Concise evaluation of BRE Bank SA Supervisory Board on the Bank's standing in 2009 including an assessment of the internal control system and the system of managing significant risks for the Bank.

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

The year 2009, following turbulences during the second half of 2008, was a difficult year for the banking sector worldwide and for banks in Poland as well. Operating in the period of economic slowdown, banks in Poland struggled above all with deteriorating portfolios of receivables from clients and poor financial results. Moreover, slowdown in lending activities was easily noticeable in the Polish banking sector.

The Supervisory Board positively assesses endeavours of BRE Bank's Management Board and the initiatives undertaken by it in 2009. The strategic programme BREnova, being the flagship initiative of the last year, brought the targeted reduction in costs and improvement of cost effectiveness. The overhead costs taken together with amortization and depreciation of BRE Bank Group dropped last year by 0.3% compared to 2008, and the consolidated cost/income ratio was at 54.2%, down from 57.7% in 2008.

In terms of financial results, the year 2009 was characterised by an increase in income on recurring activities. In the opinion of the Supervisory Board, it means that neither the crisis in the financial sector nor the economic slowdown managed to prejudice the business conducted by the Bank, which is good sign for the future.

However, despite higher income and lower operational costs, the Bank's profitability decreased significantly. The consolidated gross result for 2009 dropped by 79% compared to the previous year, and the net profit decreased by 85%. The Supervisory Board understands the difficult macroeconomic and business conditions, but at the same time has to emphasise that the drop in the profitability of the Polish banking sector was much less pronounced than at BRE Bank.

In 2009, BRE Bank SA had to set up very high loan loss provisions which significantly reduced the financial result. The Supervisory Board was monitoring loan loss provisions closely throughout the last year and is still monitoring their development very closely. Loan loss provisions reached their peak in Q2 2009. Since that time the quarterly negative influence of net write-offs in respect of impairment of the receivables from clients was gradually decreasing. The Supervisory Board views this as a positive trend on the background of the challenging market environment.

The Supervisory Board is pleased with the further growth in the Bank's deposits. Over 2009, deposits grew by 13.4%. Growth was considerably higher than the growth in the whole Polish banking sector (+9.4%).

In view of all the above mentioned aspects, the Supervisory Board considers the standing of BRE Bank SA in 2009 as being stable. All the indications are that the worst time of the slowdown should be behind us.

In the opinion of the Supervisory Board, in 2009, the funds entrusted with the Bank were safe. Over the whole year, the consolidated capital adequacy ratio was above the safe limit of 10% (since Q2 above 11%) against 8% required by law, and at the same time it increased throughout the year and in the end reached 11,5%, which is the highest value in several years. Nevertheless, the Supervisory Board also discerns the low share of core capital in own funds, which translates into low capital adequacy ratio calculated on the basis of core capital (Tier 1). At the end of 2009 it stood at 6.6% and it was the lowest value among comparable banks operating on the Polish banking market. Therefore the Supervisory Board and BRE Bank's Management Board held discussions about future capital management options of BRE Bank Group.

The Supervisory Board appreciates the fact that in the difficult period the Management Board and the employees spared no effort for the Bank's welfare. At the same time, the Supervisory Board hopes that the year 2010 will show positive effects of the commitment in the form of the Bank's development and growth of its profitability, strengthening its competitive position, and its growth in value for shareholders. The Supervisory Board hopes that 2010 will be a favourable year for BRE Bank SA and its subsidiaries.

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

BRE Bank's internal control system comprises institutional control carried out by the Internal Audit Department and functional control.

The Audit Committee, which performs its functions within the Supervisory Board, monitors all issues connected with internal control on an ongoing basis. Internal Audit Department is functionally subordinated and reports to the Audit Committee. In 2009, the Audit Committee of the Supervisory Board was regularly informed about the status of the most important audits carried out in the Bank and accepted the Plan of Audits for 2009. Moreover, the Chairman of Supervisory Board was provided with minutes taken from all audits carried out by the Internal Audit Department in the Bank.

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

In issues regarding risk, the Supervisory Board acts through the Risk Committee which exercises constant supervision over its particular categories, including credit, market, liquidity and operational risk. The Risk Committee examines motions on large exposures threatened by risk of one entity. Furthermore, in the previous year, the Committee addressed many issues of financial significance, including leveraged FX options, liability portfolios of the Bank and the Subsidiaries of the Bank's Group and credit risk concentration. The Risk Committee participated in works on the Basel II/AIRB project, which was assessed by the Management Board as the most important project in the risk area.

Furthermore, many committees whose tasks are directly related to the risk management operate at the Bank. They include among others the Credit Committee of the Bank's Management Board, the Assets and Liabilities Committee, the Capital Management Committee as well as 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 important risks for the Bank; however, the Supervisory Board notices its weaknesses which were shown by the need to set up high provisions in 2009. As a result the Supervisory Board was closely monitoring the progress of works relating to counteracting the identified most important risk areas of BRE Bank SA Group.

Maciej Leśny
Chairman of the Supervisory Board