.3. Shareholder rights**

The Company's shares are bearer shares and can be sold. The shareholders have the right to participate in the profit reported in the audited financial statements and allocated by the General Meeting to be paid to the shareholders.

The shareholders representing at least one-half of the share capital or at least one-half of the total number of votes in the Company may convene an extraordinary general meeting. The shareholders appoint the chairman of such meeting. The shareholder(s) representing at least one-twentieth of the share capital may request that the Management Board convene an extraordinary general meeting and that specific items be put on the agenda for such meeting.

Only persons who are shareholders of the Bank sixteen days before the date of the General Meeting ("record day") have the right to participate in the General Meeting of the Bank. The shareholder(s) of the Bank representing at least one-twentieth of the share capital may request that specific items be put on the agenda for the Ordinary General Meeting. The request should be submitted to the Management Board of the Bank no later than twenty-one days prior to the date of the Ordinary General Meeting.

In accordance with the Code of Commercial Partnerships and Companies, documents to be presented to a General Meeting, including draft resolutions, are published on the website of the Bank as of the date of calling the General Meeting.

Shareholders can participate in the General Meeting and cast their votes either in person or by proxies.

A shareholder has the right to:

- vote, propose motions and raise objections,
- justify his or her position briefly,
- stand for election for Chairman of the General Meeting and propose a candidate for Chairman of the General Meeting to be noted in the minutes,
- take the floor during the proceedings and make a reply,
- table draft resolutions concerning the items put on the agenda,
- propose amendments and additions to draft resolutions on the agenda for the General Meeting before the discussion on the item covering the draft resolution concerned by the proposal is closed,
- propose formal motions relating to the proceedings and the voting procedure,
- propose candidates for the Bank's Supervisory Board in writing to the Chairman of the General Meeting or orally to the minutes,
- review the book of minutes and request a copy of resolutions authenticated by the Management Board,
- take legal action to have a resolution of the General Meeting annulled where the shareholder voted against a resolution of the General Meeting and after its adoption raised an objection to the minutes or the shareholder was unreasonably prevented from participating in the General Meeting or the shareholder was not present at the General Meeting as a result of it being convened incorrectly or the adopted resolution not being on the agenda,
- take legal action against the Company to have a resolution of the General Meeting annulled where the resolution is in breach of law.

The Management Board is obliged to provide the shareholder, at the shareholder's request, with information concerning the Company if this is justified by the assessment of an issue on the agenda. The Management Board should refuse information if:

- this could damage the Company or its associated company or subsidiary, in particular due to disclosure of technical, trade or organisational secret of the Company,
- this could expose a Member of the Management Board to criminal, civil or administrative liability.

In justified cases, the Management Board may provide information in writing no later than two weeks after the General Meeting is adjourned.

The Bank places great emphasis on equal treatment of shareholders. On matters related with the General Meeting, in particular with granting a power of attorney in electronic form, notifying the Bank about granting a power of attorney in electronic form, requesting that specific items be put on the agenda of the General Meeting, the shareholders may contact the Management Board of the Bank by sending an e-mail to the address given in the Notice of General Meeting.

The General Meetings take place on the Bank's premises in Warsaw and are broadcast on-line. The General Meetings may be attended by the representatives of the media.

#### **VIII.4 General Meeting in 2012**

The 25th General Meeting was held on March 30, 2012. The Meeting was attended by shareholders or their proxies representing in total 79.03% of shares in the Company's share capital. The following resolutions were adopted:

- resolution on approving the reports of the Management Board of BRE Bank and BRE Bank Group, and the financial statements of the Bank and the Group for 2011,
- resolution on distribution of the 2011 profit,
- resolution on vote of discharge of duties for members of the Management Board of BRE Bank,
- resolution on approving the appointment of a member of the Supervisory Board (Ulrich Sieber) under the procedure laid down in Article 19(3) of the By-laws of BRE Bank, which allows the Bank to appoint a new member of the Supervisory Board during the year due to resignation of another member,
- resolution on vote of discharge of duties for members of the Supervisory Board of the Bank,
- resolution on amending the By-laws of BRE Bank,
- resolution on remuneration paid to members of the Supervisory Board of BRE Bank,
- resolution on electing a new member of the Supervisory Board of BRE Bank (Stephan Engels),
- resolution on selecting the auditor to review the financial statements of BRE Bank and BRE Bank Group for 2012 - PricewaterhouseCoopers Sp. z o.o.

The resolutions adopted by the 25th General Meeting and the detailed voting results are available on [http://www.brebank.com.pl/relacje\\_inwestorskie](http://www.brebank.com.pl/relacje_inwestorskie), in the section dedicated to General Meetings.

### **IX . Composition of and changes in the Management Board and the Supervisory Board of the Bank and their procedures**

#### **IX.1. Composition of the Management Board**

The Management Board is composed of at least three members appointed for a joint term of 5 years. The Members of the Management Board manage selected areas of the Bank's operation within the scope determined by the President of the Management Board. Resolutions of the Management Board specify in detail the division of powers and the procedures of replacement in the case of absence or holiday of the Management Board Members.

In 2012, the composition of the Management Board of BRE Bank changed.

Under the resolution of the Supervisory Board of BRE Bank of March 30, 2012, Jarosław Mastalerz, so far acting as Head of Retail Banking, was appointed as Member of the Management Board for Operations and IT, effective as of April 1, 2012. Mr. Mastalerz replaced Christian Rhino, who left BRE Bank at the end of March to take on new responsibilities in Commerzbank Group. At the same time, the position of Member of the Management Board responsible for Retail Banking was entrusted to Cezary Kocik. Cezary Kocik has been employed with BRE Bank since 2004. Before his appointment to the Management Board, Mr. Kocik acted as Managing Director for Sales and Retail Banking Business Processes.

As of April 16, 2012, the Supervisory Board appointed Jörg Hessenmüller as Member of the Management Board, Chief Financial Officer. Jörg Hessenmüller replaced Karin Katerbau, whose resignation took effect on April 15, 2012. Ms. Katerbau was appointed as Member of the Management Board of Oldenburgische Landesbank (Germany). In 2009, Mr. Hessenmüller was appointed Managing

Director in Commerzbank Group and worked as Head of Investment Banking Finance, Group Finance, responsible for controlling and management reporting.

The term of the current Management Board expires on the day of the General Meeting in 2013.

The current composition of the Management Board of BRE Bank is as follows:

**Cezary Stypułkowski - President of the Management Board, CEO**



Born in 1956, Cezary Stypułkowski holds a PhD in law from the University of Warsaw. He studied at Columbia University Business School in New York as a member of the Fulbright Program in 1988-1989. In 1980s, he worked in government administration, among others as secretary to the Economic Reform Committee of the Council of Ministers and, in 1987, as advisor to the Prime Minister. From February 1991, he chaired the Management Board of Bank Handlowy SA for more than twelve years. He acted as President of the Management Board of PZU Group from June 2003 to June 2006. In December 2006, Mr. Stypułkowski was appointed Managing Director of J.P. Morgan Investment Bank responsible for Central and Eastern Europe. Cezary Stypułkowski was also a member of the Deutsche Bank International Advisory Board, INSEAD International Advisory Board, Institute of International Finance in Washington and Geneva Association.

Appointed President of the Management Board of BRE Bank on August 2, 2010, acting President of the Management Board of the Bank as of October 1, 2010, approved as a President of the Management Board by the Polish Financial Supervision Authority on October 27, 2010.

**Wiesław Thor - Vice-President of the Management Board, Chief Risk Officer**



Born in 1958, graduate of the Central School of Planning and Statistics (currently Warsaw School of Economics - SGH), training program "Train the Trainer" organised by KPMG and the South Carolina Business School, and summer school of banking at McIntire University Business School. Lecturer at the Warsaw Institute of Banking and SGH. Employed with BRE Bank since 1990 on the following positions: specialist, division head, deputy director of the Warsaw branch, director of the Credit Department, and Chief Risk Officer since May 2000. From August 1, 2002, Managing Director at Bank Handlowy in Warsaw.

On November 2, 2002, Mr. Thor was appointed Member of the Management Board of BRE Bank, Chief Risk Officer. Vice-President of the Management Board of BRE Bank since March 15, 2008.

**Przemysław Gdański - Member of the Management Board, Head of Corporate Banking**



Born in 1967, graduated from the University of Gdańsk (major: International Trade) and completed a one-year programme in international banking and finance at Loughborough University in the UK. In 2012 completed AMP at IESE Business School. He has over 20 years of experience in corporate banking. In 1993 - 1995 he worked for IBP Bank SA (BRE Bank was one of its shareholders), then for ABN AMRO Bank in Poland, Romania and in the headquarters in Amsterdam. In 2002 - 2006 he was the Managing Director of Large Corporates Division in BPH Bank. From May to November 2006 - CEO and General Director of Calyon Bank Polska and Calyon SA Branch in Poland. In November 2006 he took the position of Deputy CEO in BPH Bank, responsible for corporate banking and real estate financing. After the merger of part of BPH Bank and Pekao SA - Deputy CEO of Pekao SA, responsible for Corporate Banking, Markets and Investment Banking in Division.

Member of the Management Board of BRE Bank since November 19, 2008.

**Jörg Hessenmüller - Member of the Management Board, Chief Financial Officer**



Born in 1970. Jörg Hessenmüller graduated from the Hochschule für Bankwirtschaft in Frankfurt am Main in 1997 and was awarded a master's degree in management (Diplom-Betriebswirt (FH)). From 1989 to 2009 he worked for Dresdner Bank, in particular as Head of Financial Control responsible for London, New York, Moscow, San Paulo and Asia. In 2009 Mr. Hessenmüller was appointed Managing Director in Commerzbank Group and worked as Head of Investment Banking Finance, Group Finance, responsible for controlling and management reporting on: Corporates & Financial Markets, Portfolio Restructuring Unit, Group Treasury, Public Finance.

Member of the Management Board of BRE Bank since April 16, 2012.

**Hans-Dieter Kemler, Member of the Management Board, Head of Investment Banking**



Born in 1968, graduated from the Westphalian Wilhelm University of Münster in 1996. In 1991-1992, worked in Bond Trading Department at Dresdner Bank. In 1996-1998, employed with Sal. Oppenheim jr & Cie. KGaA, Financial Markets Department, Frankfurt. In 1998-2005, Head of the Corporate RiskAdvisory in the Head Office of Commerzbank. Since 2005, member of the senior management of Commerzbank responsible for international public finance. He also acted as a managing director at Erste Europäische Pfandbrief-Kommunalkreditbank AG in Luxemburg.

Member of the Management Board of BRE Bank since July 10, 2009.

**Cezary Kocik - Member of the Management Board, Head of Retail Banking**



Born in 1971, Mr. Kocik graduated from the University of Łódź. Holder of a degree in Finance and Banking and a securities broker license. In 1999, employed with Pekao SA, in particular as branch manager in Łódź. In 1994-1996, securities broker at Dom Maklerski Banku PBG. In 1996, employed with Bank PBG in the area of investment banking, debt collection and restructuring. Mr. Kocik has been working in BRE Bank since 2004, first as director of the Credit Risk Management Department and director of the MultiBank Sales and Marketing Department, and since 2008 as Managing Director for Sales and Retail Banking Business Processes. Member of the Management Board of BRE Bank since April 1, 2012.

**Jarosław Mastalerz - Member of the Management Board, COO**



Born in 1972. In 1996, graduated from the Faculty of Economics and Foreign Trade at University of Łódź. In 1996-1998, worked in the Audit Department of PricewaterhouseCoopers. In 1998-2003, Marketing Director and then Financial Director in Zurich Group. After the take-over of the Polish Zurich operations by Generali in 2003, Financial Director (also responsible for bank assurance) at Generali TU and Generali TUnŻ. Since 2006, Mr. Mastalerz has been working for BRE Bank Group. Co-author of the insurance project BRE Ubezpieczenia. President of the Management Board of BRE Ubezpieczenia and BRE Ubezpieczenia TUiR.

Member of the Management Board of BRE Bank since August 1, 2007. Head of Retail Banking by March 30, 2012. On April 1, 2012, appointed as Member of the Management Board for Operations and IT.

**IX.2. Authority and principles of operation of the Management Board**

The Members of the Management Board are jointly liable for the overall operation of the Bank. They work collegially and inform each other about the most important matters concerning the Bank for which particular Members of the Management Board are responsible. The Management Board may

appoint standing committees or teams to perform specific functions or to co-ordinate the work of organisational units of the Bank or to perform specific tasks.

The following committees led by Members of the Management Board operate at BRE Bank:

- Resource Management Committee (chairperson: Cezary Stypułkowski)
- Capital Management Committee (chairperson: Jörg Hessenmüller)
- Assets and Liabilities Management Committee (ALCO) of BRE Bank Group (chairperson: Hans-Dieter Kemler)
- Risk Committee of BRE Bank (chairperson: Wiesław Thor)
- Credit Committee of the Management Board of BRE Bank (chairperson: Wiesław Thor)
- Credit Policy Committee of Retail Banking (chairperson: Wiesław Thor)
- Committee on Data Quality Management for the purposes of the Bank's regulatory requirements calculation /AIRB/ (chairperson: Wiesław Thor)
- IT Architecture Committee (chairperson: Jarosław Mastalerz)
- IT Projects Committee of BRE Bank (chairperson: Jarosław Mastalerz).

The Management Board manages the Bank's business, represents the Bank and defines the guidelines for the Bank's operation, especially for the areas subject to risks, including the credit policy, the investment policy, the Bank's assets and liabilities management policy, and the guarantee policy. The Management Board presents to the Supervisory Board comprehensive information on all significant aspects of the Bank's operations and risks related to its operations as well as risk management methods, on a regular basis.

The Management Board operates pursuant to its Rules approved by the Supervisory Board (available on the Bank's website). The Rules determine among others the issues which require consideration of the Management Board as a collegial body and adoption of a resolution of the Management Board.

All resolutions are adopted by a majority of votes of the Management Board Members present at the meeting, and in the case of an equal number of opposing votes, the President of the Management Board has the casting vote. The Members of the Management Board strive to adopt resolutions by consensus.

Pursuant to best practice principle, the Rules of the Management Board stipulate that a Member of the Management Board should abstain from participating in decision-making on such matters where a conflict of interest arises or may potentially arise between the Bank and the Member of the Management Board, his or her spouse or relatives.

The Remuneration Committee of the Supervisory Board determines the rules and levels of remuneration of Members of the Management Board.

The rules of the incentive programme for the Management Board and rules on awarding bonuses to Members of the Management Board have been adopted by resolutions of the Supervisory Board.

Total remuneration of Management Board Members includes a fixed and a variable part. The fixed part includes basic remuneration of which amount is set for each Member of the Management Board. The second component is the annual cash bonus for the previous financial year. The final third component is the bonus in shares of BRE Bank and cash equivalent of Commerzbank shares which serves as a long-term incentive.

Both the annual cash bonus and the value of shares and cash equivalent of shares granted to each Member of the Management Board are determined by the following three factors:

- net return on equity (ROE) of BRE Bank Group or of the supervised area,
- total budget performance or budget performance in the supervised area,
- individual assessment of the Management Board Member made by the Supervisory Board.

Total remuneration of the Management Board for the last two years is presented below:

Year (in PLN thousand)	Basic remuneration	Other profits	Bonus (in 2011 for 2010, in 2012 for 2011)	Cash settlement of the incentive programme based on Commerzbank shares	Additional bonus for 2008
<b>Remuneration paid in 2012</b>					
Members of the Management Board who performed their function on December 31, 2012	9,393.7	1,359.1	6,597.2	343.7	1,900.0
Former Members of the Management Board	1,029.8	50.8	2,205.0	680.9	636.9
<b>Total</b>	<b>10,423.5</b>	<b>1,409.9</b>	<b>8,802.2</b>	<b>1,024.6</b>	<b>2,536.9</b>
<b>Remuneration paid in 2011</b>					
Members of the Management Board who performed their function on 31 December 2011	9,886.7	1,198.0	6,977.8	934.0	
Former Members of the Management Board		0.1	1,098.1	462.7	
<b>Total</b>	<b>9,886.7</b>	<b>1,198.1</b>	<b>8,075.9</b>	<b>1,396.7</b>	

Information on the remuneration received by particular Management Board Members is presented in note 44 of BRE Bank SA Group IFRS Consolidated Financial Statements 2012 in accordance with the International Financial Reporting Standards, while the description of the share-based incentive programme for the Management Board is presented in note 43 of the BRE Bank SA Group IFRS Consolidated Financial Statements 2012.

### IX.3. Composition of the Supervisory Board - changes in 2012

The Supervisory Board acts on the basis of adopted Rules and performs the functions provided for in the By-laws of BRE Bank, the Code of Commercial Partnerships and Companies, and the Banking Law Act. The By-laws of BRE Bank provide that the Supervisory Board consists of no less than five Members elected by the General Meeting for a joint term of three years. The number of the Supervisory Board Members is defined by the General Meeting. A Member of the Supervisory Board whose mandate expired in the course of the joint term of the Supervisory Board may be replaced with another person, elected by the Supervisory Board.

At least half of all Supervisory Board Members, including the Chairman, must hold Polish citizenship. Pursuant to the statutory requirement, at least two Supervisory Board Members are independent, unless the General Meeting decides otherwise. The independence criteria of the Supervisory Board Members are stipulated in the Rules of the Supervisory Board.

In 2012, the composition of the Supervisory Board changed twice.

On February 13, 2012, Eric Strutz, Member of the Supervisory Board, handed in his resignation, effective as of March 30, 2012. The 25th Ordinary General Meeting of BRE Bank appointed Stephan

Engels as Member of the Supervisory Board as of April 1, 2012. Since April 2012, Stephan Engels has been acting as Member of the Management Board, Chief Financial Officer of Commerzbank AG.

Furthermore, on July 9, 2012, BRE Bank received the resignation of Sascha Klaus from his position as Member of the Supervisory Board with effect on July 25, 2012. At the meeting held on July 25, 2012, the Supervisory Board appointed Dirk Wilhelm Schuh as Member of the Supervisory Board; since 2008 Mr. Schuh has been employed with Commerzbank Group as head of credit and operational risk.

Composition of the Supervisory Board is presented below:

#### Maciej Leśny - Chairman of the Bank's Supervisory Board

Born in 1946. In 1969, graduated from the Faculty of Economy of the Warsaw University. During his professional career, Mr. Leśny worked for 6 years in the shipbuilding industry in Gdańsk and 8 years for Zakłady Elektronicznej Techniki Obliczeniowej. For more than 22 years he had worked in the central state administration, including 8 years in the position of Undersecretary of State: in the Ministry of Foreign Economic Cooperation; the Ministry of Economy; the Ministry of Economy, Labour and Social Policy; and finally in the Ministry of Infrastructure. Completed post-graduate studies and training at US universities: the Michigan University (Business School of Administration) and De Paul University (Chicago). In 1992-1993, as a scholarship holder of the US government, Mr. Leśny studied at the American University in Washington, DC. During his scholarship he served a four-month internship at the World Bank and completed a privatization training course in the International Monetary Fund. From March 1994 to 1998, Chairman of the Supervisory Board of BRE Bank. By December 2001, Member of the Supervisory Board. In 2004, Mr. Leśny was re-elected Chairman of the Supervisory Board.

Born in 1965, Mr. Sieber graduated the Banking Academy (Bankakademie) in Frankfurt. From 1983 to 1991 he was employed with Bayerische Vereinsbank AG as banking trainee, credit officer and HR specialist. Afterwards Mr. Sieber worked for Credit Suisse Deutschland AG in Frankfurt, at first as credit officer, then as Head of HR Development. In the years between 1996 and 2001 he was employed with JP Morgan GmbH Deutschland in Frankfurt, at first as Chief Administration Officer and later as Chief Operating Officer in Investment Banking. In 2001-2005 Mr. Sieber worked for Dresdner Bank AG in several positions, e.g. Chief Operating Officer, Corporates & Markets Germany DrKW and Global Head of Corporate Banking. At the beginning of 2006 he took the position of Commerzbank's Global Head of HR. Since June 2009 Mr. Sieber is a Member of the Board of Managing Directors of Commerzbank and responsible for the Business Segment Non-Core Assets, Group Human Resources and Group Management Commerzbank Excellence.

#### Stephan Engels - Member of the Supervisory Board

Born in 1962. Graduate of the University of St. Gallen, Switzerland. Between 1988-1993 employed at Daimler-Benz AG's internal audit department. Afterwards he was with debis AG and CFO at debis AirFinance B.V. From 2000 worked at DaimlerChrysler Bank AG. In 2003 was appointed chief financial officer. From 2003 worked at DaimlerChrysler Services AG, lastly as Member of the Board for Finance, Controlling, Risk Management & Strategy. Between 2007-2012, a Member of the Executive Committee of Mercedes-Benz Car Group responsible for finance and controlling as well as head of corporate controlling in Daimler AG. Since April, 2012, Chief Financial Officer, Member of the Management Board of Commerzbank.

#### Andre Carls - Member of the Supervisory Board

Born in 1963. Graduate of the University of Cologne, PhD in economics. Employee of Commerzbank since 1990. From 1990-2000 held various positions in the Investment Banking division in Frankfurt and

London. From 2000 to 2008, acted as Member of the Management Board of comdirect bank AG, from November 2004 to March 2008 - as CEO. From March to September 2008, Chief Financial Officer and Vice-President of the Management Board of BRE Bank. Since March 2008, CEO of Commerzbank Auslandsbanken Holding AG, Frankfurt, and CEO of Central & Eastern Europe-Holding of Commerzbank AG.

#### Thorsten Kanzler - Member of the Supervisory Board

Born in 1964. Studied mechanical engineering and economics at the University of Technology in Darmstadt (Germany), where he obtained the Diplom-Wirtschaftsingenieur (M.Sc. Eng.). From 1991 to 2004, employed at Deutsche Bank AG on various positions in the treasury and risk management area in Frankfurt, New York, Sydney and London. Between 2004 and 2007, Group Treasurer and Divisional Board Member of Corporate & Investment Banking in WestLB AG in Düsseldorf. Since May 2007, Head of Group Treasury & Capital Management at Dresdner Bank AG in Frankfurt am Main. Since the beginning of 2009, Divisional Board Member for Group Treasury at Commerzbank AG. Mr. Kanzler is responsible for assets and liabilities management, risk management of the banking books, capital management and funding.

#### Teresa Mokrysz - Member of the Supervisory Board

Born in 1952. Graduated from the University of Economics in Katowice in 1978. Co-owner of MOKATE. In 1992-1994, launched cappuccino coffee as a new product on the Polish market and acquired a 70% market share and a leading position in this product category. In 1994-1995, built a greenfield MOKATE plant in Ustroń, and in 2001 another one in Żory. The investments allowed Ms. Mokrysz to introduce her company on the market for half-finished products. At present, leading a group of nine MOKATE companies, five of which are based abroad.

Winner of the "Leader of the Decade" title given by Gazeta Wyborcza daily, and the "Success of the Decade" title given by the Businessman Magazine. In 2000, the International Foundation for Women's Entrepreneurial Spirit from Los Angeles awarded Ms. Mokrysz the title of "the most entrepreneurial woman of the world". Founder of scholarships for talented and impoverished youth, provides financial support to health care institutions, nursing homes, orphanages and schools.

#### Waldemar Stawski - Member of the Supervisory Board

Born in 1958. Graduate of the Gdańsk Technical University and post-graduate studies in financial analysis, accounting and finance. In 1983-1991, member of the teaching staff of the Maritime University of Gdynia. From 1991, employee of Pomorski Bank Kredytowy, from 1993 - Director of the Branch in Gdynia. In 1995-2000, Director of the Regional Branch of PKO BP in Gdańsk. In 2000, Mr. Stawski was appointed Vice-President of the Management Board of PKO BP SA responsible for managing the treasury, corporate clients, capital market and corporate governance areas. From June 2002 to February 2003, Chairman of the Team of Receivers for Wschodni Bank Cukrownictwa SA. Then, Member of the Management Board of CTL Logistics SA and General Director of the Polish Association of Transport and Logistics Employers. At present, associate to Doradztwo Ekonomiczne Dariusz Zarzecki as Director. Holder of the Accounting Certificate issued by the Minister of Finance, authorising him to provide bookkeeping services.

#### Dirk Wilhelm Schuh - Member of the Supervisory Board

Born in 1956, graduate of the Frankfurt School of Finance and Management, Bankakademie. Employed with Dresdner Bank AG for 19 years. In 1989-1991, team leader in the credit risk department of the head office of Dresdner Bank; in 1992-1995, branch director in Dortmund. In 1996, responsible for the development of the corporate banking strategy in the head office; in 1997,

responsible for the corporate banking area in Dresdner Bank in Dresden. In 1998, Mr. Schuh was appointed regional manager for the south-east region in Leipzig. Since 2000, spokesperson for the Management Board of Deutsche Hypothekenbank Frankfurt - Hamburg AG. In 2002, appointed deputy chairman of the Management Board of Eurohypo AG. Since 2008, employed with Commerzbank Group as head of operations and credit risk.

#### Jan Szomburg - Member of the Supervisory Board

Born in 1951. Graduate of the University of Gdańsk, PhD in economics. Previously worked as an assistant and then as a lecturer at the University of Gdańsk. Founder and the President of the Management Board of the Gdańsk Institute for Market Economics. In 1990s, Chairman of the Supervisory Board of Polski Bank Rozwoju and Bank Gdański, advisor to the ownership transformation minister, member of the Prime Minister's Ownership Transformation Council. Economic advisor to the prime minister, chairman of the Prime Minister's Ownership Transformation Council.

#### Marek Wierzbowski - Member of the Supervisory Board

Born in 1946. Full professor of the University of Warsaw, legal counsel, partner to the law office "Prof. Marek Wierzbowski i Partnerzy - Adwokaci i Radcowie Prawni", member of the Public Procurement Council, president of the Court of the Chamber of Brokerage Houses, vice-president of the Stock Exchange Board. For many years he was a partner in international law firms: Weil Gotshal & Manges, and then Linklaters. Mr. Wierzbowski represents entrepreneurs in proceedings before administrative bodies, and before administrative and arbitration courts. Professor Wierzbowski has been leading legal teams servicing numerous transactions, in particular the sale of shares of privatized large enterprises. Creator of brokerage houses, representative of the Securities and Exchanges Commission and the Commission for Banking Supervision in proceedings before the Supreme Administrative Court. Acted as advisor to the Ownership Transformation Minister, Treasury Minister, and President of the Power Industry Regulatory Office, and as vice-president of the Arbitration Court at the Polish Chamber of Commerce in Warsaw.

The composition of the Supervisory Board reflects the care exercised to achieve the greatest possible diversification of members both in terms of their professional experience as well as their knowledge and skills. The Supervisory Board is composed of representatives of BRE Bank's main shareholder, specialists of science and business, and persons having vast legal knowledge and banking expertise.

Independent Members of the Supervisory Board of BRE Bank SA are: Maciej Leśny, Teresa Mokrysz, Waldemar Stawski and Marek Wierzbowski. Jan Szomburg does not meet the independence criterion, as he has been acting as Supervisory Board Member for more than 12 years. Dependent Members, having relations with the dominant shareholder of BRE Bank, are: Andre Carls, Stephan Engels, Thorsten Kanzler, Dirk Wilhelm Schuh and Ulrich Sieber.

The term of the Supervisory Board expires on the day of the General Meeting in 2014.

#### IX.4. Authority and principles of operation of the Supervisory Board

The powers of the Supervisory Board involve in particular:

- providing the Management Board with advice and exercising supervision over the Management Board in developing guidelines for the Bank's operation which is risk bearing, including its credit, investment, guarantee policies, as well as compliance policy, and approving proposals of the Management Board concerning the Bank's basic organisational structure,
- exercising supervision over compliance of the Bank's regulations with regard to risk taking with the strategy and the financial plan of the Bank,

- approving the rules of information policy adopted by the Management Board, regarding risk management and capital adequacy,
- approving strategies and procedures developed by the Management Board regarding the internal control system, the risk management system, the internal capital assessment process, capital management and capital planning,
- assessing the adequacy and effectiveness of the risk management system,
- examining all regular reports and exhaustive information received from the Management Board on all important aspects relating to the Bank's operation, the risk related to its operation, and the manner and effectiveness of risk management,
- drawing up a concise assessment of the Bank's situation in order to submit it to the Ordinary General Meeting and append it to the annual report of the Bank for the previous financial year,
- approving the Bank's annual financial plans, multi-year development plans, as well as a strategy of the Bank's operation and the rules of prudent and stable management of the Bank,
- reviewing any motions and matters subject to resolutions of the General Meeting, including draft resolutions of the General Meeting; drawing up justifications for draft resolutions to be submitted for approval to the General Meeting,
- issuing or approving the rules provided for in the Bank's By-laws,
- appointing and dismissing the President, the Vice-Presidents and other Members of the Management Board in accordance with the Banking Law, taking into consideration relevant qualifications for performing the functions assigned to them,
- defining terms and conditions of contracts and setting remuneration for the Management Board,
- authorising the Chairman of the Supervisory Board to represent the Bank in agreements with Members of the Management Board, and also when signing management contracts with Members of the Management Board,
- approving the conclusion of or amendments to any significant agreement or arrangement with Members of the Management Board or the Supervisory Board,
- approving the conclusion of, amendments to or termination of any significant affiliation agreements or co-operation agreements,
- analysing the reports from the director of the Internal Audit Department, received at least once a year.

Meetings of the Supervisory Board are convened by the Chairman of the Supervisory Board on his or her own initiative, or on request of the Management Board, or on request of a Supervisory Board Member, no less frequently than three times a year. All the Management Board Members participate in meetings of the Supervisory Board except for those agenda items which directly concern the Management Board or its Members.

Resolutions of the Supervisory Board are adopted by a simple majority of votes cast. In the case of an equal number of opposing votes, the Chairman of the Supervisory Board has the casting vote.

No resolution should be passed without the consent of the majority of independent Members of the Supervisory Board on the following matters:

- any benefits provided by the Bank or any entities associated with the Bank to the benefit of Members of the Management Board,
- consent for the Bank to enter in a significant agreement with an entity associated with the Bank, a Member of the Supervisory Board or the Management Board, and entities associated with them.

The Supervisory Board has 4 Committees: the Executive Committee, the Risk Committee, the Audit Committee, and the Remuneration Committee. The latter was established in H1 2012 in accordance with the amendments made to the By-laws of BRE Bank on March 30, 2012 by the 25th Ordinary General Meeting.

Executive Committee	Risk Committee	Audit Committee	Remuneration Committee
<u>Maciej Leśny</u>	<u>Dirk Wilhelm Schuh</u>	<u>Stephan Engels</u>	<u>Ulrich Sieber</u>
Andre Carls	Thorsten Kanzler	Andre Carls	Andre Carls
Jan Szomburg	Maciej Leśny	Maciej Leśny	Maciej Leśny
Ulrich Sieber	Waldemar Stawski	Teresa Mokrysz	Marek Wierzbowski

The tasks of the Executive Committee involve, in particular, exercising regular supervision of the Bank's operation in the periods between meetings of the Supervisory Board. The Executive Committee authorises the Management Board to acquire, encumber or dispose of real estate, perpetual leasehold, or interests in real estate, shares or equity interests in companies, and other fixed assets if the value of the transaction exceeds 1% of the Bank's own funds. Such authorisation is not required if the aforesaid acquisition took place as part of enforcement or bankruptcy proceedings, including the bankruptcy proceeding with the possibility to make an arrangement or other settlement with the Bank's debtor or in the case of the sale of assets so acquired.

The Audit Committee issues opinions about the selection of the Bank's statutory auditor by the General Meeting, recommends whether the Supervisory Board should approve or reject financial statements, exercises regular supervision over the internal control system at the Bank, and approves changes proposed by the Management Board of the Bank as regards the head of the Internal Audit Department.

The Audit Committee must be composed of at least one independent Supervisory Board Member with qualifications and experience in accounting and finance.

The Risk Committee has among others the following tasks: exercising permanent supervision over credit risk, market risk, operational risk and liquidity risk. Moreover, the Risk Committee issues recommendations for approval or rejection of exposures posing single entity risk, in accordance with the parameters defined by the Supervisory Board at the time. Moreover, the Risk Committee issues recommendations for approval or rejection of the transactions, provided for in the Banking Law, between the Bank and Members of the Bank's authorities, and recommendations for approval or rejection of the Bank's information policy regarding risk management.

The tasks of the Remuneration Committee include: reviewing the remuneration principles and amounts of remuneration paid to Members of the Management Board, setting the remuneration levels, presenting opinions concerning approval for Members of the Management Board of BRE Bank SA to engage in competitive activity, issuing recommendations to the Supervisory Board regarding the general guidelines for the Management Board on the level and structure of remuneration for the Bank's senior management and the policy of variable components of remuneration paid to persons holding managerial positions at the Bank. Moreover, the Committee monitors the level and structure of the remuneration paid to senior managers.

All standing committees of the Supervisory Board make reports pertaining to their performance in the past reporting period available to shareholders. The aforesaid reports are appended to the set of materials for the Ordinary General Meeting.

The amount of monthly remuneration of the Members of the Supervisory Board was set in Resolution No. 26 adopted by the 25th General Meeting of BRE Bank held on March 30, 2012. The Chairperson of the Supervisory Board earns PLN 17,000 monthly, the Deputy Chairperson - PLN 14,500 monthly, while members of the Supervisory Board earn PLN 12,000 monthly.

Additional monthly remuneration is granted for the participation in standing committees: 50% of monthly basic remuneration for the first committee and 25% for participating in every other committee. Total remuneration for the participation in committees cannot exceed 75% of the basic remuneration.

Total remuneration of the Supervisory Board paid in 2011 and 2012 is presented in the table below.

Year	2011	2012
Remuneration in PLN thousand	2,057.9	2,283.7

Detailed information about the remuneration amounts paid to individual Members of the Supervisory Board is included in explanatory note 44 of the BRE Bank SA Group IFRS Consolidated Financial Statements 2012.

#### IX.5. Operations of the Supervisory Board and its commissions in 2012

In 2012, the Supervisory Board co-operated closely and on a regular basis with the Management Board in order to develop the strategic directions for the future business development of BRE Bank Group. The co-operation resulted in the adoption of the Strategy of BRE Bank Group for 2012-2016 "One Bank for Clients and Employees".

In 2012, the Supervisory Board held 6 meetings and adopted 55 resolutions. The resolutions concerned among others:

- adoption of the financial statements of BRE Bank and BRE Bank Group and other materials for the Ordinary General Meeting,
- adopting the Financial Plan for 2013,
- adoption of the Mid-term Financial Plan for 2013-2016,
- adoption of the Strategy of BRE Bank Group for 2012-2016 "One Bank for Clients and Employees",
- adoption of the rules of prudent and stable management of the Bank,
- adoption of the Capital Management Policy,
- approval of the Corporate Governance Policy at BRE Bank,
- approval of the general organisational structure of BRE Bank,
- adoption of the remuneration system at BRE Bank, including the policy and rules for remunerating risk-takers at BRE Bank,
- adoption of amendments to the Employee Programme Rules and the Incentive Programme for Management Board Members,
- adoption of the rules for planning and evaluating MbO objectives for Management Board Members,
- adoption of amendments to the Rules of the Supervisory Board,
- adoption of the new By-laws of BRE Bank,
- establishment of the Remuneration Committee of the Supervisory Board and approval of its rules,

- adoption of the Rules of Procedure for the Risk Committee of the Supervisory Board,
- allocation of funds to the BRE Bank Foundation,
- adoption of the Internal Audit Plan for 2012,
- adoption of amendments to the Rules of Internal Control,
- adoption of the assessment of the Internal Control and Risk Management System in 2011,
- adoption of the Risk Management Strategy of BRE Bank Group,
- adoption of the Operational Risk Management Strategy and Policy,
- adoption of the Liquidity Management Strategy,
- adoption of the Internal Capital Adequacy Assessment Process (ICAAP) in BRE Bank Group,

The Supervisory Board passed all the resolutions and decisions unanimously.

Furthermore, current results of BRE Bank Group and its particular business areas were discussed and evaluated with reference to the financial plan in a systematic, regular manner at the meetings of the Supervisory Board.

Attendance of the Supervisory Board Members at the meetings and participation in the Committees in 2012:

	Attendance*	Executive Committee	Risk Committee	Audit Committee	Remuneration Committee
Andre Carls	6/6	X		X	X
Stephan Engels (from April 1, 2012)	5/5			X (from April 1, 2012)	
Thorsten Kanzler	5/6		X		
Sascha Klaus (to July 25, 2012)	4/4		X (to July 25, 2012)		
Maciej Leśny	6/6	X	X	X	X
Teresa Mokrysz	6/6			X	
Dirk W. Schuh (from July 26, 2012)	3/3		X (from July 26, 2012)		
Ulrich Sieber	4/6	X			X
Waldemar Stawski	6/6		X		
Eric Strutz (to March 30, 2012)	1/3			X (to March 30, 2012)	
Jan Szomburg	6/6	X			
Marek Wierzbowski	4/6				X

\* Attendance at meetings / number of meetings during the mandate.

In performing its function of ongoing supervision of the Bank's operation in the periods between meetings of the Supervisory Board, the Executive Committee co-operated closely with the

Management Board and was informed about the situation in the Bank on an ongoing basis in 2012. Members of the Committee held regular meetings with Members of the Management Board. The Executive Committee considered, among others, bonuses for Members of the Management Board (prior to the official establishment of the Remuneration Committee) and approved the membership of the Management Board Members in authorities of other companies.

The Audit Committee has been regularly informed about the results and the financial standing of the Bank and BRE Bank Group and has been receiving and analysing information on actions taken in the key risk areas.

The Committee held four meetings in 2012 and discussed, among others, the following:

- compliance of the process of preparing financial statements with the law and applicable regulations,
- conclusions from the audit of the annual financial statements of BRE Bank Group for 2011,
- summary of the audit of the financial statements for H1 2012,
- scope of the audit of the financial statements for 2012,
- assessment of the internal control and risk management system at BRE Bank in 2011 made by the Internal Audit Department,
- co-operation with the auditor PricewaterhouseCoopers.

The Audit Committee recommended that the Supervisory Board approve the following:

- Reports of the Management Board on operations of BRE Bank and BRE Bank Group in 2011, and Financial Statements for 2011
- Annual report on compliance risk management at BRE Bank in 2011
- Report of the Outsourcing Coordinator in respect to the implementation of the Outsourcing Policy at BRE Bank in 2011
- Annual report on supervising the processes of handling claims and complaints in 2011
- Audit Plans of the Internal Audit Department for 2011
- Approval of amendments to the Internal Control Rules at BRE Bank.

In 2012, the Risk Committee paid much attention to the introduction at BRE of statistical methods for calculating credit risk regulatory capital requirements (AIRB approach).

In 2012, the Risk Committee issued 51 recommendations concerning exposures posing single entity risk in accordance with the parameters defined by the Supervisory Board.

At its meetings, the Risk Committee discussed the quarterly risk reports (capital adequacy, liquidity risk, credit risk, operational risk, market risk and interest rate risk), and a range of issues related with the credit portfolio. Other major issues considered by the Committee included the largest exposures, development of risk parameters and of loan loss provisions at the Bank and in the Group..

The Remuneration Committee held three meetings in 2012 and discussed the following issues:

- development and adoption of new managerial contracts for Members of the Management Board,
- adoption of the remuneration system at BRE Bank, including the policy and rules for remunerating risk-takers at BRE Bank,
- adoption of amendments to the Employee Programme Rules and the Incentive Programme for Management Board Members,

- MbO system at BRE Bank, approval of the rules for planning and evaluating the MbO objectives for Management Board Members and adoption of the MbO objectives for Management Board Members for 2013.

The Remuneration Committee issued recommendations on all those issues for the Supervisory Board.