Assessment (concise evaluation) of the Bank's standing in 2010 made by the Supervisory Board of BRE Bank SA, including assessment of the internal control system and the system for managing risks significant for the Bank.

Basis: Rule III.1. (1) of the Code of Best Practices for WSE Listed Companies

2010 went down in the history of Polish banking as a year marking a reversal of the negative trends that had begun in the aftermath of the 2008 and 2009 global financial crisis. Although the global situation still remains unstable, last year saw an improvement in the economic environment, in Poland, the Czech Republic and Slovakia, i.e. in the countries in which BRE Bank SA operates. Now that the economic slowdown is past us, there have been signs of a slow return to a favourable climate for increased lending. BRE Bank SA has fully benefited from the improving economic situation, thus increasing its profitability and strengthening its position on the Polish banking market.

All the aspects of 2010 that proved favourable to BRE Bank SA are reflected mainly in the Bank's performance. The consolidated pre-tax result reached 872.5 million, which represents a fourfold rise compared to 2009 (PLN 209.4 million). The consolidated net result allocated to the shareholders of the Bank had been growing more dynamically and was nearly five times ahead of the figure reported in 2009 (PLN 641.6 million versus PLN 128.9 million).

In 2010, the net income generated by BRE Bank SA from recurring operations followed upward trend. The Supervisory Board is satisfied with this fact and sees it as a good sign for the future. Furthermore, it is noteworthy that in 2010, the growth was highly regular and observed on a quarter-on-quarter basis. Annually, all the main components of net income, i.e. interest result, commission result and trading result, which rose by more than 9 per cent, 25 per cent and 1 per cent respectively, contributed to the increase of income.

The Supervisory Board is glad to see a reduction in net impairment losses on loans and advances amounting to PLN 634.8 million in 2010, which compared to PLN 1,097.1 million reported in 2009, represents a decrease by more than 42 per cent and is positively perceived by market analysts. At the same time, the Supervisory Board is aware of the fact that the provisions are still significant and exceed the figures reported by BRE Bank Group before 2009.

The Supervisory Board is of the opinion that the operating costs of the Bank were under control. Compared to 2009, they rose by 4.7 per cent including depreciation. The costs increased at a much slower pace compared to net income, which is reflected in an improved cost-to-income ratio (51.8 per cent in 2010 versus 54.2 per cent in 2009).

The Supervisory Board is pleased with the continuing growth in the Bank's deposit base. Throughout 2010, it grew by nearly 11 per cent to more than PLN 47.4 billion, thus outpacing the entire Polish banking sector (+9 per cent).

In the opinion of the Supervisory Board, in 2010, BRE Bank SA ensured top security of funds entrusted to it, when conducting its business operations. Throughout the year, the consolidated capital adequacy ratio was ranging from approx. 12 per cent to almost 16 per cent, to reach 15.9 per cent at the end of December 2010, which means that it was above the 8 per cent level required by law. Similarly, the consolidated solvency ratio based on core funds (Core Tier 1 ratio) increased in 2010 to reach 10.4 per cent at the end of December 2010. The considerable rise in the capital adequacy of BRE Bank SA Group seen in 2010 is a result of the capital increase in which the Bank raised close to PLN 2 billion. This helped the Bank to prepare even better for meeting capital requirements which will come into force under Basel III within a few years.

Taking all the above into account, the Supervisory Board has a positive assessment of the standing of BRE Bank SA in 2010.

The Supervisory Board appreciates the commitment shown by the Management Board and the employees as well as their efforts made for the Bank, to which the present good standing of the Bank is owed. At the same time, the Supervisory Board hopes that in 2011 the favourable trends, such as the upward tendencies in the economy, will continue and so will the positive results of the commitment of the Management Board and the employees, assuming the form of development and growth of the Bank, its increasing profitability, stronger competitive position and rising value for shareholders.
With reference to the term of office of the Supervisory Board which is coming to its end in 2011 on the day of the General Shareholders' Meeting, the Supervisory Board would like to thank the Management Board for the constructive and effective cooperation, the Shareholders for their confidence in BRE Bank's activity, and wishes the newly to be appointed Supervisory Board further fruitful cooperation with the Management Board for the achievement of the Bank's targets.

Assessment of the internal control system and the system for managing risks significant for the Bank

The internal control system of BRE Bank SA comprises institutional control exercised by the Internal Audit Department and functional control.

The Audit Committee, operating within the Supervisory Board, monitors all the topics connected with internal control on an ongoing basis, and supervises and exercises functional control over the Internal Audit Department. In 2010, the Audit Committee of the Supervisory Board was regularly informed about a broad spectrum of audit-related issues, including the assessment of the internal control and risk management system and the course of the major audits at the Bank and in the Group's subsidiaries. It also assessed and approved the Audit Plan for 2010. Moreover, the Chairman of the Supervisory Board was provided with reports on all the audits conducted at the Bank and in the subsidiaries by the Internal Audit Department. The Audit Committee is also supported by an external auditor who in 2010 reported regularly on the results of and conclusions from the audit of financial statements.

The Supervisory Board assesses the internal control system at BRE Bank SA positively, both in terms of its functional and institutional aspects.

In the case of risk-related issues, the Supervisory Board operates through the Risk Committee exercising ongoing control over particular risk types, in particular credit (including concentration risk), market, operational, liquidity and business risk. The Risk Committee gives recommendations on large exposures posing single-entity risk. Moreover, last year the Committee dealt with many important risk related topics, among others the situation on the Polish credit market, retail non-mortgage loans at BRE, consequences of recommendation T, and the Internal Capital Adequacy Assessment Process.

Furthermore, at the Bank there are several committees whose tasks are directly related to risk management. These are, in particular: the Credit Committee of the Bank's Management Board, the Assets and Liabilities Committee, the Capital Management Committee, and the Risk Committee of BRE Bank.

The Supervisory Board assesses positively the risk management system at BRE Bank SA. In the opinion of the Supervisory Board, the system covers all the risk types that are significant for the Bank and for the Group.

Maciej Leśny
Chairman of the Supervisory Board