Management Board Report on the Business of BRE Bank SA in 2010

Warsaw, February 28, 2011

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I. Brief Description of BRE Bank and its Group

BRE Bank SA was established in 1986 (under the name Bank Rozwoju Eksportu S.A.) and its operations were launched at the beginning of 1987. In 2011, the Bank is celebrating its 25th anniversary. Presently, it is one of the biggest Polish universal banks.

As at the end of 2010, the value of total assets amounted to PLN 83.5 billion, which ranked the Bank as the third among Polish banks with assets accounting for ca. 7% of the Polish banking sector's assets. In terms of the size of the client loan portfolio, it was ranked as third and in terms of deposits and amounts to clients – as fourth. The size of equity gives the Bank the third position among banks listed on the Warsaw Stock Exchange.

Profit before tax of BRE Bank in 2010 amounted to PLN 682.0 million and was by almost seven times higher than in 2009. Such a good performance was achieved mainly thanks to the record high income in history of the Bank. Positive economic environment in 2010 and hence improved financial standing of customers, was reflected in lower loan loss provisions.

BRE is a universal bank, however it conducts its activities in the corporate banking market (about 13 thousand clients) and Private Banking (about 5 thousand clients) under the brand of BRE Bank through the network of 24 branches and 21 corporate offices.

Retail customer services are rendered under separate brands: mBank and MultiBank. The first of the brands – online mBank – rendered its services to about 2.6 million clients in Poland as at the end of 2010. Furthermore, almost 500 thousand clients were serviced by mBank in the Czech Republic and Slovakia.

In 2010, mBank celebrated its 10th anniversary. In this period it managed to become the leading online bank and the third retail bank in Poland in terms of the number of clients.

MultiBank, whose offer is dedicated to higher income persons, rendered its services to about 600 thousand clients as at the end of 2010.

BRE Bank for years has a strategic shareholder, the German bank Commerzbank AG (CB). After the merger with Dresdner Bank in 2009, it became the second largest German bank with an extensive network of branches in Germany and in Europe. It holds ca. 70% of shares in BRE Bank. BRE Bank is a member of Commerzbank Group.

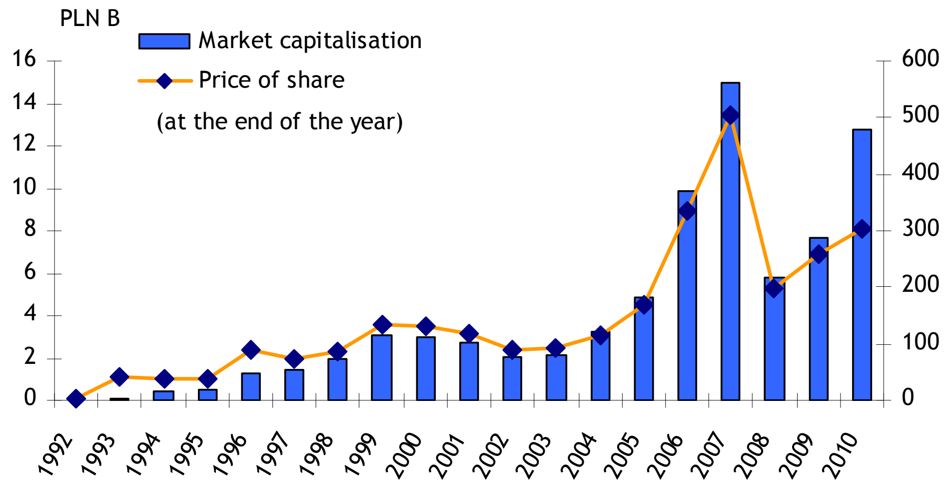
The remaining ca. 30% of shares held by minority shareholders is in free float. The shares are traded predominantly by financial investors (about ¾ of free float) and individual investors.

5 members (including the Chairman) out of 10 members of the Supervisory Board had Polish citizenship as of 31.12.2010. BRE's Management Board was composed of 7 persons, out of which 4 persons, including the President, had Polish citizenship.

BRE Bank's shares have been listed on the Warsaw Stock Exchange since 1992. In the last trading session in 2010, the share price amounted to 304 zlotys. The diagram presented below shows the share price and market capitalization from the first trading session on the Warsaw Stock Exchange:

in PLN

BRE Bank shares on the Warsaw Stock Exchange



BRE Bank business lines

At 31 December 2010 the composition of the BRE Bank by business lines and areas was as follows:

<table>
<tr><th colspan="4">BRE Bank</th></tr>
<tr><td>Segment</td><td colspan="2">Corporates & Financial Markets</td><td>Retail Banking</td></tr>
<tr><td rowspan="2">Bank</td><td>Corporates & Institutions</td><td>Trading & Investments</td><td></td></tr>
<tr><td>Corporations (capital groups)
Large Companies
SMEs
Structured & Mezzanine Finance</td><td>Risk and Liquidity Management
Financial Markets
Financial Institutions</td><td>mBank (mass retail customers and microenterprises)
MultiBank (affluent retail customers)
Private Banking (high net worth individuals)</td></tr>
</table>

Financial Institutions were moved from Corporates & Institutions to Trading & Investments area as of Q3 2010. The change was designed to better reflect the organisational responsibility for the results of the business lines as well as the needs of presentation of segment results.

BRE Bank's authorities (at the end of 2010)

Supervisory Board

1. Mr. Maciej Leśny - Chairman of the Supervisory Board
2. Mr. Andre Carls - Deputy Chairman of the Supervisory Board
3. Mr. Achim Kassow - Member of the Supervisory Board
4. Mr. Sascha Klaus - Member of the Supervisory Board
5. Ms. Teresa Mokrysz - Member of the Supervisory Board
6. Mr. Stefan Schmittmann - Member of the Supervisory Board
7. Mr. Waldemar Stawski - Member of the Supervisory Board
8. Mr. Jan Szomburg - Member of the Supervisory Board
9. Mr. Marek Wierzbowski - Member of the Supervisory Board
10. Mr. Martin Zielke - Member of the Supervisory Board

Management Board

1. Mr. Cezary Stypułkowski – President of the Management Board, CEO
2. Ms. Karin Katerbau – Vice president of the Management Board, CFO
3. Mr. Wiesław Thor – Vice president of the Management Board, Head of Risk Management
4. Mr. Przemysław Gdański, Member of the Management Board, Head of Corporate Banking
5. Mr. Hans-Dieter Kemler - Member of the Management Board, Head of Investment Banking & Markets
6. Mr. Jarosław Mastalerz - Member of the Management Board, Managing Director of Retail Banking
7. Mr. Christian Rhino - Member of the Management Board, Managing Director Operations and Information Technology

In 2010, there was a change at the post of the President of the BRE Bank Management Board. On 2 August 2010, the Supervisory Board of BRE Bank released Mr. Mariusz Grendowicz from the Management Board of BRE Bank and the function of the President of the Management Board and Chief Executive Officer of the Bank. Effective on 1 October 2010 the Supervisory Board appointed Mr. Cezary Stypułkowski for this post. On 27 October 2010, the Polish Financial Supervision Authority approved the appointment. The Executive Vice-President of the Management Board, Mr. Wiesław Thor, had performed temporarily the duties of the office of the President of the Management Board until Mr. Cezary Stypułkowski took the office.

II. Major Development and Events in 2010

II.1.Introduction

In 2010, BRE Bank generated the profit before tax in the amount of PLN 682.0 million as v. to PLN 98.9 million in 2009 (+589,7% YoY). Net profit of BRE Bank stood at PLN 517.7 million, compared to PLN 57.1 million in 2009 (+806.0% YoY).

The sound results were achieved thanks to favorable development of the Bank's business among others as an effect of consistent implementation of the strategy. The Bank recorded a strong growth of income accompanied by significant decline of loan loss provisions and strict cost management. The following factors contributed to these developments:

- Record high income generated by the Bank, at the level of PLN 2 503.0 million, up by PLN 236.1 million (or 10.4%) YoY achieved thanks to:
    - Significantly higher Net interest income (up by PLN 175.8 million or 13.0% YoY) mainly as a result of volume increases, focus on higher margin products as well as capital increase.
    - Strong increase in Net fee and commission income (up by PLN 116.2 million or 14.9 % YoY) thanks to improved cross-selling results, in combination with growing customer base.
- A significant reduction of loan loss provisions by PLN 404.7 million to PLN 561.9 million (-41.9% YoY).
- Further improvement of efficiency resulting in the lower cost/income ratio at the level of 50.3% v. 53.0% at the end of 2009.

- Further increase in the number of BRE Bank retail clients, almost 3.7 million at the end of December 2010. Within 12 months of 2010, the client base grew by 394 thousand as compared to December 2009 (up by 12.1% YoY).
- An increase in the number of corporate clients to 13.3 thousand (up by 435 YoY).
- A considerable strengthening of BRE Bank Group's capital position after the successful new shares issue, with PLN 1.97 billion capital increase. Consequently, the capital adequacy ratio amounted to 16.91% as at the end of the year v. 11.73% in 2009 and Core Tier 1 increased to 10.76% v. 6.68% in 2009.

II.2. Announcement of Strategy for Years 2010 – 2012 and its Effective Implementation

On 1 March 2010, the Bank announced its 2010-2012 strategy, which focuses on profitable growth in the Group's two main areas of activity: Retail Banking as well as Corporates and Financial Markets.

In **Retail Banking,** the target is to increase income by growing the customer base and by cross-selling to existing clients. It is planned to especially grow income in the most attractive market segments by focusing on existing and potential affluent clients. The Group's goal is to increase income by:

- attracting new clients through the broad functionality of current accounts products,
- increasing the number of products provided to customers for whom the Bank is not currently the bank of first choice,
- segmenting the retail customer base through the use of a state-of-the art CRM system to better target the offering of certain products and services as a function of the needs of individual customer groups.
- The range of products and services the Bank intends to cross-sell includes:
- non-mortgage lending products which shall be supported by innovative automatic pre-approved loan limit offers for customers,
- mortgage loans, including foreign currency denominated loans,
- other products such as transaction products, mutual funds, brokerage and bancassurance products.

It is planned that the number of clients will grow further to more than 4 million clients in 2012 .

First effects of the implementation of the strategy were already visible in 2010, for example the significant growth in the client base, mainly in Retail Banking (+394 thousand or +12.1% YoY). In addition to such dynamic growth of the number of clients, cross-selling was also growing, which resulted in a higher average number of products per client (up from 2.62 in 2009 to 2.81 in 2010). The market share in non-mortgage loans was also growing – it increased from 3.2% at the end of 2009 to 3.6% at the end of 2010. Currently, the new CRM system is being implemented also for Retail Banking.

In **Corporates and Financial Markets,** the Bank intends to solidify its strong corporate and investment banking position by more effective use of the corporate network and by focusing on new attractive areas of growth. In particular, it is planned to develop the transactional banking services business and to increase cross selling of investment banking products to the Bank's corporate client base. In addition, the Bank intends to exploit attractive areas of growth, including:

- servicing public finance business with focus on an attractive risk/return profile,

- business opportunities with Polish subsidiaries of international corporations, including Commerzbank's customers,
- financing projects conducted with the use of EU funds.

The Bank also aims at becoming the market leader in transactional banking services by reaching more customers via BRE's network but also through the network of MultiBank's branches and through an intensified cooperation with the Bank's subsidiaries. Furthermore, the Bank will continue the development of innovative products (including those offered via iBRE platform, innovative cash management products, expansion of its payment card offering, improving PLN cash payments and by fully automated outgoing international payments), and intends to leverage its strong relations with exporters and importers.

In 2010, apart from the growth of the corporate client base, the Group recorded an increase of the market share in services for the public sector. Its market share in loans for public sector increased from 0.8% to 4.1%, while in deposits it grew from 0.1% to 0.6%. Moreover, the Group achieved a higher product penetration in various areas, particularly in Cash Management.

As a result of the implementation of the „Cross–Border" project (see section II.4.) the international client base is increasing, including clients that are co-operating with Commerzbank, and the scope of co-operation with these clients is broadening.

II.3. Successful New Shares Issue

In order to support the implementation of the new strategy for 2010-2012 and to provide for a Core Tier 1 capital in line with potential new requirements both regulatory and those of the market place, on 30 March 2010, the Ordinary General Meeting of BRE Bank took a decision on increasing the capital through an issue of shares with pre-emptive rights.

The issue of new shares with pre-emptive subscription rights raised PLN 1,979.4 million and was a great success in H1 2010. The equity raised, significantly increased the Bank's capital base and will allow for its further expansion. It should be emphasised that the issue enjoyed great interest of domestic and international investors, despite other competitive offerings on the market. All the offered shares (12,371,200) were subscribed (with 1.6 times oversubscription)

On 16 July 2010 the new amount of the Bank's share capital was registered in the National Court Register. As at 16 July 2010, Bank's share capital (totally paid) amounted to PLN 168,248,328.

Positive first effects of the strategy implemented in the past year, together with the strengthened capital base, that enables further expansion, form a solid basis for the attainment of the strategic targets by 2012.

II.4. Realization of Important Projects in the Bank

In 2010 a couple of major activities were undertaken within projects, which included among others:

- The implementation of MIFID project (Market in Financial Instruments Directive) in order to adjust the operations to legal changes related to the above directive. For that purpose, actions were taken so as to strengthen the protection of the clients investing in financial instruments, as well as to increase the transparency of the financial instruments offering.

- The continuation of the AIRB project (Advanced Internal Ratings Based approach) consisting in the implementation of the internal ratings based approach for the purpose of determining the capital requirement for credit risk. In December 2009, the Bank applied to the Polish and German financial supervision for consent to apply the approach. Works on the implementation of the AIRB method were carried out also by BRE Leasing and by BRE Bank Hipoteczny.

- The finalization of the „Dresdner" project - as a result of the merger between Commerzbank AG (CB) and Dresdner Bank in 2009, CB also took over the Polish branch of Dresdner Bank, which was converted in turn into Commerzbank AG Spółka Akcyjna Branch in Poland. Next, by virtue of earlier agreements and obtained consents, banking enterprise of branch was bought by BRE Bank on 9 November 2010. 263 clients, PLN 329 million of deposits and PLN 148 million in loans were then acquired. Also 28 employees were hired (according to figures as at the end of October 2010).

- The implementation of the "Cross Border" project, launched at the end of 2009 with the intention to facilitate cross border co-operation within Commerzbank Group in terms of services for German-speaking international clients that directly or through the network of foreign branches, or affiliated companies, conduct their business activities in more than one country. The aim of the project is to harmonize services and offers within one banking group, being Commerzbank Group. The project allowed for the identification of the group of entities, currently being serviced by other banks in Poland. The first target of the acquisition will be approximately half of these entities with their parent companies being serviced by Commerzbank.

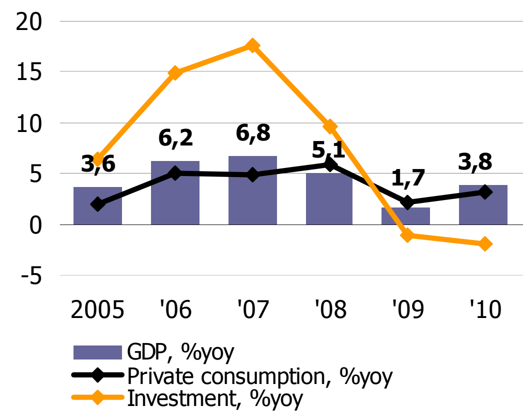
- The enhancement of a debt collection system in Retail Banking which comprises the development of credit monitoring module and creation of debt collection call-center.

- Beginning of the implementation of a new CRM system in Retail Banking for the purpose of reinforcing the effectiveness of work performed by relationship managers and improving the customer services quality. The project provides for the development of analytical technologies to generate the information on suggested activities in respect of clients (the allocation of client groups to a particular relationship manager, the implication of the best selling proposals, events related to the client, the history of communication with the client).

III. Macroeconomic Situation in 2010

III.1. Growing Economic Recovery

Economic activity in Poland intensified strongly in 2010.



The GDP rate of growth increased from 1.7% in 2009 to 3.8% and was rising gradually quarter by quarter from 3.0% YoY in Q1 to 3.5% YoY in Q2 to 4.2% YoY in Q3 to ca. 4.2-4.5% YoY in Q4 (estimate based on annual data).

Economic recovery in 2010 was mainly driven by strong growth of exports, largely generated by rising demand in the German industry, which was expanding dynamically last year. The growth rate of exports was ca. 20% in 2010 following a 16% decrease in 2009.

In addition to exports, growth in 2010 was driven by stocks being rebuilt after the crisis and in line with improving economic activity. Other drivers of economic recovery in 2010 included:

- Growth of industrial output by 9.8% after a decrease by 4.5% in 2009; the Polish industry was mainly driven by rising foreign demand based on industrial relations between the Polish and German economies.
- Gradual recovery of private consumption (up by 3.2% v. 2.1% in 2009) helped by improving conditions on the local labour market.
- Improving conditions on the local labour market as demonstrated by:
    - Employment in the corporate sector up by 2.4% YoY (124.5 thousand new FTEs) v. 0.2% YoY decrease in 2009 (-98.1 thousand FTEs). New jobs were formed mainly in the processing sector.
    - The official unemployment rate was on a decrease: after peaking in February (13.2%), it fell to 12.3% v. 12.1% at the end of 2009.
    - Moderate growth of salaries (up by 3.5% YoY on average) driving strong growth of real total salaries, up by 4.6% YoY at the end of 2010 v. 1.1% YoY a year earlier.

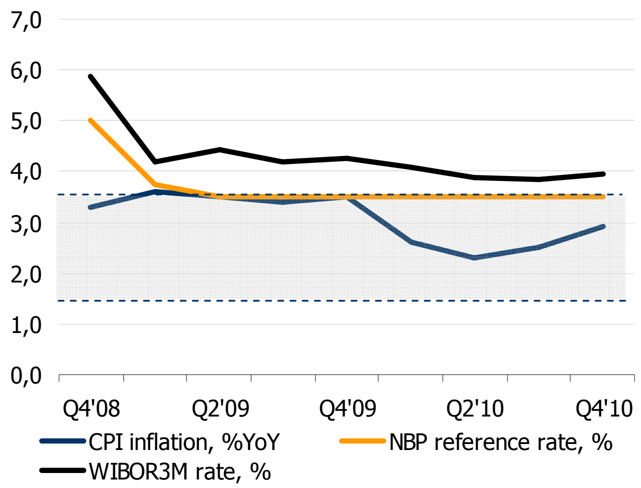
Investments looked less optimistic. Investments fell sharply in H1 2010, mainly due to a strong decline of private investments (down by 19.8% YoY in the large corporates sector in H1). The decline was partly curbed by continued expansion of public investments (mainly road infrastructure). In H2, private investments gradually recovered (up by 3.4% YoY in the large corporate sector in Q3), but the increase mainly took place in the energy sector (rebuilding its production capacity) and in construction while industrial processing still reported a decrease of investments. However, the processing sector should also increase investments in fixed assets in the coming quarters as domestic and foreign demand grows, followed by increased utilisation of the production capacity.

III.2. Inflation and Interest Rates

In H1 2010, CPI decreased from 3.5% YoY at the end of 2009 to 2.0% YoY in July 2010, mainly thanks to a strong negative effect of a high statistical base of 2009 (strong price growth in H1 2009 due to depreciation of the zloty).

In H2 2010, the negative statistical base effect disappeared while price pressures mounted including food prices (lower supply) and gas and fuel price rises (rising oil prices). As a result, inflation rose to 3.1% YoY at the year-end.

Due to gradual increase of demand pressures driven by continued recovery of the Polish economy, as well as cost pressures, CPI is likely to rise further in the coming months, but less dynamically than in H2 2010.



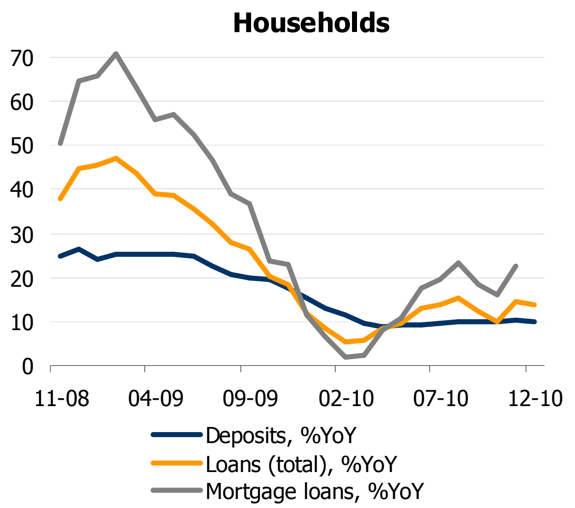
The Monetary Policy Council (RPP), since June headed by new NBP Governor Marek Belka, maintained the interest rates unchanged throughout the year (reference rate at 3.50%). The first hike took place in January 2011 (up by 25 basis points).

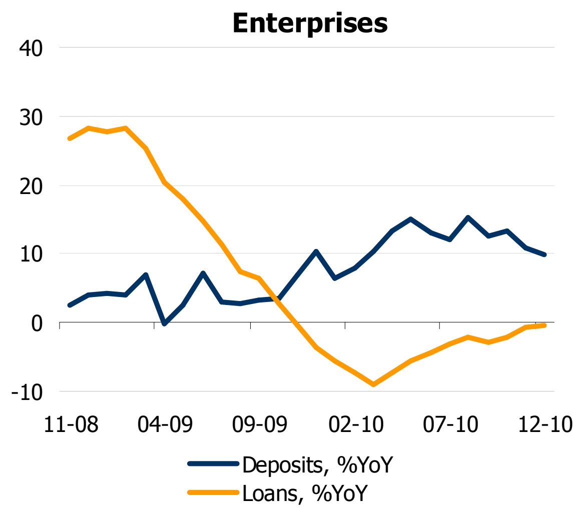
Last October, the Council decided to raise the mandatory reserve rate by 50 basis points back to 3.50% as before the crisis as a result of normalisation on the money market.

III.3. Banking Sector

- The banking sector in 2010 developed as follows:

- The volume of retail deposits grew by PLN 37.5 billion (following growth by PLN 50.9 billion in 2009) at a rate of 9.8% YoY v. 15.3% in 2009. It should be noted that the growth was curbed by continuing inflow of capital to investment funds (up by PLN 10 billion net in 2010).
- Corporate deposits were up by 9.9% YoY v. 10.4% YoY in 2009 (the volume of deposits was up by PLN 16.3 billion following growth by PLN 15.5 billion in 2009). The continuing strong growth of corporate deposits demonstrated further improvement of the financial results of Polish companies and their still low investments. In the last months of the year, slowly recovering investments gradually reduced the growth rate of corporate deposits.
- The growth rate of retail loans increased sharply: after falling to ca. 5% YoY in Q1, it rose to 13.9% YoY at the year-end. The volume of retail loans grew by PLN 58.3 billion in 2010 following growth by PLN 45 billion in 2009. The strong recovery of the retail loans sector was mainly driven by the renewed expansion of banks on the housing loans market (these grew by 22.7% YoY in 2010). Another important driver of growth in volumes of retail loans was the fx rate, in particular depreciation of the zloty against the Swiss franc, the currency of a large part of Poland's mortgage loans portfolio. Net of the fx effect, the growth rate of retail loans was 8.5% YoY at 2010 year-end.
- Corporate loans were down modestly by 0.3% YoY following a decrease by 3.6% YoY in 2009 (volumes were down by PLN 0.7 billion in 2010 and down by PLN 8.2 billion in 2009). Low demand for corporate loans in 2010 was the result of dragging recovery in investments and a big buffer of corporate deposits used to finance slowly rising investments. Importantly, net of the fx effect, the growth rate of corporate loans was positive once again at the end of 2010 (up by 0.5% YoY).





III.4.Capital Market

The WSE enjoyed a very good year in 2010 and strengthened its position as the biggest and the fastest growing market in Central and Eastern Europe. There were 34 IPOs on the Main List in 2010 v. only 13 IPOs in 2009 (33 IPOs in 2008). Including NewConnect, there were 120 IPOs. The WSE lists 400 companies, including 27 foreign companies.

The WSE went public in 2010. Its offering, worth PLN 1.2 billion, attracted strong investor interest.

The NewConnect market was very active in terms of attracting new issuers. 86 companies had their IPOs in this market. As at the end of the year, 185 companies were listed in this alternative market.

Catalyst, a debt securities platform, launched by the Stock Exchange in autumn 2009 was also successful. The first full year of the market's operation proved that the bond trading platform gained respect of more and more numerous municipal and corporate issuers. As at the end of 2010, 97 series of debt securities issued by 49 entities were traded in this market.

The year 2010 was, at the same time, very successful from the point of view of basic parameters that reflect a growing market. Indices, capitalization and trading volume rose. The WIG index at the end of the year was at the level of 47 489 points, more by 18.8% as compared to 2009. The WIG 20 index grew up to 2744 points, by 14.9%. The value of equities traded in the regulated market was higher by 18%, and in the case of NewConnect even by 202% as compared to the previous year. As regards the futures market, the trading volume in contracts was by 4% higher and in options by 60% against 2009

IPOs totalled PLN 15.4 billion in 2010. The largest IPO was that of PZU, worth more than PLN 8 billion. The capitalisation of domestic companies rose by 29% to PLN 543 billion. Thanks to foreign investment funds, average trading per session grew by 17% to PLN 1.6 billion.

The situation of investment funds continued to improve in 2010. The net asset value of investment funds was PLN 116.1 billion at the end of 2010 vs. PLN 93.6 billion at the end of December 2009. The growth of investment fund assets was driven both by inflow of capital (PLN 9.4 billion net in 2010) and improved management performance.

Recovery on the local stock market is likely to continue thanks to the good fundamentals of the Polish economy; however, prevailing fiscal problems of some eurozone countries may in the nearest future increase global uncertainty and cause further corrections on the capital markets.

IV. BRE Bank Shareholders and Share Price on the WSE

IV.1. BRE Bank SA Shares at the end of December 2010

- Total number of BRE Bank shares: 42,086,674 ordinary bearer shares.
- There are no preferred shares, each share represents one vote at the General Meeting.
- Nominal value: PLN 4 per share
- BRE Bank share capital: PLN 168,346,696, fully paid up
- Shares listed on the WSE since 1992
- Shares participate in WSE indices: WIG, WIG20, and WIG Banks; shares also participate in indices WIG 20 short, WIG 20 lev, WIG PL and since February 2011 in Respect Index.

The share capital increased mainly as a result of the issue of 12,371,200 new shares in H1 2010. The shareholding structure after the new shares issue was as follows:

- Commerzbank – 69.8%
- Polish pension funds – 15.6%
- Foreign investment funds – 7.1%
- Polish investment funds – 5,5%
- Individual investors – 1.4%
- Foreign pension funds – 0.6%

Domestic investors (including individual investors) held 22.5% of shares and 75.0% of the free float shares.

After the issue of the new shares in H1 2010 the share capital increased further to PLN 168,346,696, i.e., by PLN 98,368. This was a result of two issues of shares under a stock option scheme. They were issued under a contingent increase of the Bank's share capital pursuant to Resolution No. 21 of the 21st Ordinary General Meeting of the Bank on 14 March 2008 concerning an issue of bonds with the pre-emptive right to acquire shares of the company BRE Bank SA and a contingent increase of the share capital through an issue of shares excluding the subscription right of the existing shareholders in order to enable participants of the incentive scheme to acquire BRE Bank SA shares and concerning seeking the admission of the shares to trading on the regulated market and dematerialization of the shares. The first tranche of 15,695 shares was registered by the National Depository for Securities (KDPW) on 5 August 2010, the second tranche of 8,897 shares was registered on 20 December 2010.

IV.2. Commerzbank AG – Majority Shareholder of BRE Bank

BRE Bank has a strategic shareholder: Commerzbank AG, which has been BRE Bank's major shareholder for many years – initially directly, and currently through a 100% subsidiary, Commerzbank Auslandsbanken Holding AG.

The stake of Commerzbank has been gradually rising, from 21% in 1995 through 50% in 2000, to the level of 72.16% in 2003. As of 2005, the stake has been reduced slightly due to the execution of a management options scheme at BRE Bank. Commerzbank Auslandsbanken Holding AG held 69.74% of BRE Bank shares and votes at 31 December 2010.

Commerzbank (CB) is the second largest private German bank, with an extensive network of branches in Germany and Europe. Its merger with Dresdner Bank AG was completed in 2009. It was one of the largest acquisitions in the history of the German banking sector. Since 2009, the German State is the largest shareholder of Commerzbank: it holds 25% of shares plus one share, which is a stake sufficient to block key decisions of the General Meeting and other authorities of the bank.

These ownership changes of Commerzbank did not impact its equity investment in BRE Bank SA. BRE Bank Group remains the strongest affiliation of Commerzbank in Central and Eastern Europe. According to declarations by the Commerzbank Management Board, there are currently no plans to change this.

IV.3. Areas of Co-operation with Commerzbank

Under a strategic agreement signed in 1994, BRE Bank has received several capital injections, the last of which in 2010 totalled ca. PLN 1.4 billion as Commerzbank acquired ca. 70% of new issue shares. BRE Bank has received subordinated loans in CHF totalling CHF 950 million. These were equivalent to ca. PLN 3 billion at the end of 2010 as compared to PLN 2.6 billion at the end of 2009 (YoY increase solely due to fx effects). In addition, the Bank used CB borrowings, which stood at PLN 19.4 billion at the end of 2010 compared to PLN 16.6 billion at the end of 2009.

On 22 February 2011 the Bank was informed by Commerzbank that in view of BRE Bank Group's sustainable core capital and earnings strength and in accordance with international standards, the existing letters of comfort issued to BRE Bank and its subsidiaries BRE Bank Hipoteczny and BRE Leasing would expire by the end of March 2011. In the information delivered to the Bank, Commerzbank AG confirmed that BRE Bank is a strategic core investment of Commerzbank Group in its second home market Central and Eastern Europe, and together with its subsidiaries part o the funding pool of Commerzbank Group.

A technical co-operation agreement gives BRE Bank access to the network of CB and its correspondent banks around the world. In addition, CB offers its know-how to BRE Bank, enabling co-operation in many areas under separate agreements. The key areas include:

1) Risk controlling, including:

- market risk and liquidity risk measurement methods;
- operational risk monitoring methods;
- corporate client rating system;
- credit process optimisation, credit risk monitoring;
- harmonisation with Basel II requirements.

In particular, the Bank uses the know-how of Commerzbank experts in a current project implementing statistical methods of calculation of regulatory capital requirements for credit risk (AIRB). While decisions on credit risk, market risk and liquidity risk are made by BRE Bank, risk management methodologies are systematically agreed with CB.

2) Co-operation in serving international clients, including Commerzbank clients;

3) Compliance and money laundering prevention;

4) Co-operation in logistics and IT;

5) BRE Bank's use of CB's bank rating;

6) Shared reporting system in accounting and controlling.

BRE Bank also participates in the CB Group multi-year-planning system.

IV.4. BRE Bank's Share Price on the WSE

The performance of BRE Bank shares in 2010, particularly in mid-May, was significantly impacted by the issue of shares with pre-emptive rights.

If a company listed on the WSE issues shares with pre-emptive rights whose issue price is lower than the current market price ex-rights, the market price of the shares is automatically adjusted for the theoretical ex-rights price (TERP). The shareholders have the right to buy shares at a lower price; this right is priced and excluded from the price of the shares on the first day of trading in the shares ex-rights. The procedure of pricing the pre-emptive rights and adjusting the reference price of shares of the company which issues the pre-emptive rights is set out in detail in the official WSE document "Detailed Exchange Trading Rules".

The last day of trading when the acquisition of BRE Bank's existing shares enabled the buyer to acquire pre-emptive rights was 13 May 2010. BRE Bank's share price was PLN 266 at the closing on that day. According to the formula set out in the above-mentioned document, BRE Bank's pre-emptive right was priced at PLN 31.2. BRE Bank's reference share price on 14 May was determined on the basis of the closing price of 13 May as the theoretical ex-rights price set at PLN 234.8.

In order to ensure comparability of BRE's share price in the last year, the price of BRE Bank shares of 13 May 2010 in the chart below is adjusted with a ratio of 0.88275 calculated as follows: TERP of 13 May 2010 (PLN 234.82) to the closing price of 13 May 2010 (PLN 266).

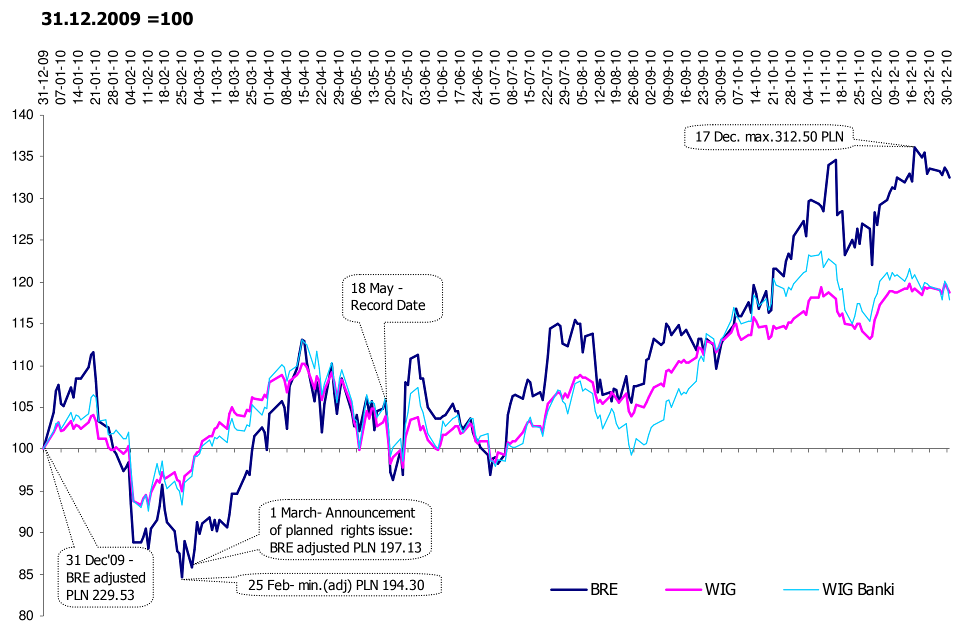
The closing price of 31 December 2010 was PLN 304.9, which was 32.5% more than TERP of 31 December 2009 (TERP PLN 229.53). Over that period, the WSE indices performed as follows: WIG up by 18.8%, WIG20 up by 14.9%, WIG-Banks up by 17.8%.

BRE Bank's market capitalisation reached PLN 12.8 billion (EUR 3.2 billion) at 31 December 2010 compared to PLN 7.7 billion (EUR 1.9 billion) at the end of 2009.

The maximum BRE share price was PLN 312.5 on 17 December and the minimum price was PLN 194.3 on 25 February (TERP).

The average daily value of trading in BRE Bank shares was PLN 11.2 million in 2010, increasing from 2009 (PLN 10.9 million).

BRE Bank Share Price in 2010 v. WIG and WIG-Bank Indices

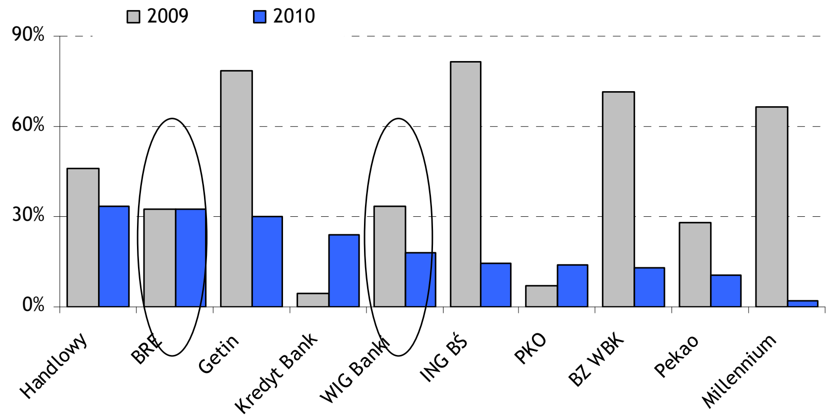


P/BV (price to book value) was 1.9 at 31 December 2010 v. 1.7 at 2009 year-end. P/E (price to earnings) was 17.4 v. 52.9 in 2009. The 2009 ratios are based on TERP of PLN 229.53.

IV.5. Return Rate and Dividend Policy

The chart below presents the return rate on BRE Bank shares in 2009 and 2010. BRE shares provided returns of 32.4% in 2010, second only to the return of 33.6% on Citi Bank Handlowy shares.

Return on BRE Bank shares versus other banks



The table below presents the history of BRE Bank's dividend payouts. The Management Board and the Supervisory Board will recommend no dividend payout for 2010 to the General Meeting of Shareholders.

Dividend year	Dividend per share (PLN)	Total dividend (PLN M)	Dividend as % of stand-alone profit
1996	3.00	43.5	38
1997	3.00	46.6	32
1998	3.00	68.4	33
1999	8.00	182.4	27
2000	5.00	114.9	32
2001	10.00	230.0	68
2002 - 2009	No dividend		

V. Rating of BRE Bank and Group Subsidiaries

V.1. Fitch Rating

At the end of December 2010, BRE Bank's Fitch ratings were as follows:

- long-term rating A (third best rating on an 11-grade scale);
- short-term rating F1 (top rating on a 7-grade scale);
- individual rating C/D (sixth best rating on a 9-grade scale);
- support rating 1 (top rating on a 5-grade scale);

- long-term rating outlook for BRE Bank - stable.

Fitch affirmed the ratings on 2 July 2010.

V.2. Moody's Investors Service Rating

At the end of December 2010, BRE Bank's ratings were as follows:

- long-term deposits rating Baa1 (eight best on a 21-grade scale), outlook stable;
- short-term deposits rating P-2 (second best rating on a 4-grade scale);
- financial strength rating D (A to E scale), outlook stable.

Moody's affirmed the ratings in 2010.

In addition to the ratings granted by these two agencies, BRE Bank also holds a BBBpi rating from Standard & Poor's (prepared on the basis of publicly available information), the fourth grade on a scale of 8.

VI. Corporates & Financial Markets Development in 2010

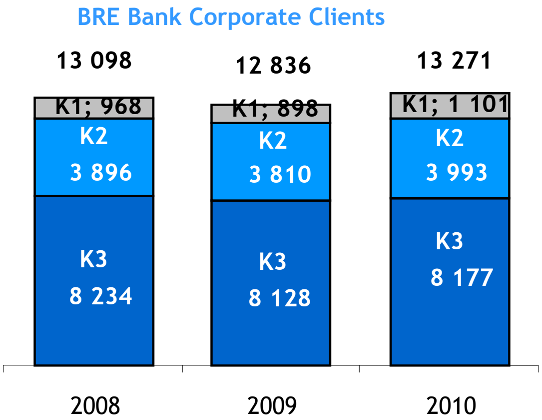
VI.1. Corporates and Institutions (BRE Bank)

In 2010 the Corporates and Institutions area showed a positive development. It achieved double-digit growth of income, acquired more than 2.2 thousand new target clients (up by 24.4% v. 2009) and effectively implemented the strategy of growth in the public sector market, reaching a market share of more than 4% in financing of local governments.

In terms of strategic product lines, multiple product innovations supporting the development of transactional banking were created and introduced. The income generated on Cash Management grew by more than 10% YoY. The income on structured finance and mezzanine products increased by more than 13% YoY.

VI.1.1. Corporate Clients (BRE Bank)

Corporate clients are an important group in terms of generated income. At the end of 2010, the number of corporate customers totalled 13.3 thousand, up by 435 companies net as compared to 2009.



In order to ensure better services and increased cost-effectiveness, clients are assigned to three segments:

- K1 is the segment of the largest corporations with annual sales over PLN 500 million,
- K2 is the segment of medium-sized companies with annual sales between PLN 30 and 500 million,
- K3 is the segment of small and mid-size enterprises with sales from PLN 3 to 30 million.

Each client segment is offered the products tailored to their needs and expectations while the form of service is dedicated, depending on: the complexity of needs, the level of expectations and requirements towards the Bank, as well as the degree of expertise and skills necessary for this service.

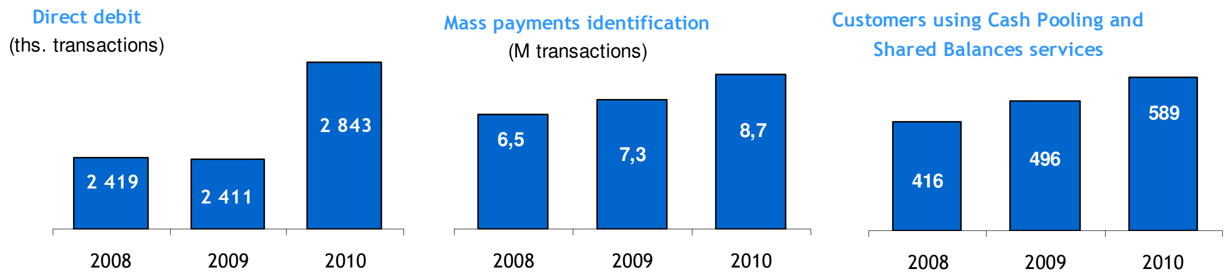
Such client segmentation allows for a better use of the potential inherent in all the segments. Intensified cross-selling (by offering the entire Group's products) will bear fruits in the form of more dynamic co-operation and higher profitability of the different client segments. CRM system, having already been applied for several years, is of much help in this regard. The system ensures comprehensive analyses of the corporate client potential and needs regarding banking products and services, and allows for better planning and monitoring of selling activities.

BRE Bank's Corporate deposits and loans are presented in chapter X.2 "Consolidated Statement of Financial Position".

VI.1.2. Development of Transactional Banking

Achievements in client acquisition and product sales are demonstrated mainly by growth of volumes of products used by clients as well as growth of the number of products implemented:

- the average monthly number of domestic payments by the Bank's corporate clients grew by 48% in 2010 and reached almost 2.3 transactions per month on average. The number of transactions in December was more than 3 million. No less than 99.2% of payments were electronic transfers, and close to 73% of electronic transfers were processed automatically via interfaces between clients' ERP, financial, accounting and HR systems and the Bank's systems;
- the average monthly number of foreign payments grew by 13%, mainly due to growing use of SEPA transfers (their number grew by almost 100% YoY);
- the average monthly volume of corporate clients' cash transactions grew by 15% YoY;
- the number of issued payment cards grew by 144% YoY, mainly thanks to prepaid cards added to the product offer in 2009 (the number of prepaid cards grew by 539%);
- the volume of payments automatically identified in the BRE Collect service grew by 20%. BRE Bank processes almost 9 million transactions monthly credited to corporate clients in all automatic payment identification services;
- the number of iBRE online platform users grew by 16.7% in 2010 to over 50 thousand;
- the average monthly number of BRE Direct Debits of BRE Bank's corporate clients grew by 18%;
- the new product BRE Mass Payments used mainly for mass payroll payments grew very dynamically (number of transactions up by 127% YoY).



VI.1.3. Offer Development

The range of products on offer was largely extended in 2010. The main changes included new and modified transactional banking products.

The modular concept of the iBRE Internet Banking Platform continued to develop thanks to the following new features and innovations:

iBRE FX – an internet foreign exchange platform: it supports on-line fx transactions as an additional channel of access to financial markets. The platform supports quick and effective foreign exchange transactions at the best exchange rate currently quoted on the interbank market. The Info FX tab is a new and unique solution: it tracks current exchange rates of different currency pairs, thus enabling the optimum currency buy or sell decisions;

iBRE 2.0 – new version of the internet banking platform. The development of the internet platform focused on improvement of the system's user-friendliness and the addition of functionalities facilitating communication between clients and the Bank. iBRE 2.0 has a new layout and many new functionalities including the communication module, an interactive calendar, a notification system, and multiple languages (iBRE Trade).

iBRE Client Area: new iBRE module which supports communication and establishing of relations between clients and the Bank. Platform users receive a special interface to communicate with dedicated Bank experts and access individualised information.

BRE Płace: service generating mass payroll lists. iBRE allows users to select accounts to be debited with payments and with costs of correspondent banks. This self-service function is user-friendly and protects confidential transactions.

BRE Mass Payment Plus: service generating mass payments. It was developed for entities which offer the simplest form of financial service: accepting payment orders of private individuals and microenterprises and transferring them to a third party. BRE Mass Payment Plus is only available on the iBRE platform. The offer is addressed to companies registered as new Payment Institutions under the new Payment Services Act.

Escrow account: a special bank account for settlements under an Escrow Agreement between the bank's client (usually the payment beneficiary) and a payer. Funds in an escrow account are subject to special legal protection under § 59 of the Banking Act.

Prepaid cards: this electronic payment instrument was introduced in late 2009 to be developed and distributed on a mass scale to clients and their contractors (final users / beneficiaries). Three kinds of prepaid cards (VISA Business Prepaid, VISA Profit Prepaid and VISA Bonus Prepaid) support cash and non-cash (also online) transactions.

Electronic money: following the launch of prepaid cards, the Bank concluded the first electronic money agreement in 2011. BRE Bank is Poland's second bank to issue electronic money.

VI.1.4. Structured Finance, Syndicated Loans and Mezzanine Finance

This area of the Bank's Corporate Banking business includes M&A finance, project finance, syndicated loans and mezzanine finance. The Bank was a major player on the syndications market and participated in 15 syndicated loans, ranking second in the market at the end of 2010. At 31 December 2010 the portfolio stood at PLN 2.8 billion versus PLN 2.9 billion a year ago.

The Bank has a strong market presence in other segments as well, including mezzanine finance, which was curbed due to market restrictions and clients' preference for other, low-risk transactions. As the market conditions declined, several deals were restructured.

The recent crisis on the financial markets forced banks to change their approach to financing large projects. The current market conditions determine club deals. The syndicated loans segment is growing dynamically. The market of syndicated loans with underwriting is also strong. Here, the bank arranges financing and selects other interested banks on the secondary market, as in financing the construction project of the Wrocław Stadium arranged by BRE.

VI.1.5. Corporate Banking Network

BRE Bank serves its corporate clients through the network of 24 branches and 21 Corporate Offices located in the main Polish cities. In these units, services are also rendered to Private Banking clients.

VI.2. Trading and Investments

Trading and Investments activity includes:

- Managing the Bank's liquidity as well as its assets and liabilities (including deposits and advances portfolio interest risk management). For the purpose of managing the Bank's liquidity, a number of transactions are being made, including money market transactions, currency swaps, interest rate derivatives, treasury bonds, treasury bills and NBP bills purchase transactions, as well as repo transactions. These activities are executed by the Treasury Department.
- Managing the Bank's currency risk, trading in fx instruments on the interbank market (spot transactions and derivatives), trading in interest rate instruments (treasury bonds and treasury bills, interest rate derivatives), derivatives on commodities, shares listed on the regulated market and derivatives on shares and stock exchange indices).
- Organising the issue of debt securities for corporate clients and banks, as well as trade in and sales of these securities.
- Direct sales of financial market products to corporate banking clients and non-banking financial institutions (such as e.g. insurance companies, pension and investment funds and companies managing assets) and selected private banking clients.

In 2010, on the market of treasury bonds and interest rate derivatives the Bank was ranked as one of the leading banks keeping its bonds and bills market share at the level of 6 per cent and 19 per cent on the IRS/FRA market.

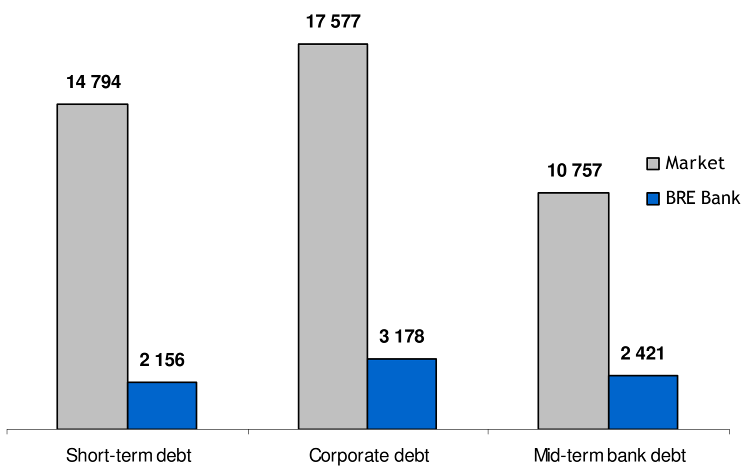
Year 2010 reported record issue (PLN 2.4 billion) of mid-term securities, out of which PLN 1.08 billion corporate bonds, PLN 0.78 billion bank bonds and PLN 0.55 billion municipal bonds. Among the largest issuers of mid-term debt securities is the City of Warsaw, NFI Empik, Echo Investment, Polnord, Arctic Paper, Tauron, Magellan, BOŚ Bank, BRE Bank Hipoteczny.

The Bank was ranked second on the market of mid-term securities of corporates with 18.1 per cent market share.

On the bank bonds market (excluding BGK bonds) the Bank was a leader, with 22.5 per cent market share.

At the end of 2010, the value of issued short-term debt securities reached about PLN 2.2 billion. The Bank's market share decreased to 14.6 per cent (4th position) mainly due to the fact that a large issue of Polish Energy Group’s shares appeared on the market, in which the Bank did not participate.

BRE Bank in the Market of Non-Treasury Debt
at 31.12.2010 (PLN M)



A number of initiatives aimed at increasing the volume of fx transactions have been implemented, focusing mainly on acquiring new clients through Corporate Banking.

Since March 2010, we offer to our corporate clients the iBREFX foreign exchange platform, fully integrated with the iBRE functionality. It allows clients to conduct electronic spot and forward fx transactions at attractive rates, and as in the case of negotiations, it allows simultaneous contact and the possibility of entering into a transaction with a dealer, in the case when such a need arises.

The volume of spot fx transactions with clients (including non-banking financial institutions) went up by about 26 per cent last year, and the Bank's market share in such transactions was above 10 per cent.

VI.2.1. Financial Institutions

Trading & Investments currently covers relations with financial institutions (until Q2 2010 under Corporates & Institutions) which include funding from other banks and placements with other banks.

The number of correspondent banks with which BRE Bank has exchanged swift keys was 1,622 at the end of 2010, up by 23 YoY.

At the end of 2010, the Bank had 35 nostro accounts and 114 loro accounts in PLN. In addition to PLN accounts, the Bank operates 8 accounts of other banks in other currencies.

At 31.12.2010, the Bank had 23 active borrowings totalling the equivalent of PLN 22,964 million, of which PLN 21,655 million were drawn. In 2010, the Bank repaid one loan in EUR and made an early repayment of part of a loan in CHF, totalling the equivalent of PLN 1,464 million. At the same time, the Bank took 4 new loans: two in US$, one in CHF and one in EUR, and extended 7 tranches of loans in CHF, totalling the equivalent of PLN 16,432 million. The net borrowings drawn were up by PLN 3,279 million YoY. More than one-fourth of the increase was due to fx differences.

Furthermore, the Bank managed to maintain its leading position in export financing (medium term KUKE – insured loans) and to further develop its relations in trade finance with correspondents, especially from Russia and Belarus. Additionally, its successfully completed the restructuring of our Kazakh exposure recovering 100% of it.

BRE Bank’s exposure under loans granted to other banks at 31.12.2010 totalled the equivalent of PLN 1,051 million. The Bank’s portfolio included 51 active short-term and long-term loans granted to other banks. In 2010, the Bank signed 33 new credit agreements totalling the equivalent of PLN 920 million.

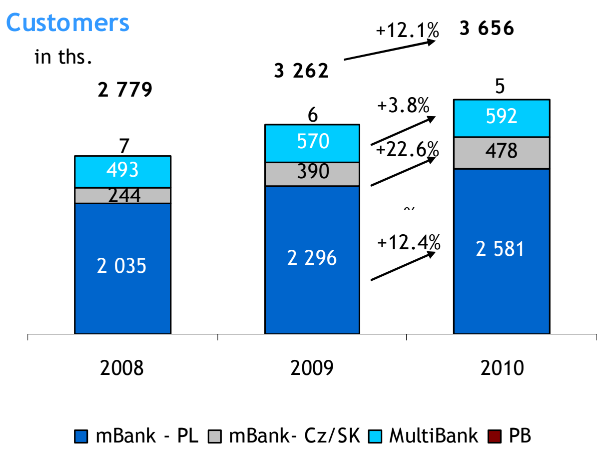
VII. Retail Banking Development in 2010

The Retail Banking business model is based on a multi-brand (mBank in Poland, the Czech Republic and Slovakia; MultiBank; BRE Private Banking) and multi-channel strategy with an integrated internet platform used by the Bank to offer a broad range of products and services. The model allows to provide different customer groups with services tailored to their needs. Thanks to this modern retail business model, the number of customers is growing dynamically.

The Bank maintains current accounts for individuals, savings accounts, time deposits, structured deposits, and offers investment products, credit cards and debit cards, settles funds, performs operations in promissory notes, cheques, issues guarantees, and grants mortgage loans and consumer loans. The product mix also includes online brokerage services and insurance products. The e-commerce platform and mBank mobile – an independent virtual mobile operator - complement the offer.

VII.1. Dynamic growth of Customer Base

At the end of 2010, there were almost 3.7 million Retail Banking clients, 394 thousand more as compared to December 2009 (+12.1%). This means that on average 32.8 thousand clients were acquired monthly. This dynamic growth was achieved as a result of modern and renowned internet banking services and innovative, attractive product and services offering



Clients served in Poland include not only individuals but also microenterprises. At the end of December 2010, there were 389.7 thousand of microenterprises (of which 292.1 thousand in mBank). Since the beginning of 2010, the number has increased by 33.6 thousand (+9.4%).

Most of retail customers are clients of online mBank, which celebrated its 10th anniversary in 2010. By this time, it has become the largest internet bank and the third largest retail bank in Poland in terms of client base.

mBank clients are young, well educated and self-directed individuals. At the same time, 78 % of them are over 26 years old, which means that they are adults with income and hence able to invest or take loans and use other banking services. The Bank is continuing to focus on acquiring this type of clients. Simultaneously, the Bank will adjust the offer to the existing clients needs in line with their growing affluence in order to be and remain the "bank for life" .

On average, the 592 thousand clients of **MultiBank** are more affluent clients, seeking high quality, seamless and personalized service. Aquarius Club is dedicated to more affluent clients' exclusive services.

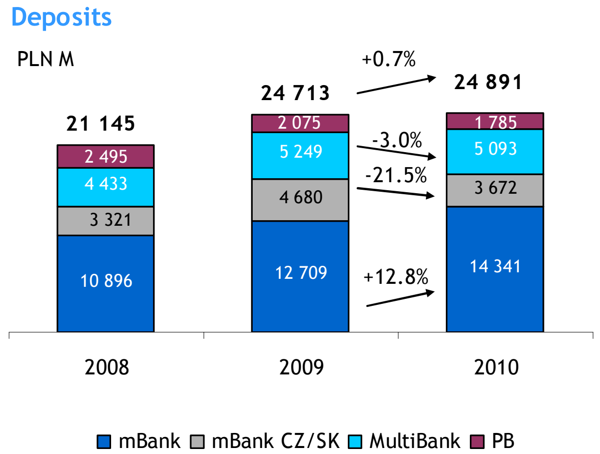
BRE's Retail Banking also services the wealthiest persons - **Private Banking** clients. Their total number amounts to approx. 5 thousand. The subsidiary - BRE Wealth Management offers a wide range of investment products and strategies to such wealthiest persons.

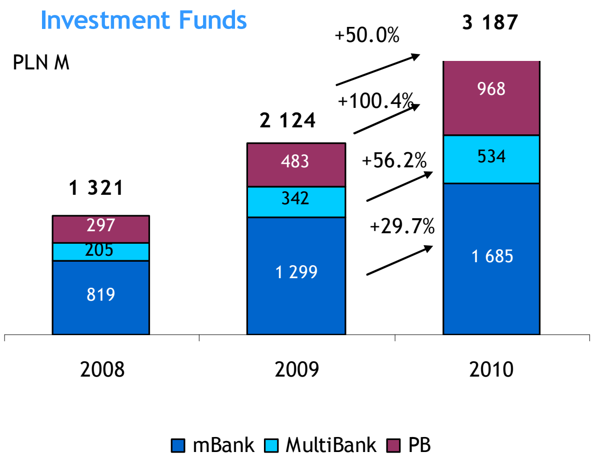
It can be noted, that the client base of BRE Retail Banking is characterized by a very good quality in terms of the demographic and material status structure. These are clients with a high income potential for their banking partner of choice. The targeted growth of Bank's income will be achieved by its intensified activity in creating client-friendly solutions, both in the offer development and in the services provided. The Bank's modern distribution channels constitute an excellent platform for delivering such solutions.

VII.2. Deposits and Investment Funds

mBank and MultiBank offer a broad range of accounts and deposits. Customers may also buy participation units of local and foreign investment funds.

Assets of Retail Banking customers amounted to PLN 28.1 billion at the end of December 2010, including PLN 24.9 billion in bank accounts and deposits and PLN 3.2 billion in investment funds. Deposits grew slightly (by PLN 0.2 billion or +0.7%) YoY.





Deposits of mBank in Poland grew dynamically, up by 12.8% YoY. Deposits of mBank in the Czech Republic and Slovakia (down by 21.5% YoY) and the deposits of MultiBank (down by 3.0% YoY) decreased as a result of adjustments in the Bank's pricing policy.

Assets in investment funds grew by PLN 1,063 million (+50.0% YoY) thanks to considerable improvement on the capital markets and an extended offering of funds. Private Banking customers showed particularly strong interest in investment funds as their assets invested in fund participation units grew by 100% YoY.

VII.3. Loans

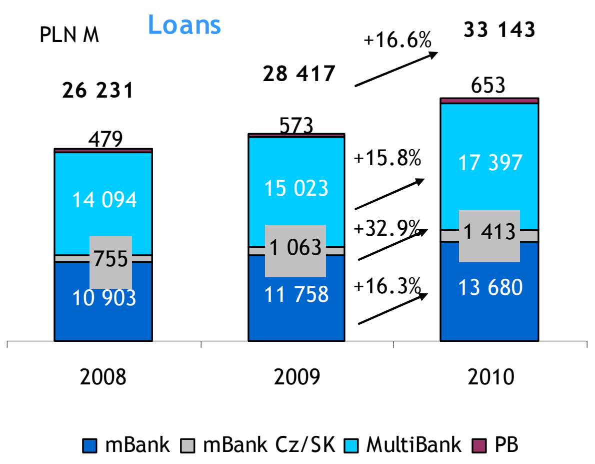
Balance-sheet loans granted by Retail Banking in Poland amounted to PLN 31.7 billion at the end of 2010, including PLN 13.7 billion granted to mBank customers and PLN 17.4 billion granted to MultiBank customers. The borrowers included private individuals as well as microenterprises, whose loans totalled PLN 2.9 billion (mainly in MultiBank: PLN 2 billion). The loan portfolio of Private Banking customers reached PLN 653 million. In addition, loans granted to mBank customers in the Czech Republic and Slovakia amounted to the equivalent of PLN 1.4 billion.

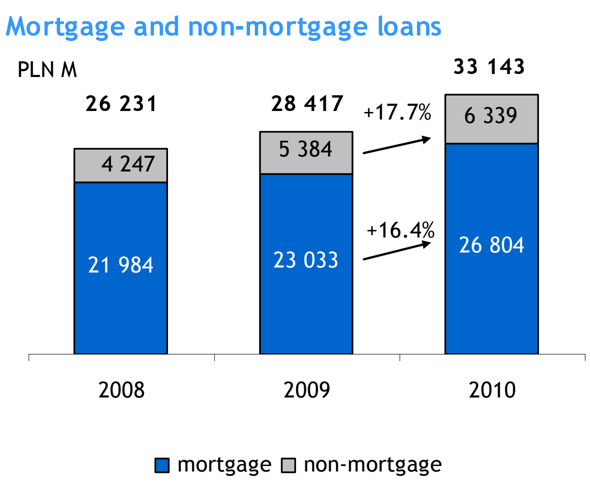
Total loans granted to Retail Banking customers amounted to PLN 33.1 billion, up by 16.6% YoY. However, it should be noted that fx loans, in particular CHF mortgage loans, represent a large part of the portfolio. Consequently, the growth rate was strongly driven by fx rates, in particular the appreciation of CHF against PLN. Net of the fx effect, the loan portfolio grew by ca. 7% YoY.

Balance-sheet loans grew by almost PLN 4.7 billion YoY, in particular MultiBank's loans (up by PLN 2.4 billion) and mBank's loans in Poland (up by PLN 1.9 billion). The loan portfolio in the Czech Republic and Slovakia grew by PLN 350 million and the Private Banking loan portfolio by PLN 80 million.

The structure of the loan portfolio in Poland at the end of December 2010 was as follows:

- mBank: 78.8% mortgage loans, 7.1% cash loans, 6.1% credit lines, 4.9% credit cards, 3.1% other;
- MultiBank: 82.9% mortgage loans, 5.5% credit lines, 2.1% cash loans, 1.6% credit cards, 7.9% other.





The loan portfolio structure is dominated by **mortgage loans**, which accounted for 80.9% of all loans granted at the end of December 2010. The growth rate of mortgage loans amounted to 16.4% (+PLN 3.8 billion), also due to the depreciation of PLN against CHF.

The table below presents an overview of the mortgage loans portfolio at 31 December 2010 v. 31 December 2009 (only loans granted to private individuals in Poland).

Retail mortgage loans (Poland)	Total		PLN		FX	
	31.12.2009	31.12.2010	31.12.2009	31.12.2010	31.12.2009	31.12.2010
Balance sheet value (PLN billion)	21,40	24,76	2,30	2,29	19,10	22,47
Average maturity (years)	23,12	22,75	20,20	20,00	23,55	23,14
Average value (PLN ths.)	251,67	278,32	208,34	206,28	258,14	288,59
Average LTV (w %)	79,97%	82%	56,65%	56%	83,46%	86%
NPL	0,52%	0,84%	1,80%	4,00%	0,37%	0,52%

The balance-sheet value of fx mortgage loans grew in 2010 by 17.6%. The percentage of non-performing loans (NPL) increased slightly; it is higher for PLN loans. The quality of the mortgage loans portfolio is declining as a result of the ageing of the portfolio.

In line with the Bank's strategy **non-mortgage loans** grew by PLN 955 million (+17.7%) YoY to PLN 6,339 million in 2010. These include cash loans, credit lines, credit cards, and consumer loans. According to the Bank's strategy published in March 2010, intensive sales of non-mortgage loans to the existing customer base should be a source of growing revenue in retail banking.

In 2010, the fastest growth was recorded by cash loans. Their dynamic development was connected with the Global Limit introduction in mBank (February 2010) and Multibank (July 2010). Clients' awareness of the possibility of a quick and easy access to Bank's loans increased sharply thanks to a new product offer that allows access to credit limits prepared for clients that have regular inflow on their accounts.

In mBank and Multibank, the volumes of Cash Loans for companies grew sharply as a result of introduced sales under guaranteed limits.

In 2010, the sale of non-mortgage loans both for microenterprises and individuals in 2010 was focused on the Bank's existing customers.

VII.4. Cards

In 2010, the growth of credit card loans was mainly driven by an increase in the number of credit cards by 71.5 thousand in 2010 to 570.5 thousand cards at the end of December, including 394.4 thousand cards issued to mBank customers and 176.1 thousand cards issued to MultiBank customers.

The number of issued debit cards reached 3,024.8 thousand at the end of December 2010 (2,369.1 thousand in mBank, 655.7 thousand in MultiBank), up by 518.9 thousand YoY.

VII.5. Development of Quasi-Banking Services

Brokerage and insurance services provided by Retail Banking are a big advantage to customers and a growing source of revenue for BRE Bank Group.

In the context of a recovery on the capital markets, the number of customers using **brokerage services** grew in 2010. In mBank, eBroker customers had 189 thousand securities accounts, up by 44 thousand YoY. In MultiBank, Brokerage Service customers had 31 thousand accounts (up by 11 thousand). Transactions in the accounts in 2010 represented 28.4% of all trading via DI BRE.

Insurance products (motor, travel, and real estate insurance) are sold via MultiBank's Insurance Centre and mBank's mInsurance module (including the very popular Car Insurance Supermarket). Insurance products are also sold by the subsidiary BRE Ubezpieczenia TUiR (see "Retail Banking Subsidiaries").

VII.6. Offer Development

The development of the product offering continued in 2010. New and significantly modified products and sales support initiatives included:

MultiBank

- Global Limit – an individual credit limit for customers, determined on the basis of the customer's relationship history with the Bank. The Global Limit is known to the customer via the transaction system, where it can be accepted by the customer. It covers three products: credit line, credit card, and cash loan; the customer may choose the credit product from the Bank;

- Introduction of MultiBank housing loans with co-financing under a government programme for families;
- Launch of the MasterCard Debit AQ card and the MasterCard Gold credit card;
- Several new investment deposits and Allianz Platinium FIZ, a product developed by private banking;
- Unemployment insurance for mortgage loans;
- MultiBank apartments (in co-operation with BRE Property Partners) – as of June, MultiBank's wealthy clients may invest in exclusive property for rent;
- Commission-free use of all ATMs in Poland and globally as part of the Aquarius service;
- MultiBank joined the Partner Programme mBank.net.pl;
- Contactless credit card Visa n payWave,
- Safe Profit Strategy Policy – group life insurance and savings product;
- MultiBank Savings Centre offers Poland's first index fund Ipopema m-INDEKS FIO and funds of AgioFunds TFI S.A. and Quercus TFI S.A.;
- Online transfers between mBank and MultiBank;
- Medical service packages added to the insurance offer;
- MultiTransfer payments with MultiBank credit cards.

mBank in Poland

- Global Limit – an individual credit limit for customers, determined on the basis of the customer's relationship history, known to the customer via the transaction system, where it can be accepted by the customer. It covers three products: credit line, credit card, and cash loan; the customer may choose the credit product from the Bank;
- Cash loans for microenterprises;
- EUR car loans;
- Instalment loans under credit cards;
- BILIX service: invoice presentment and payment in the transaction system;
- SMS recharge – a mobile phone recharge service debited to mBank account by SMS;
- iPhone application;
- new mTransfer functionalities: credit card transfers, mTransfer cash loans;
- Online transfers between mBank and MultiBank;
- Express transfers – fast transfers between mBank and other banks in Poland;
- Contact card MasterCard Debit for eKonto and contactless debit card Visa Electron PayWave;
- New insurance product – 24h medical service package of professional health care in a chain of over 700 centres in Poland;
- New eKonto products: Assistance Auto 24h, Dom24h and Opieka24h insurance packages.

mBank abroad

- In Slovakia, mBank launched mFondy (a counterpart to the Investment Funds Supermarket) and SEPA transfers.
- New product added to the offering: modified mortgage loans *Hipoteka Light* (early payment fee and no balancing account but more attractive prices of the product).
- Cash loans offered in the Czech Republic under a pre-assigned limit known to the customer via the transaction system, where it can be accepted by the customer, and in Slovakia based on income criteria.

- First microenterprise credit product (business overdraft) offered in the Czech Republic.

Private Banking and Wealth Management

- Remodelling and focusing of the service on actual investment advice. Individual asset management and four model management strategies, supported with Client Balance and Fund Picking tools (original ranking of investment funds), have been introduced.
- Introduction of a new product "Stable Assets Portfolio".
- Owing to the modifications in the service model, the min. thresholds for joining the BRE Private Banking & Wealth Management offer have been changed:
    - BRE PB&WM services are available from PLN 1 million or its equivalent in foreign currency,
    - individual investment advice - available to clients who for this service, have at their disposal assets worth at least PLN 2 million or its equivalent in foreign currency,
    - asset management service - available to clients with assets worth at least PLN 5 million.

VII.7. Optimization of the Branch Network

Since July 2009, mBank distribution network in Poland is managed by the Group subsidiary, Aspiro. As of 31 December 2010, the retail sales network encompassed 115 locations (65 mKiosks, 24 Financial Centres and 26 partner mKiosks) v. 142 at the end of 2009. Also 32 Agent Service Points were built during 2010. During 2010 an optimization of the sales network was conducted, both in Poland and abroad.

The number of mBank outlets in the Czech Republic decreased from 27 to 26 (currently, there are 17 mKiosks and 9 Financial Centres) and in Slovakia – from 16 to 9 (5 mKiosks and 4 Financial Centres).

MultiBank operates through 133 branches (72 Financial Services Centres, 61 Partner Branches, of which 51 are Branches of the Future) v. 134 at the end of 2009.

Clients of subsidiaries classified as Retail Banking Clients, namely BRE Ubezpieczenia (BRE Insurance), are serviced in mBank and MultiBank branches, while BRE Wealth Management clients, alike Private Banking clients are serviced in corporate branches.

VIII. BRE Bank’s Custodian Services

BRE Bank is one of the largest on the market of custodian services. BRE Bank’s custody clients are mainly local and foreign financial institutions, banks which offer custodian and investment services, pension funds and investment funds, insurance companies, asset management institutions, and non-financial institutions.

The Bank provides services including settlement of transactions in securities registered in local and foreign markets, safe-keeping of clients’ assets, maintenance of securities accounts and registers of securities in non-public trading, maintenance of asset registers of pension funds and investment funds, monitoring the valuation of their assets, and processing corporate actions.

The Bank’s custodian services grew dynamically in 2010. The Bank acquired new clients, mainly investment funds. In 2010, the Bank started to provide services to 69 investment funds; as a result, the number of investment fund clients doubled and reached a market share around 20%. Another 40 funds are pending the start of service.

At the end of 2010, the total assets of clients covered by the Bank’s custodian services increased by 25% year on year and reached the highest level ever in the history of this business of BRE Bank SA.

IX. Financial standing of BRE Bank in 2010

IX.1. Profit and Loss Account of BRE Bank

BRE Bank closed 2010 with a pre-tax profit of PLN 682,0 million, which represents a nearly sevenfold rise compared to 2009 (PLN 98.9 million). The net profit of PLN 517.7 million was nine times higher than in 2009 when it reached PLN 57.1 million.

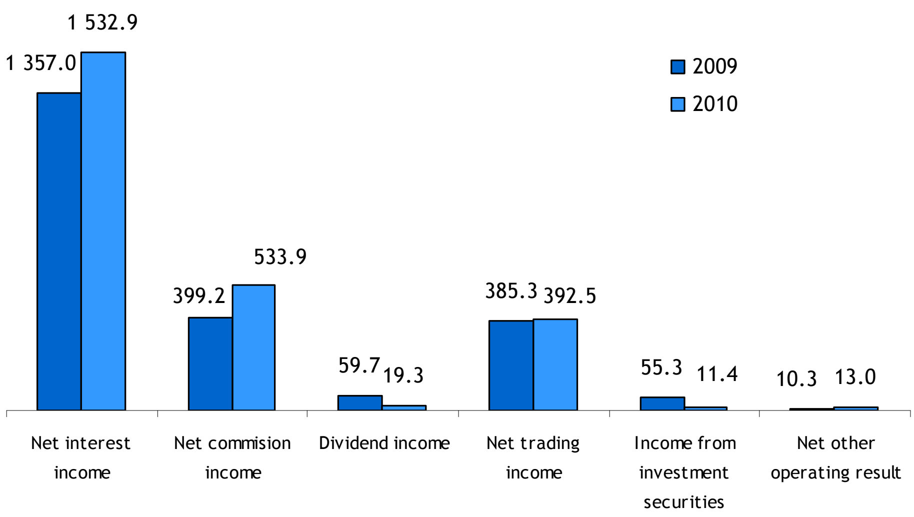
The significant improvement of the financial results was possible thanks to record high income, lower net loan loss provisions, and continued cost discipline.

IX.1.1 Income of BRE Bank

Income generated by BRE Bank in 2010 at PLN 2,503 million (up by PLN 236.1 million or 10.4% YoY) was the highest in the history of the Bank. The rise was mainly driven by a significant growth in net interest income and net commission income.

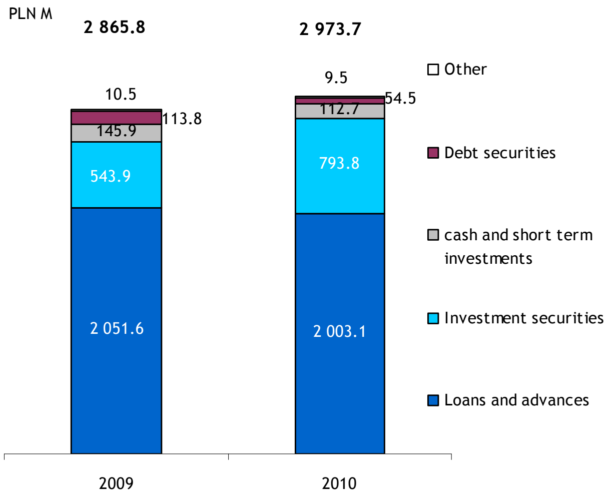
BRE Bank income

PLN M



Net interest income was the main source of BRE Bank's income in 2010 with share of 61.2%. It reached PLN 1,532.9 million, up by PLN 175.8 million or 13,0% vs. 2009. Interest income increased by 3.8% while interest expenses decreased by 4.5% in comparison to 2009.

Interest income structure



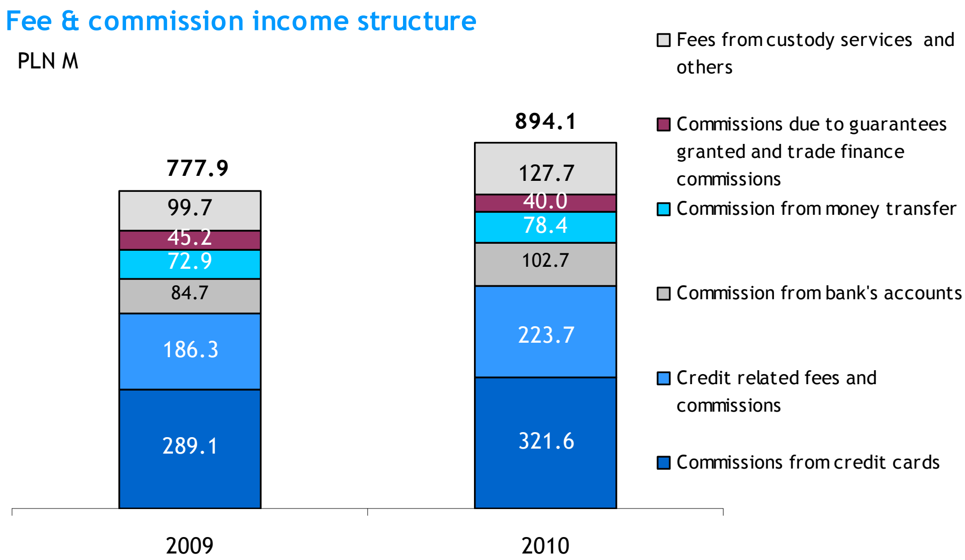
Loans and advances continued to be the main source of interest income (67.4%). Interest income on loans and advances decreased by PLN 48.5 million YoY due to lower nominal reference interest rates in 2010. As a result of a significant growth in the volume of investment securities, interest income from this portfolio increased by PLN 249.9 million or by 45.9% YoY. Reduced nominal interest rates caused a decrease in interest income from short-term funds. Interest income from debt securities held for trading decreased because the volume of this asset category went down.

Net interest margin generated by BRE Bank, calculated as net interest income to average interest-earning assets, accounted for 2.04% in 2010 against 2.13% in 2009. The reduction was driven by increased share of investment securities in interest-earning assets.

The table below presents the average interest on deposits and loans at BRE Bank in 2010:

Average interes rate (Bank)				
		Retail	Corporates	Bank total
Deposits				
	PLN	2,94%	2,68%	2,87%
	FX	0,93%	0,17%	0,68%
Loans				
	PLN	9,08%	5,66%	6,96%
	FX	2,35%	2,67%	2,40%
incl. mortgage loans				
	PLN	5,47%		
	FX	2,28%		

Net commission income accounted for 21.3% of BRE Bank's income and grew dynamically YoY. It reached PLN 533.9 million in 2010, which represents a rise by PLN 134.7 million or 33.7% YoY. Commission income increased by 14.9% YoY, while commission expenses went down by 4.9%.



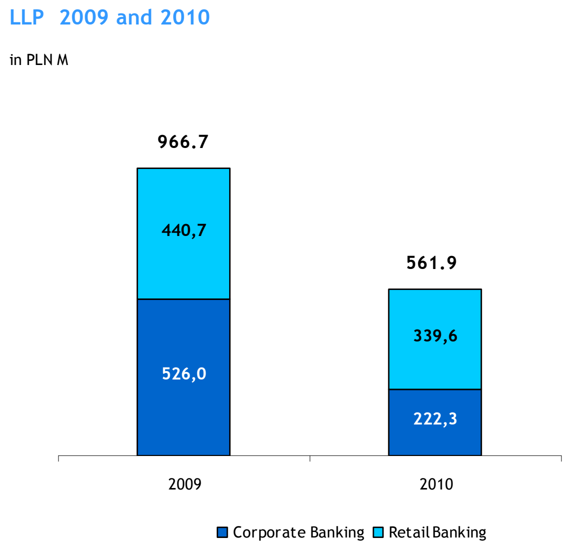
The highest growth (+PLN 37.4 million, +20.1% YoY) was reported for credit related fees and commissions. Commissions from payment cards went up significantly (PLN 32.5 million, +11.2% YoY). A growth by more than PLN 18 million or +21.3% YoY was observed in commission on accounts. The dynamic growth of commission income on client's accounts and payment cards was driven by dynamic growth of the Bank's customer base.

Net trading income in 2010 (PLN 392.5 million) increased by PLN 7.3 million or 1.9% YoY. FX result was down by PLN 45.1 million or 11.2% YoY. This was mainly due to less active trading by clients on the fx market resulting in smaller number of concluded fx transactions. Other net trading income grew by PLN 52.3 million YoY, mainly driven by a positive valuation of interest rate derivatives as well as higher income on market risk instruments.

IX.1.2. Loan Loss Provisions

Net loan loss provisions at BRE Bank reached PLN 561.9 million in 2010 v. PLN 966.7 million in 2009, down by PLN 404.7 million or 41.9% YoY.

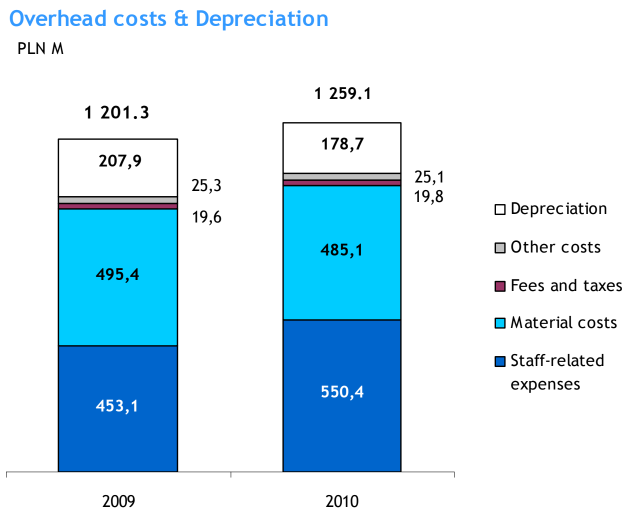
In the Corporate Banking, loan loss provisions declined mainly thanks to a decrease of provisions against credit exposures to clients under derivative transactions; in 2009, the Bank set up PLN 275.1 million of such provisions. The cost of credit risk decreased as a result of the general improvement in the financial standing of the Group's clients and in particular due to a significant decrease of provisions in the area of Corporates and Institutions. As a result of adequate provisions set up in previous periods and undertaken restructuring measures, loan loss provisions in this business area decreased from PLN 526 million in 2009 to PLN 222.3 million in 2010.



Retail Banking loan loss provisions in 2009 were mainly driven by cash loans "Kredyt ratalny plus" granted to external clients (clients without a previous relationship with mBank). Sales of these cash loan products were stopped in May 2009, hence the problem with portfolio quality eased gradually. As a result net loan loss provisions in Retail Banking declined to PLN 339.6 million at year-end 2010 v. PLN 440.7 million in 2009.

IX.1.3. Overhead costs

Overhead costs in 2010 were up by PLN 87 million or 8.8% YOY. Costs including depreciation stood at PLN 1,259.1 million (up by 4.8% YoY).



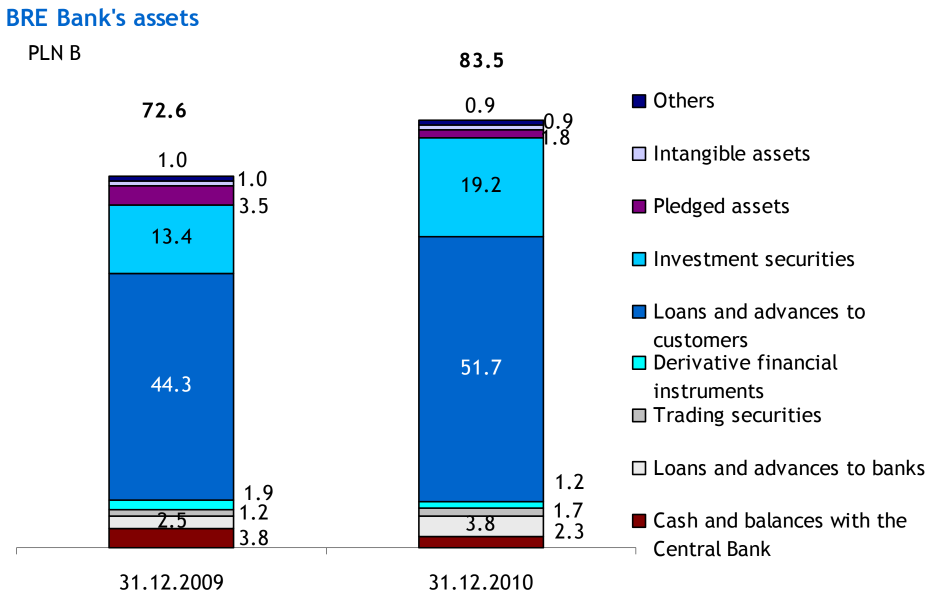
The cost increase was mainly driven by personnel costs (up by PLN 97.3 million or 21.5%) as a result of higher accruals for bonuses relating to improved performance of the Bank as well as sales bonuses in Retail Banking and employee stock options. The growth in personnel costs was also related to increase of the headcount of the Bank by 8.9% vs. year end 2009. Maintenance costs were down by PLN 10.3 million or 2.1% YoY thanks to implemented optimisation initiatives.

Depreciation was down by PLN 29.3 million (-14.1%) to PLN 178.7 million as a result of accelerated depreciation of intangible assets (the core IT systems Globus and Altamira) at PLN 20.7 million in 2009. This reduced the cost base in 2010.

IX.2. Changes in the statement of financial position

IX.2.1. Changes in assets of BRE Bank

BRE Bank's assets grew by PLN 10,913.5 million or 15% in 2010 and reached PLN 83,520.7 million at 31 December 2010.



Loans and advances to customers of PLN 51,662.3 million at year-end 2010 remained the largest asset category, accounting for 61.9% of total assets (compared to 61% at the end of 2009). Loans and advances to customers grew by 16.7% or PLN 7,401.6 million YoY. The growth was partially driven by depreciation of the zloty.

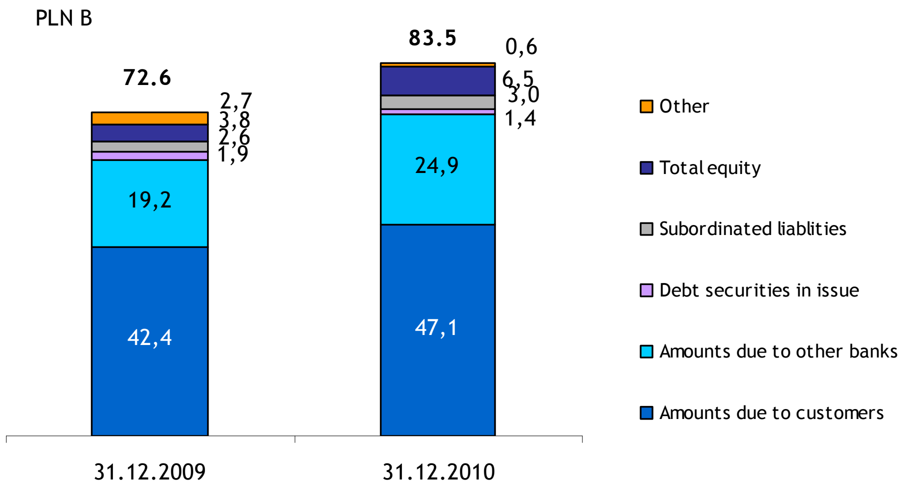
Loans and advances to retail clients grew the most (by PLN 4,826 million or 16.8%) as a result of depreciation of the zloty as well as intensified sales of PLN non-mortgage loans. Loans and advances to corporate clients grew by PLN 2,564 million or 16.4%. However, since they were strongly impacted by a very high amount of repo transactions with clients (PLN 3,338 million at 2010 year-end v. PLN 354 million in 2009), they were in fact slightly lower than at 2009 year-end due to reduced demand of corporate clients. Loans granted to the public sector were up by PLN 657 million (88.4%), demonstrating the Bank's growing presence in this sector.

Investment securities were the second largest category of assets. They increased by PLN 5,797.8 million or 43.3% in 2010. The growth was mainly driven by new client deposits as well as funds raised in the new shares issue, which were invested in securities. The resources will be deployed in line with the growing credit demand.

IX.2.2. Liabilities

Changes in the Bank's liabilities in 2010 are shown on the chart below:

BRE Bank's liabilities



Amounts due to clients remained the BRE Bank's main source of funding at 56.4% of total liabilities at 31 December 2010. Amounts due to clients were up by PLN 4,652.9 million or 10.8% YoY and reached PLN 47,067.3 million.

Amounts due to corporate clients grew the most (up by PLN 3,950.0 million, +22.7%). The growth was impacted by high repo transactions at PLN 2,708.2 million at the end of 2010 v. PLN 881.2 million in 2009. Amounts due to retail clients remained stable YoY despite the reduction of interest rates offered to clients in 2010. Amounts due to the public sector almost quadrupled YoY (to PLN 927 million) in 2010 as a result of the Bank's stronger presence in this market segment.

Amounts due to banks grew by PLN 5,696 million or 29.7% YoY. The growth resulted mainly from depreciation of the zloty against foreign currencies and growing long-term borrowings of the Bank. The amounts due to banks also grew due to increase in the Bank's exposure to sell-buy-back transactions

Subordinated liabilities grew by 14.4% solely as a result of changes in the fx rate of CHF, the currency of the subordinated liabilities.

The share of **equity** in the liabilities of the BRE Bank Group rose from 5.2% at the end of 2009 to 7.8% in 2010. The increase resulted mainly from the rights issue conducted by BRE Bank in H1 2010, which added PLN 1,966.2 million to the equity and enhanced the Bank's safety as well as business expansion opportunities.

The description of guarantees granted by Bank and other off- balance sheet positions is presented in note 35 of the BRE Bank IFRS Financial Statements 2009.

IX.3. Performance Indicators

The key performance indicators of the BRE Bank were as follows:

	31.12.2009	31.12.2010
ROA net	0,08%	0,66%
ROE before tax	2,70%	13,24%
ROE net	1,56%	10,05%
C/I	53,00%	50,30%
Net interest margin	2,13%	2,04%
CAR	11,74%	16,91%
Core Tier 1	6,68%	10,76%

ROA= Net profit (including minority shareholders)/Total assets

ROE before tax = Profit before tax / Equity (including minority shareholders, excluding this year's profit)

ROE net = Net profit (including minority shareholders) / Equity (including minority shareholders, excluding this year's profit)

C/I = Overhead costs + depreciation / Income (including net other income and cost)

Net interest margin = net interest income/average interest earning assets

X. Main Risks of the BRE Bank's Business

BRE Bank monitors credit risk, operational risk, market risk, liquidity risk, and interest rate risk of the banking book in the BRE Bank Group using risk measures applied by BRE Bank and taking account of differences in the profile and scale of business between particular Group companies. In addition, within the ICAAP process, the Bank monitors other risks to which its business is exposed.

X.1. Credit Risk

Credit risk is the most important type of the risks, to which the BRE Bank Group is exposed, therefore special attention is paid to credit risk management. Credit risk is defined as the risk posed when the borrower is not able to repay the obligation in whole towards the Group within the set deadlines and amounts.

As at balance sheet date loss provisions are set up. Owing to high concentration of the risk portfolio, changes in the economy or situation of the economic sector, which has a significant share in the Group's portfolio, those obligations may pose additional risk for which no provision has been set up as at the balance sheet date. Therefore, the management carefully monitors the clients and the groups of clients in respect of which the Bank's exposure is large. The Group manages the level of credit risk that is taken by setting the limits of acceptable risk in respect of one borrower or a group of borrowers linked and by the structure of sublimits. Risk management involves also setting limits in respect of territorial or sector concentration. Credit risk is monitored on an ongoing basis, based on the received financial documents of the clients, and based on observing any trends, signals and economic forecasts.

One of the methods of credit risk mitigation consists in a system under which credit decisions are made by competent decision-making bodies. The criterion qualifying any given case to be considered by the appropriate decision-making body is the amount of exposure and the level of risk assigned to the customer and to the transaction (internal rating). In addition, BRE Bank reduces credit risk through the diversification of the loans portfolio. This is supported, among others, by the analysis of the structure of the Bank's portfolio and the resulting conclusions, guidelines and recommendations concerning the Bank's exposure to selected sectors and markets.

The Bank applies credit portfolio risk measurement methods based on the estimation of Expected Loss and Credit Value at Risk, using the extended CreditRisk+ model, which incorporates, among others, correlations between various sectors of the economy and residual risk. The daily monitoring of credit risk involves the verification of internal ratings and events of default as defined under Basel II and the IFRS.

X.1.1 Quality of the Loans Portfolio

The share of default exposures in advances and loans to BRE Bank clients was 5.2% of at the end of 2010, as compared to 4.5% in 2009.

Loan loss provisions increased from PLN 1,669.8 million at the end of 2009 to PLN 2 168.0, including PLN 186.8 million of IBNI (Incurred But Not Identified) loss provisions (PLN 203.7 million in 2009).

The coverage was 70.6%, compared to 70.2% a year earlier.

In 2010 the Bank issued 191 enforcement orders for corporate client (113 in 2009) and 36,173 enforcement orders for retail clients (15,843 in 2009).

The table below presents the quality of the credit portfolio of the BRE Bank by groups of clients at the end of 2010 compared with 2009. More detailed information on the quality and concentration of the credit portfolio is contained in the notes 3 and 22 of the IFRS Financial Statement for 2010.

Loans and advances to customers	31.12.2009 PLN M	31.12.2010 PLN M
Loans and advances to customers (gross)	**45 930,5**	**53 830,3**
Not impaired	43 840,9	51 025,4
Impaired	2 089,5	2 804,9
Provisions for loans and advances to customers	**1 669,8**	**2 168,0**
Portfolio provisions	203,7	186,8
Provisions for impaired exposures	1 466,1	1 981,2
Impaired as % of gross exposure	**4,5%**	**5,2%**
Coverage ratio of impaired portfolio	**70,2%**	**70,6%**
Relation of provisions to total gross portfolio	**3,6%**	**4,0%**
Loans and advances to individuals (gross)	**28 771,4**	**33 597,9**
Not impaired	28 069,3	32 455,0
Impaired	702,1	1 142,9
Provisions for loans and advances to individuals	**708,2**	**1 051,2**
Portfolio provisions	91,3	77,6
Provisions for impaired exposures	617,0	973,6
Impaired as % of gross exposure	**2,4%**	**3,4%**
Coverage ratio of impaired portfolio	**87,9%**	**85,2%**
Loans and advances to corporate entities (gross)	**15 598,7**	**18 163,1**
Not impaired	14 211,3	16 501,0
Impaired	1 387,4	1 662,1
Provisions for loans and advances to corporate entities	**958,9**	**1 111,7**
Portfolio provisions	109,8	104,2
Provisions for impaired exposures	849,1	1 007,5
Impaired as % of gross exposure	**8,9%**	**9,2%**
Coverage ratio of impaired portfolio	**61,2%**	**60,6%**
Loans and advances to public sector (gross)	**743,9**	**1 401,2**
Not impaired	743,9	1 401,2
Impaired	-	-
Provisions for loans and advances to public sector	**2,6**	**5,0**
Portfolio provisions	2,6	5,0
Provisions for impaired exposures	-	-
Impaired as % of gross exposure	**0,0%**	**0,0%**
Coverage ratio of impaired portfolio	-	-
Others (gross)	**816,5**	**668,1**
Not impaired	816,5	668,1
Impaired	0,0	0,0
Provisions for others	**0,0**	**0,0**

X.2. Liquidity Risk

The purpose of liquidity risk management is to assure and maintain the capacity of the Bank to honour both its current and future liabilities, taking into account the costs of liquidity. BRE Bank monitors financial liquidity on a daily basis, using cash flow analysis methods. Liquidity risk measurement is based on an in-house model developed on the basis of analysis of the Bank's unique features, deposit base volatility, concentration of financing, and planned development of particular portfolios. Daily monitoring covers the following items: the value of cash flow gaps in specific time intervals (mismatch), the values of supervisory liquidity measures, the level of liquidity reserves of the Bank, and the degree of utilisation of external supervisory limits and internal liquidity limits, which are determined by the Risk Committee. The Bank assesses its liquidity position and the probability of its deterioration based on scenario methodologies on an ongoing basis. Stress test scenario results are regularly prepared and presented to respective Committees and to the Management Board.

The Bank also monitors regularly the concentration of funding, especially the deposit base, and the level of liquidity reserves. The Bank has put in place liquidity contingency procedures. In 2010, the Bank's liquidity and funding remained on the level adequate to needs (detailed description in note 3.7 of IFRS Financial Statement 2010).

X.3. Market Risk

In its business, the Bank is exposed to market risk, i.e., the risk of unfavourable change in the present value of the Bank's trading book and banking book due to changes in market risk factors: interest rates, fx rates, prices of securities, and the implied volatility of options.

BRE Bank has a balanced currency position (see table below), therefore is less sensitive for interest rates and fx rates risks.

31.12.2010	PLN	EUR	USD	CHF	GBP	Inne	Razem
Total assets	50 857.3	7 113.3	1 898.8	21 870.4	40.9	1 739.9	83 520.7
Total liabilities	43 602.8	7 217.9	1 882.3	21 628.6	81.0	2 577.2	76 989.7
Net on balance sheet position	7 254.6	-104.5	16.5	241.9	-40.2	-837.3	6 531.0
Loan commitments and other commitments	10 050.1	727.0	118.9	0.1	4.3	126.2	11 026.6

Market risk exposure is quantified by measurement of Value at Risk (VaR) and by use of stress tests and scenario analyses based on market performance during previous financial crises. Market risk, in particular interest rate risk, is also quantified by measurement of Earning at Risk (EaR) of the banking book.

In order to limit the level of exposure to market risk, the BRE Bank SA Risk Committee sets binding VaR limits as well as control numbers: stress test limits and maturity gaps of the banking book. All these limits are monitored and controlled on a daily basis.

Value at Risk

The average VaR of the Bank's total portfolio (trading book and banking book) was PLN 7.31 million and the maximum VaR was PLN 10.38 million. The utilisation of VaR limits was at a safe level and on average amounted to 16.61% for the portfolio of the Financial Markets Department (DFM) and 44,26% for the portfolio of the Treasury Department (DS). VaR was mainly affected by portfolios of interest-rates-sensitive instruments (which are mainly part of the banking book), such as Treasury securities and interest rate swaps, and to a lower degree by portfolios of fx-rates-sensitive instruments (part of the trading book), such as fx options and fx transactions. The other groups of risk factors had a relatively low impact on VaR.

VaR

PLN'000	2009				2010			
	31.12.2009	avg	max	min	31.12.2010	avg	max	min
Interest rate risk	6 496	7 278	8 847	4 881	9 529	7 242	10 411	3 895
FX risk	2 293	2 778	4 310	1 139	222	651	2 786	178
Stock price risk	163	152	694	1	25	184	906	2
VaR total	7 685	9 396	14 657	6 485	9 423	7 314	10 375	3 951

Stress Testing

Stress testing is an additional measure of market risk supplementary to Value at Risk. Stress testing measures the hypothetical change in the present value of the Bank's portfolios that would occur as a result of the risk factors moving to specific extreme values within a one-day horizon.

In regular stress tests based on scenarios of large, extremely correlated changes in risk factors, the same for each group, market risk remained within a safe band in 2010, below set control numbers: the average utilisation of the limits was 49% at the Treasury Department (DS) and 17% at the Financial Markets Department (DFM). Under these scenarios, the biggest potential loss was observed on a sharp increase of interest rates (mainly local rates): at a 15% increase in interest rates, the average loss on the DS portfolio would be PLN 54.91 million in 2010 and the average loss of DFM would be PLN 4.75 million in January-May and PLN 10.55 million in October-December. The highest average loss of DFM in June-September would occur at a 15% decrease of interest rates, amounting to PLN 7.42 million.

In addition, the Bank conducts stress tests based on observed past crises. The average value from the tests in 2010 was PLN 11.66 million for the DFM portfolio and PLN 71.96 million for the DS portfolio.

Interest Rate Risk of the Banking Book

In 2010, the interest rate risk of the banking book as measured by EaR (potential decrease of interest income within 12 months assuming an unfavourable 100bp change of market interest rates based on a stable value of the portfolio over the period) was moderate for positions in PLN and CHF and low for positions in CZK, USD and EUR due to the small interest rate position gap in these currencies. At the end of 2010, EaR (in million PLN) was 35.83 for PLN, 16.28 million for CHF, 5.49 for CZK, 4.56 million for EUR, and 0.12 million for USD. In addition, the Bank monitors underlying risk, yield curve risk, and customer option risk of the banking book. The maturity gap limits were not exceeded in 2010.

The table below presents the potential decrease in interest income over 12 months assuming an unfavourable 100bp change of market interest rates.

PLN M	2009				2010			
	31.12.2009	avg	max	min	31.12.2010	avg	max	min
PLN	7.47	12.20	29.38	0.08	35.83	24.45	49.79	0.11
USD	1.46	0.97	3.39	0.01	0.12	0.70	3.04	0.00
EUR	0.13	2.62	6.89	0.01	4.56	2.54	7.38	0.02
CHF	14.18	13.46	19.80	7.22	16.28	13.97	21.68	8.98
CZK	5.09	5.05	8.41	2.20	5.49	4.74	6.65	2.97

X.4. Operational Risk

In 2010, BRE Bank monitored and controlled operational risk using the methods and tools implemented in previous years. In particular, BRE Bank compiles operational event and loss data in its central database, monitors business and operational process parameters using key risk factors, performs operational risk self-assessment surveys of the Banks' organisational units, defines scenarios for identification and mitigation of the risk of very high operational losses.

X.5. Capital Adequacy

The Management Board of the Bank ensures consistency of the capital and risk management process by the system of strategies, policies and procedures for management of particular risk types which constitute the architecture of the ICAAP process. Furthermore, in line with the Capital Management Policy applicable at the Bank, the Bank maintains the optimum level and structure of equity, guaranteeing maintenance of the solvency ratio at the level higher than the statutory minimum, at the same time hedging against all the relevant risks identified in the Bank's operations.

The Capital Management Policy at BRE Bank is based on the two basic pillars:

1. Maintaining an optimal level and structure of equity, with the use of available methods and means (retained net profit, subordinated loans, issue of shares, etc.);

2. Effective use of the existing capital, also by applying the system of capital use measures. Thus reducing an activity, that is not bringing the expected return and developing products with lower capital absorption.

Below the BRE Bank's solvency ratio improvement throughout the last 3 years is presented (data in PLN million).

Capital adeqacy	31.12.2008	31.12.2009	31.12.2010
Total own funds	4 887.0	5 338.7	8 168.8
Total risk weighted assets and off-balance sheet liabilities	44 445.5	41 288.4	44 216.2
Total capital charge	3 893.7	3 639.6	3 864.8
Capital adequacy ratio (%)	**10.04%**	**11.73%**	**16.91%**

X.5.1. Harmonisation with Basel II Requirements

The work of the Risk Line is focused on the Basel II AIRB Project (Advanced Internal Rating Based Approach) which is implementing internal rating methods of the calculation of the credit risk capital requirement, one of the largest and most important projects implemented by the Bank. The importance of the project is highlighted by the fact that its Steering Committee comprises all BRE Bank Management Board Members as well as Commerzbank Managers. The scope of the project covers all relevant aspects of credit risk measurement and corporate governance in the area. The timeline of the project is 2009 – 2013 due to gradual application of the AIRB method to exposure portfolios of the Bank and BRE Bank Group subsidiaries (BRE Bank Hipoteczny and BRE Leasing).

The application of the internal rating based approach requires the approval of the Polish Financial Supervision Authority (KNF) and the German Federal Financial Supervisory Authority (BaFin), conditional on a range of criteria. In the process of AIRB implementation, in December 2009, BRE Bank approached both Authorities with an application for approval of AIRB application. In Q2 2010, KNF carried out a topical inspection in the Bank aimed at verification of BRE Bank's readiness for the application of the internal rating based approach. The inspection included an analysis of all credit risk management models covered by AIRB phase 1 as well as credit processes, supporting IT tools, and a capital requirement calculation tool.

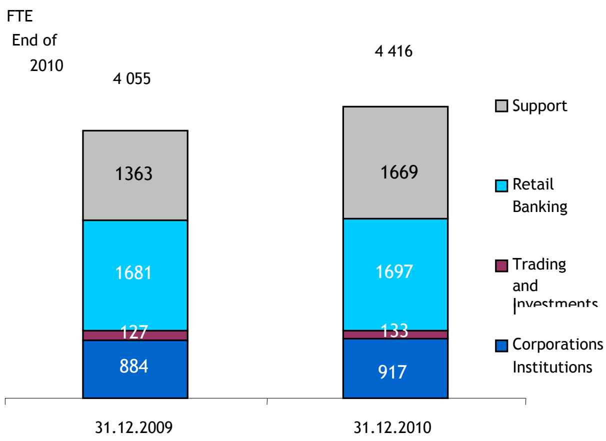
BRE Bank performed a preliminary analysis of the impact of the Basel III concept on the Bank's capital adequacy and liquidity. Further analysis based on the final Basel III concept is planned in 2011.

XI. Human Resources Development

XI.1. Changes in Employment

As at the end of 2010, BRE Bank employed 5 300 persons, which, as compared to the end of 2009, means an increase of 399 persons (+8.1%). New employees were hired mainly in support areas (+ 322 to the level of 1 734 persons) as former employees from BRE Systems, an IT company, found their jobs in BRE Bank after the takeover. Such increased employment was also the outcome of the implementation of „New Debt Collection Model of mBank and MultiBank Clients” project and the takeover of employees from Commerzbank AG Branch in Poland.

Employment in BRE Bank per Business



Full Time Equivalent in BRE Bank was higher as compared to 2009, and at the end of 2010 there were 4,416 FTE (+9.0%). Such conspicuous discrepancy between employment per persons and FTE, results mainly from the fact that a considerable group of persons was hired part time in MultiBank partner units, i.e.: for 0.05 of the full time.

The Bank’s employees are relatively young – 63.5% under the age of 35. They are also well educated as 78.0% of them have university graduates. The percentage of persons with university diplomas is still growing – 74% at the end of 2009. Many persons take university studies and develop their skills and qualifications at postgraduate studies and internal MBA studies.

XI.2. Training

Qualifications can be improved by taking part in training and development activities, mainly linked to the Bank’s business objectives. In 2010, the most popular form was e-learning training. On average, there were 3.2 trainings per person, organized in the above manner and the total number of training sessions was 18.8 thousand. This training formula encompassed general training in banking and training in banking products for sales employees, as well as IT training and financial training.

In addition, traditional training sessions were organized for more than 4 thousand employees in 2010. These were mainly group training sessions for 3.5 thousand persons and over 0.5 thousand persons were trained individually.

A major part of training in 2010 was dedicated to managers from the mid level aimed at developing their competencies. The most important training sessions are listed below:

- 2nd edition of BREmba Internal Programme (MBA studies) with 23 qualified employees
- „Managerial Standard” Programme (e-learning)
- Coaching Management Style (e-learning)
- Sales competencies development – MultiBank.

XI.3. BRE Bank’s Incentive System

The incentive system at BRE Bank consists of the remuneration policy and intangible elements (e.g.: possible professional development). It plays a key role in the development at the corporate culture and builds the position in the market by attracting and retaining competent employees.

The remuneration policy at BRE Bank consists of the basic remuneration (permanent) and a variable part dependent on objectives attained by the whole organization and individuals.

Since 2009, the Bank has been participating in remuneration market analyses, which allow for the day-to-day monitoring of the competitiveness of the whole remuneration (permanent and variable portions) for employees as compared to the market.

In 2010, the decision was made to launch the stock option programme adopted on 27.10.2008 by the BRE Bank Extraordinary General Shareholders Meeting, for the Bank's key management. In 2010, the first tranche of the programme was released for 72 employees. In 2010, the Bank's Management Board also decided on the release of two other tranches beginning from 2011 and indicated the beneficiaries – in total 103 employees.

XI.4. MBO (Management by Objectives) - New Evaluation System

In 2010, intensive works were being performed over a new evaluation system which took effect in 2011. In November, the decision was made to introduce MBO (Management by Objectives) – a new system, which considerably changed the approach to setting targets and responsibilities in the context of defined objectives, by making employees aware to a higher degree of the impact of the attainment of individual objectives on the overall performance of the Bank.

The MBO system is an effective managerial tool for defining and delegating objectives and tasks to each of the employees. It is based on the assumption that objectives indicated to employees are related to strategic targets of the organization. A proper cascading of strategic objectives allows for concentrating the employees' commitment on the most crucial issues, by providing, at the same time, measurable effectiveness and saving their time.

In the organization, advantages of the system are as follows:

- it translates directly into the Bank's performance – ensures alignment, discipline and commitment of the whole organization to the realization of results
- it is a direct communication platform – the delivery of the information on the role and participation of an individual employee in the development of the organization and the realization of the Bank's strategic objectives is assumed.

XII. Investments

Investments in 2010 amounted to 128.6 million zlotys, a bit lower as compared to 2009, when PLN 182.2 million zlotys were expenditured.

Capital expenditure at the Bank concerned mostly, as it amounted to 98.6 million zlotys, **information technology**. The Bank continued the modernization and development of underlying components of the IT environment. Works that embraced the development of new functionality, the improvement of accessibility and business continuity for existing IT solutions, concerned information technology systems applied in the Bank's primary businesses.

Major projects realized in 2010 at the Bank were as follows:

- Debt Management System (the development of a debt enforcement module for Retail Banking within Altamira system).
- Further phases of Custody application development – to support custody activities and their integration with iBRE.
- Further development of Kondor+ system.
- Modifications in Finrep system (NBP automatic reporting system).
- SK Tuning – the enhancement of the loan system functionality with a view to a better risk assessment.
- Charging module – pricing base in Customer Relationship Management (CRM) system.
- Technical and functional alterations in SEPA system (transfers within unified payment zone in the euro).

- Prepaid cards of MasterCard type – electronic money purchased by the companies internal clients.
- Transaction monitoring vs. MIS-HURT – new functionality for CRM
- CRM system development in Corporate Banking.
- Further development of UniFlow system (flow of loan applications) in Retail Banking.
- Further development of Call Centre in Retail Banking.
- Further works over AIRB project (internal ratings method).
- Enhancement of Altamira system functionality.
- Piazza/Ariba (centralized system for office equipment and IT procurement services).
- CHDB – development of a central data warehouse by combining and unifying retail and corporate data warehouses.

Investments in the area of logistics and security the amount of 30.0 million zlotys was invested and was related to the development and modernization of the corporate branches network and the HQ, as well as to the equipment for retail units, such as:

In Corporate Banking:

- The modernization of premises in the Corporate Branch in Warsaw at ul. Królewska 14, pursuant to a new functional and visual model. Branches in Rzeszów and Rybnik were also modernized.
- The adaptation of premises in the new Corporate Branch in Białystok and the adaptation of and equipment for a new Corporate Office in Siedlce.
- The commenced modernization of conference halls at the HQ at ul. Senatorska 18.

In Retail Banking

- The purchase and installation of cash deposit machines for MultiBank and mBank,
- The adjustment of premises and equipment for a unit of MultiBank network in connection with the purchase and installation of recyclers and multisafes.
- The replacement of external signboards in units.
- The adaptation of the surface of and the purchase of equipment for the Debt Enforcement Team at the Retail Credit Department.

XIII. Outlook for BRE Bank Group

XIII.1. Favourable Macroeconomic Factors

The Polish economy is expected to continue its expansion which started already in 2010. More specifically, according to the BRE Chief Economist forecast, GDP is set to grow at a 4.2% annual rate, close to already formed market consensus. Entering the more mature business cycle phase is going to be marked by strengthening domestic demand: accelerating consumption and – more important – solid rebound in investment activity, estimated at +10% annually. Continuation of cyclical upswing is set to be accompanied by improvement in the labor market: accelerating employment, wages and falling unemployment rate.

High CPI inflation and slowly building inflationary pressures are going to force the Monetary Policy Committee to hike interest rates. However, owing to a relatively high reference rate starting level, anti-inflationary influence of strengthening PLN and relatively slow (compared with previous upswing episodes) GDP growth, the scale of tightening is expected to be moderate. According to BRE's Chief Economist, the reference rate is set to rise by 75-100 basis points in the whole cycle. Therefore WIBOR 3M rate is expected to reach about 4.60% at the year end.

Being a highly cyclical currency, Polish zloty is expected to strengthen along with higher GDP growth, reference rate increases (tightening cycle) and ongoing fiscal consolidation (highly appreciated by foreign investors). BRE Chief Economist expects EUR/PLN rate at 3.70 in the year end, USD/PLN at 2.55 and CHF/PLN at 2.68.

The aforementioned changes in the economy are expected to positively affect the banking sector (the presented forecasts are those of the BRE Chief Economist), namely:

- The growth rate of retail deposits in 2011 is estimated at 11% YoY vs 9.8% YoY at end 2010. It is expected to be driven by continuing improvement of the financial standing of households and continuing growth of employment and wages. Among the other determinants of retail deposits there is an increase in interest rates (MPC started to raise reference rate in January). However, the interest rate pass-through is set to be partially limited by growing inflation and its negative impact on real interest rates. The growth rate of retail deposits will be also curbed by the continuation of relatively high inflow of assets to investment funds (which accelerated markedly in 2010).
- Corporate deposits are expected to grow by about 7% YoY in 2011 vs 9.9% in end 2010. The lower growth rate of corporate deposits stems from companies' growing investment demand, going hand in hand with expanding economic activity. However, the fall of deposit growth is not expected to be significant due to constantly improving financial results of Polish companies.
- Continuing improvement in the labour market and the accompanying growth of households' creditworthiness are set to propel the growth of lending in the retail sector in 2011. However, the growth rate of retail loans is expected to decrease modestly to ca. 10% YoY vs 13.9% YoY recorded at the end of 2010. This is due, among others, to the coming into force of Recommendation T, which imposes stricter lending criteria, as well as the government's plans to limit the housing loans co-financing programme for families. Another factor curbing the growth of retail loans is the expected appreciation of the zloty (in particular, the appreciation of the Polish currency against the Swiss franc, the currency of a large part of Poland's housing loans portfolio).
- Continuing economic recovery is set to drive demand for corporate loans. Corporate loans are expected to grow by ca. 12% YoY in 2011 vs a decrease by 0.3% YoY in 2010. Demand is expected to grow both for working capital loans due to the growing scale of companies' ongoing business and for investment loans in response to rising investment needs as companies utilise a greater proportion of their production capacity. However, it should be stressed that demand for corporate loans will be curbed partly by companies using their own sources of funding (deposits).

XIII.2. BRE Bank Group well positioned to capture market potential

Various factors and the expected positive development of the macroeconomic environment indicate that 2011 is likely to bring continued improvement in business and financial performance of BRE Bank Group.

The table below presents some overall trends in the Polish economy and highlights the opportunities they create for the Bank and its subsidiaries.

Overall trends/ Expectations	BRE Bank ready to seize growth opportunities
Corporates and Markets	
Rebound in corporate lending ▪ recovery in private investment expected ▪ corporate deposit cushion not enough to cover expansion **Large expenditures - e.g. in power sector both generation & distribution; growing importance of financial markets as a source of financing for companies**	▪ Solid capital position after rights issue constitutes a sound basis for growth ▪ Growing client base, strong market share in corporate loans, dedicated corporate branch network ▪ High expertise in structured & mezzanine finance ▪ Leading arranger and dealer on domestic non-government debt market
Strong public sector investments and demand for co-financing of EU-sponsored projects	▪ Comprehensive offer for municipalities ▪ Track record with selective approach to local governments ▪ Established position in co-financing of EU-sponsored projects
Increasing demand for transactional banking services	▪ Innovative iBRE platform; further enhancements planned ▪ Recognized and innovative Cash Management products ▪ Advanced solutions for payments and liquidity management
Continued economic growth in Germany - Poland's main trading partner	▪ Leading position within banks cooperating with German clients ▪ International Desk well established, dedicated cross-border initiative launched in 2010 and with promising business prospects ▪ Expertise in trade finance and hedging products
Retail Banking	
Positive prospects for Polish internet banking market - 1M new internet accounts expected every year(according to the Polish Bank Association)	▪ Proven successful customer acquisition model with fast growing retail customer base

Share of affluent segment in retail banking revenue generation expected to increase	▪ BRE well positioned in affluent and upper retail client segments due to its specific multi-channel distribution and overall offering strategy ▪ Further development of product offer dedicated to affluent customers in both savings/ investments and lending products ▪ Implementation of new tools supporting affluent customers service process
Increasing importance of individualized and convenient offer & quality of service	▪ BRE well positioned in high-potential customer segments with convenient internet platform ready for individualized offer ▪ Focus on service quality and increasing customer loyalty via new transactional solutions
Increasing awareness of need for long-term savings including pension related products	▪ New solutions for savings and investment services ▪ Launch of new regular savings schemes incl. products managed by BRE Wealth Management experts ▪ Further development of individual pension accounts, brokerage services and mutual funds offer
Continued high demand for retail loans	▪ Quick and easy loans in 15 minutes via remote channels ▪ Car loans to be available within Global Limit offer ▪ Further improvement of credit cards offer for top customers ▪ Proven track record of mortgage loan sales

Based on these trends BRE Bank Group is well positioned to capture market potential while consistently implementing its 2010 – 2012 strategy (outlined briefly in Section II.2.). The following key factors are expected to drive the Bank's development:

- Positive impact of developments in the macroeconomic environment on BRE Bank Group's business.
- Strong focus on revenue generation and profitable growth in combination with a continued strict cost discipline.
- Continuation of a prudent provisioning of the loan portfolio. At the same time cost of risk is expected to decrease together with the improvement in the Polish economy.
- Sound capital base ensuring high operational stability and allowing opportunities for the Bank to seize market expansion.

- Favourable liquidity situation allowing the Bank to deploy its liquidity resources gradually along with the rise in demand for loans in the economy.
- High potential of the existing client base (which increased dynamically to approximately 3.7 million customers) owing to considerable growth opportunities in the area of cross-selling and improved product penetration.
- Strong position of BRE Bank Group on the Polish market for financial services.

The above factors are expected to be reflected in a more than 10 per cent average annual growth in total income targeted for 2010-2012, an increase of pre-tax ROE to approximately 20 per cent and a reduction of the cost-to-income ratio to approximately 50 per cent in 2012.

XIV. BRE Bank and Corporate Social Responsibility

For many years, BRE Bank has worked with non-profit initiatives guided by its understanding of the growing importance and impact of sponsorship and charity work. The main thrust of the work belongs to the BRE Bank Foundation; in addition, there are numerous volunteer employee projects and initiatives supported by the Bank.

"Success Written In Lipstick" is an initiative to promote and support women entrepreneurs in Poland. Educational seminars "Tomorrow Belongs to Women" are organised three times a year. The last edition in October 2010 gathered 130 women participants. BRE Bank has for two years been a partner of the regular radio broadcast "Success Written In Lipstick" on Radio PIN and since October 2010 a TV broadcast of TVN24. The project includes the "Businesswomen of the Year Success Written In Lipstick" competition. The 2009 awards were presented in November 2010. The grand prix and the title of the Businesswoman of the Year 2009 went to Justyna Garstecka, owner and CEO of Motherhood, a producer of accessories for pregnant women and young mothers.

Let's Do Good Together

"Let's Do Good Together" is a regular volunteer employee programme which went into its second year in 2010. It supports social welfare projects proposed and developed by Bank employees. Participants can initiate and implement interesting initiatives with the involvement of colleagues, friends and family. Quarterly editions of the programme are organised in spring, summer, autumn and winter. Every three months, the jury selects the five most interesting projects which match the statutory goals of the BRE Bank Foundation (education, health care and social welfare, culture and the arts). The five selected teams receive financial support for their projects. There were four editions of the programme in 2010), implementing a total of 20 different projects. In the programme, 66 employees devoted 449 hours of their free time to voluntary work.

BRE Bank Foundation

Social responsibility initiatives are mainly co-ordinated by the BRE Bank Foundation, a public charity organisation active mainly in the field of education and science. The Foundation also supports health care and welfare, as well as culture and the arts. The mission of the Foundation is to support initiatives of personal development, education and improved quality of social life.

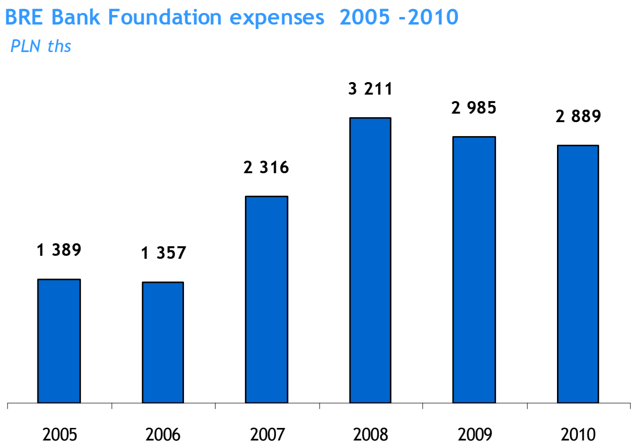
The Foundation went into its 16th year of activity in 2010. In the 16 years, the Foundation received more than 10 thousand applications, approved some 5 thousand grants and spent almost PLN 20 million on statutory work.

The Foundation provides financial assistance to a broad group of beneficiaries, including children. The Foundation supports initiatives which promote education and entrepreneurship, and co-finances the cost of treatment and rehabilitation. The Foundation pursues its mission in three areas of social life:

- science and education;
- health care, social welfare and charity work;
- culture and the arts, protection of the national heritage.

In 2010, the BRE Bank Foundation implemented its 2010-2012 strategy by providing financial assistance to projects including the following forms:

1/ Multiannual programmes, e.g., scholarships and educational programmes;
2/ Social campaigns;
3/ Support and grants for individual projects in the above-mentioned three areas;
4/ Participation in BRE Bank's volunteer employee initiatives.



The Foundation granted PLN 2,889.35 thousand on statutory goals in 2010 (down by 3.0% year on year).

The structure of spending was in line with the adopted strategy, as follows:

- Education, science, entrepreneurship support - 52.5%
- Health care and social welfare - 34.9%
- Culture, national heritage – 12.6%.

In 2010, the Foundation continued to work with its regular partners and pursued its mission to support initiatives of personal development, education and improved quality of social life. The Foundation provided funding to new initiatives and projects.

Major projects financed by the Foundation in 2009:
- The BRE Bank Foundation and the CASE Foundation continued their co-operation under the agreement of 16 December 2005; they jointly initiated and organised seminars and conferences for researchers, experts and practitioners of management concerning the transition of the Polish economy, in particular the banking sector, and publications on economics and finance.
- Foundation for Education in Entrepreneurship (FEP) – support for a Bridge Scholarship Programme (assistance to freshmen university students from unprivileged backgrounds) was continued. The BRE Bank Foundation funded 30 scholarships in 2010. As part of continued cooperation with FEP, another joint project was also carried on: Contest for FEP Scholarship Holders. Under this project, the Foundation financed another 32 scholarships for the winners.
- University Entrepreneurship Incubators Foundation – BRE Bank Foundation co-funded the next edition of a business plan competition for students organised by University Entrepreneurship Incubators.
- The Polish Fund for Children – in 2010, the Foundation supported the Assistance for the Very Gifted Programme and funded awards in the national stage of the EU Young Scientists Competition.
- The "Help On Time" Foundation for Children received a donation to cover the medical costs of over 150 children as well as a grant for equipment at the Amicus rehabilitation centre.
- The ABCXXI Foundation "All of Poland Reads to Kids" received a donation for a campaign.
- The Friends of Integration Association received co-funding for the project "Economic education and supporting entrepreneurship of people with disabilities" and a grant for a new edition of the

"People Without Barriers" competition (it promotes people with disabilities who have made a success).

- The Royal Castle in Warsaw received co-financing for the multi-cultural project "Royal Arcades of the Arts" in 2010.
- The Youth Entrepreneurship Foundation received funding for the National Competition of Best Youth Microenterprises PRODUKCIK 2010.
- The 10th April Foundation – co-financing of a scholarship fund for children of victims of the airplane crash at Smoleńsk on 10 April.

XV. Awards and Distinctions

The operation of the Bank and the subsidiaries in the past year was appreciated by both the clients and external experts, which was reflected in a number of awards and distinctions. The most important of these include:

BRE was named the best corporate internet bank in Central and Eastern Europe according to the World's Best Internet Banks 2010 competition organised by *Global Finance*. BRE Bank was selected out of 250 international banks participating in this year's competition.

- The "Thornless Rose" award for the best bank recommended by the largest companies in Poland in the ranking organised by *Home & Market* monthly. The ranking concerned the quality of service.
- Honorary distinction and promotion logo of the 11th edition of the Entrepreneur-Friendly Bank competition organised by the Polish Chamber of Commerce.
- Europroduct title awarded in the competition organised under the patronage of the Ministry of Economy and the Polish Agency for Enterprise Development for:
    - iBRE FX – Internet foreign exchange platform,
    - Prepaid Payment Cards and iBRE CARDS module,
    - Quality Management Model in the SME segment.
- Three golden medals in the Quality Forum "Quality International 2010" competition organised by the Ministry of Regional Development, the Polish Agency for Enterprise Development, ISO Forum and *Forum Biznesu* (monthly magazine published by *Dziennik Gazeta Prawna* daily) for:
    - model of service quality management in the SME segment,
    - BRE Collection - Innovative Platform of Comprehensive Management of Receivables,
    - Multiproduct credit line for SMEs.
- European Medal awarded by the European Economic and Social Committee, the Office for the Committee of European Integration and Business Centre Club for BRE Collection as one of the most innovative platforms on the market.

- BRE Bank's transactional banking products: prepaid cards and debt management services including automatic identification of payments were nominated for Financial World Innovation Awards 2010.
- "Best Private Banking in Poland" title granted by *Euromoney Magazine* already for the second time in a row to BRE Private Banking & Wealth Management.
- 3rd place in the category "Best Investor Relations in Poland" in the "European Investor Relations" ranking run by *Institutional Investor*.
- The Bank was nominated to the award for the best investor relations in Poland ("Best Investor Relations by Polish Company") in the competition organised by IR Magazine publishing house.
- 2nd place in the "Best Managed Companies in the Central and Eastern Europe" ranking organised by *Euromoney* monthly in "the most accessible senior management" category
- "Złoty Bank 2010" (Golden Bank 2010) award for mBank, granted by net surfers in the ranking "Złoty Bankier" (Golden Banker), and the winning categories were as follows:
    - Best account for a net surfer,
    - Best credit card,
    - Best company account for an Internet entrepreneur,
- MultiBank was the leader in the Banking category (best quality as far as organisation, time and place of service and product offer are concerned) according to "Service Quality Indicator in Poland" (calculated by a specialised portal on the basis of opinions of 200 thousand users); mBank obtained the highest level of client satisfaction.
- mBank named the Bank Closest to Clients (based on users' opinions and user-friendly service) in a ranking of Indicator and Expander in collaboration with *Dziennik Gazeta Prawna* daily. MultiBank named the most reliable bank; the ranking criteria included: branches, transaction systems, website, call centre.
- The BRE Bank Group annual report won the first prize in the financial institutions category for the third time (out of five editions) in "The Best Annual Report" competition for listed companies organised by the Institute of Accounting and Taxation (IRiP).

XVI. Statement of BRE Bank SA on Application of Corporate Governance Principles in 2010

Pursuant to Article 91.5(4) of the Regulation of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and on the conditions under which such information may be recognized 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), the Management Board of BRE Bank SA hereby provides the Statement on application of corporate governance principles at BRE Bank in 2010.

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

XVI.1. Corporate Governance Principles Binding on BRE Bank SA

The set of corporate governance principles binding on BRE Bank is contained in the document "Code of Best Practice for WSE Listed Companies" adopted by Resolution No. 17/1249/2010 of the Supervisory Board of the Warsaw Stock Exchange dated 19 May 2010. The text of the "Code of Best Practice for WSE Listed Companies" is available on the website of the Warsaw Stock Exchange (http://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 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", BRE Bank already in 1995 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 mediating in banking activities of banks. According to an Order of the President of the Management Board, BRE Bank applies the Good Banking Practice Principles, set forth in Appendix 1 to Resolution No. 11 of the 21st General Meeting of the Polish Bank Association of 22 April 2010. The document is available on the website of the Polish Bank Association (http://www.zbp.pl/prawo_bankowe).

XVI.2. Application of Corporate Governance Principles

BRE Bank reaffirmed its commitment towards the highest standards of corporate governance in 2010. There were no reported infringements of the rules subject to the "comply or explain" principle, set out in Sections II, III and IV of the "Code of Best Practice for WSE Listed Companies".

Two items related to Section I of the "Code of Best Practice for WSE Listed Companies" containing "Recommendations" require an additional commentary.

The document, amended in a Resolution of the Supervisory Board of the Warsaw Stock Exchange dated 19 May 2010, includes new provisions on remuneration policy in point 5. According to the recommendation, BRE Bank has a remuneration policy which determines the form, structure, and level of remuneration, including the remuneration of members of supervisory and management bodies of the Company. The remuneration system is complex, transparent and, importantly, it ensures a linkage between remuneration of senior managers and the financial results of the Company and the performance of remunerated persons.

The remuneration system integrates a range of principles derived from Commission Recommendation of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC) supplemented by Commission Recommendation of 30 April 2009 (2009/385/EC). These principles include among others: determination of variable and non-variable components of remuneration of the Management Board, a linkage of the variable components of remuneration with pre-defined performance criteria, detailed regulations concerning a long-term 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.

However, the Commission Recommendations were not used as a model for the remuneration system of the Bank and not all their provisions are applied. The remuneration policy is not regularly an explicit item on the agenda of the annual general meeting and is not submitted for a vote. The Bank has not disclosed or published on its website a "remuneration statement". However, it should be noted that the Bank in different documents discloses a range of information, which would constitute a substantive part of such a statement.

The rules and the level of remuneration of Members of the Management Board of BRE Bank are determined by the Executive Committee of the Supervisory Board, which performs the function of the Remuneration Committee within the meaning of the European Union recommendation. The amount of monthly remuneration paid to the Members of the Supervisory Board of BRE Bank was approved in a resolution of the General Meeting of BRE Bank.

More details on the remuneration of the members of supervisory and management bodies of the Bank are presented in Section XI of this Statement.

The other topic which requires an explanation is the recommendation in point 9 to ensure a balanced proportion of women and men in management and supervisory functions in companies. BRE Bank has always pursued a policy of appointing competent and diverse members of its bodies who have the required professional experience and education. Other factors, including the gender of the candidate, are not considered relevant. Currently, one of the 7 members of the Management Board of BRE Bank is a woman: Deputy President and Chief Financial Officer Ms. Karin Katerbau. One of the 10 members of the Supervisory Board is a woman: Ms. Teresa Mokrysz.

XVI.3. Internal control and risk management systems with regard to the process of preparing financial statements of the Bank

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

The internal control system includes the following:

1. functional internal control,
2. institutional internal control.

Functional internal control is a system applicable to each organisational unit of BRE Bank. Each organisation 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 on the basis of the provisions of 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 that is covered by respective internal controls. Manual adjustments are subject to special control.

The process of monitoring of operational risk, which occurs in the preparation of financial statements in the Bank, has in place mechanisms which effectively ensure the security of IT systems. The Business Continuity Plan applies at the Bank, covering IT systems used in the process of preparing financial statements.

The process of organising the examination of the Bank's financial statements is laid down in the Bank's internal legislation and is approved in the form of an Order of the President of the Management Board. The Order in force provides for a clear and transparent division of responsibilities of the persons participating in the preparation and verification of the quality of prepared financial statements of the Bank.

The Bank's financial statements are prepared by the Accounting Department, which reports directly to the Managing Director of Accounting and Controlling and to the Chief Financial Officer.

Substantive and organisational supervision over the course of examining financial statements is exercised by the Director of the Accounting Department. The work on the examination of the annual, semi-annual and quarterly financial statements of the Bank is co-ordinated by the Deputy Director of the Accounting Department. The prepared financial statements are submitted to the Management Board for verification. The Audit Committee receives information on quarterly financial statements before they are published. After in-depth discussion with the Bank's external auditor and the

Management of the Bank, the Audit Committee recommends the Supervisory Board to approve or reject the annual financial statements.

The annual and semi-annual financial statements of the Bank are subject respectively to an independent audit and a review by a statutory auditor.

The Bank manages the risk of the process of preparation of financial statements also by ongoing monitoring of changes in requirements under external legislation and regulations concerning reporting obligations of banks, and by preparing for their implementation well ahead of the deadline. The Bank updates on an ongoing basis its accounting principles used to prepare financial statements.

The Bank also performs the control functions with respect to subsidiaries, which are consolidated for the purpose of preparing the financial statements of the Group, through its representatives in supervisory boards of those subsidiaries.

The effectiveness of the control and risk management procedures applied in the process of preparing financial statements was confirmed by the high quality of the financial statements, as demonstrated by the external auditor's opinions following the audit of the financial statements as well as the appreciation of the recipients. The financial statements of BRE Bank Group have for long been recognised by investors and independent industry institutions. In 2010, BRE Bank ranked first in the category of financial institutions and banks in "The Best Annual Report" competition organised by the Institute of Accounting and Taxes. It was the third time that BRE Bank won the first award in the competition. BRE ranked first in 2008 and 2007, and second in 2009.

XVI.4. Significant Blocks of Shares

Commerzbank AG has for many years been the majority shareholder of BRE Bank. As at the end of 2010, Commerzbank through its 100% subsidiary Commerzbank Auslandsbanken Holding AG held 69.74% of shares and votes at the General Meeting.

As at 31.12.2010				
Shareholder	Total number of shares 42,086,674		Total number of votes 42,086,674	
Commerzbank Auslandsbanken Holding AG	29,352,897	69.74%	29,352,897	69.74%

30.26% of BRE Bank shares is free float. They are held by private and institutional investors, in particular Polish pension funds as well as Polish and foreign investment funds.

In 2010, the 5% share threshold, obligating companies to inform about the purchase of shares, was not exceeded by any entity other than Commerzbank Auslandsbanken Holding AG. In 2009, the threshold was periodically exceeded by Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK and ING Otwarty Fundusz Emerytalny.

In 2010, BRE Bank completed a new issue of shares with pre-emptive rights, raising PLN 1,966.2 million. The issue was very popular with investors, who took up 12,371,200 offered shares and oversubscribed for the transaction by 1.6 times. Commerzbank exercised all its pre-emptive rights and maintained its percentage stake in the equity and votes at the General Meeting.

XVI.5. Special Control Rights

Shares issued by BRE Bank do not confer any special control rights over the issuer. There are no preferred shares; each share represents one vote at the General Meeting. The control rights of Commerzbank AG as the parent entity of Commerzbank Auslandsbanken Holding AG 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, which translates to consolidated supervision exercised over BRE Bank as a subsidiary of Commerzbank.

XVI.6. Limitations on the Exercise of the Voting Right

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

XVI.7. Limitations on the Transfer of the Property Right to Securities of the Issuer

The BRE Bank By-laws do not impose any limitations on the transfer of the property right to securities issued by the Bank.

XVI.8. Principles of Appointing and Dismissing Management Board Members

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

The President of the Management Board, the Deputy 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 (KNF) approves two Members of the Management Board of the Bank, including the President of the Management Board. According to the Code of Commercial Partnerships and Companies, a Member of the Management Board may also be dismissed or suspended by the General Meeting.

The term 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 office of the Management Board Member. The term of a Member of the Management Board also expires in the case of death, resignation, or recalling of the Member from the Management Board. The term of a Member of the Management Board appointed before the end of the term of office expires on the expiration of the terms of the other Members of the Management Board.

XVI.9. Amendments to the Company's By-Laws

Amendments to BRE Bank's By-Laws 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 next 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 with a majority of 75% of votes.

According to Article 34.2 of the Banking Law of 29 August 1997, any amendment of the Bank's By-laws requires the authorisation of the Polish Financial Supervision Authority where such amendment relates to:

- the Bank's name;
- the Bank's registered office, objects and scope of 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 concerning the undertaking of liabilities or disposal 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 23rd Ordinary General Meeting held on 30 March 2010 adopted two resolutions concerning amendment to the Bank's By-laws.

One Resolution updated the provisions specifying the amount of the share capital and the number of shares according to the parameters of the Bank's share capital increase set in the Issue Resolution adopted by the 23rd Ordinary General Meeting (increase of the share capital by no less than PLN 4 and no more than PLN 83,134,468 through an issue of no less than 1 and no more than 20,783,617 ordinary bearer shares of a new issue with a nominal value of PLN 4 per share).

The other Resolution aimed to harmonise BRE Bank's By-laws with the amended provisions of the Code of Commercial Partnerships and Companies adopted in the Act of 5 December 2008 (Journal of Laws from 2009, No. 13, item 69), to add two activities under the Electronic Payment Instruments Act to the scope of operations of BRE Bank, and to harmonise the By-laws with the post-control recommendations of the Polish Financial Supervision Authority. The amendments included among others the introduction of the possibility of convening an Ordinary General Meeting by the Supervisory Board if the Management Board does not convene a meeting within the time limits set out in the By-laws and an Extraordinary General Meeting if the Supervisory Board considers it necessary, as well as the possibility of convening an Extraordinary General Meeting by shareholders who represent at least one-half of the share capital, and the possibility of a request to convene an Extraordinary General Meeting and to put specific items on the agenda by shareholders who represent at least one-twentieth of the capital.

XVI.10. General Meeting Procedures and Authority, Shareholder Rights and Exercise Procedures

XVI.10.1. 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 (AGM) convened by the Management Board by way of an ordinary procedure is held once a year, not later than in June. The Supervisory Board may convene an Ordinary General Meeting if the Management Board does not convene a meeting 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 convening a General Meeting (more information in Section X.3.)

Shareholders can participate in the General Meeting and cast their votes either in person or by proxies. The powers of attorney for participation in the General Meeting should be made out in writing or in electronic form and attached to the minutes. With the reservation of cases determined 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.

The General Meeting is opened by the Chairman of the Supervisory Board or by the Deputy Chairman of the Supervisory Board. If due to obstacles neither of them can open the meeting, the meeting is opened by a member of the Supervisory Board. The person opening the General Meeting proceeds immediately with election of the Chairman of the General Meeting, ensuring the adequate voting procedure.

Only a shareholder of the Bank can chair the General Meeting. The General Meeting elects the Chairman from among candidates proposed by participants of the General Meeting. The Chairman of the General Meeting presides over the proceedings, makes decisions relating to formal and procedural aspects of the Meeting, and has the right to interpret the Standing Rules of the General Meeting.

he General Meeting shall elects a three-member Vote Counting Committee from among candidates proposed by the Chairman of the Meeting. The Vote Counting Committee is responsible for supervising the way in which each casting of the ballots is conducted and serviced, and for checking and announcing the results of the vote.

Subject to specific exceptions, resolutions of the General Meeting are passed in an open ballot by a simple majority of votes unless provisions of the Code of Commercial Partnerships and Companies or the BRE Bank By-laws impose a stricter requirement for the passing of a resolution on a specific issue. 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 put members of the authorities of the Bank or liquidators before 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 system counts the votes cast by the participants of the General Meeting in favour or against a motion as well as abstentions.

The Bank's Supervisory Board is elected in a secret ballot. 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. Candidates for Members of the Supervisory Board should make a statement for the minutes of the General Meeting concerning independence of the candidate.

XVI.10.2. General Meeting Authority

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 to the 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 resolution to cancel shares, in particular 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;
- determination of remuneration for 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 provisions of the By-laws;
- election of an entity qualified to audit financial statements as statutory auditor of the Bank.

XVI.10.3. Shareholder Rights and Exercise Procedures

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

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. Shareholder(s) representing at least one-twentieth of the share capital may request the Management Board that the extraordinary general meeting be convened and that specific issues be entered to agenda of such meeting.

Only persons who are shareholders of the Bank sixteen day before the date of the General Meeting (“record day”) have the right to participate in the General Meeting of the Bank as a public company.

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 as Chairman of the General Meeting and propose a candidate for Chairman of the General Meeting to the minutes,
- take the floor during the proceedings and make a reply,
- propose amendments and additions to draft resolutions on the agenda of the General Meeting before discussion is closed on the agenda meeting including the draft resolution concerned by the proposal,
- 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 was not 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 a 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 where:

1) 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;

2) 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.

Authorities of the Company do not restrict access to information but at the same time they comply with the provisions of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies, the Act on Trading in Financial Instruments, the Regulation on current and periodical information provided by issuers of securities and the conditions for considering to be equivalent information required by law of the country not being a member state, and the provisions of the Code of Commercial Partnerships and Companies.

The Bank attaches great importance to equal treatment of the shareholders.

General Meetings of the Bank are always held in the registered office of the Bank in Warsaw and are transmitted online. Media presence at General Meetings is allowed. A file containing the recording of a General Meeting as well as draft resolutions and the result of votes are available on the website of BRE Bank.

All relevant materials for the General Meeting, including draft resolutions with justification and an opinion of the Supervisory Board, are made available to the shareholders no later than 14 days before the date of the General Meeting in the registered office of the Bank and on the website of the Bank.

XVI.11. Composition of and Changes on the Management Board and the Supervisory Board of the Bank and Their Procedures

XVI.11.1. Management Board

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

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

Member/function	Professional experience
Cezary Stypułkowski President of the Management Board, CEO	Born in 1956, Cezary Stypułkowski holds a Ph.D. 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. He worked in government administration in the 1980s, among others as Secretary to the Economic Reform Committee of the Council of Ministers and, in 1987, as Advisor to the Prime Minister. As of February 1991, he chaired the Management Board of Bank Handlowy S.A. for more than twelve years. He was President of PZU Group in June 2003 - June 2006. In December 2006, he became Managing Director of J.P. Morgan Investment Bank in Central and Eastern Europe. Cezary Stypułkowski was also a member of the Deutsche Bank Board 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 2 August 2010, acting President of the Management Board of the Bank as of 1 October 2010, approved as a President of the Management Board by the Polish Financial Supervision Authority on 27 October 2010.
Karin Katerbau Deputy President of the Management Board, Chief Financial Officer	Born in 1963, graduate of Reutlingen University of Applied Science and Groupe ESC in Reims in France, where in 1989 she graduated with a French and German diploma in economics and business management. She started her professional career in 1990 in Societe Generale – Elsaessische Bank & Co in Frankfurt. She joined the Commerzbank Group in 1994. In 2001-2008 she worked for comdirect bank AG, where from 2004 she held the position of Management Board Member, Chief Financial Officer responsible, among others, for finance and controlling. Since March 2008 she held the position of Chief Operating Officer of the Group Segment Private & Business Customers at Commerzbank AG, Frankfurt. On the Management Board of BRE Bank since 5 September 2008.
Wiesław Thor Deputy President of the Management Board, Chief Risk Officer	Born in 1958, graduate of Central School of Planning and Statistics (currently Warsaw School of Economics), training program conducted by KPMG and the South Carolina Business School and summer school of banking at McIntire University Business School in Virginia. Since 1990 employed with BRE Bank, since May 2000 as the Managing Director responsible for risk. As of 1 August 2002, he

	was Managing Director at Bank Handlowy in Warsaw. On 2 November 2002, he was appointed Member of the Management Board of BRE Bank, Chief Risk Officer.
Przemysław Gdański Member of the Management Board, Head of Corporate Banking	Born in 1967, graduated from the Faculty of Foreign Trade at the University of Gdańsk and completed a one-year programme in banking and international finance at Loughborough University in Great Britain. In 1993-1995, he worked for IBP Bank S.A., then for ABN AMRO including the Head Office of ABN AMRO in Amsterdam. In 2002-2006, he was Managing Director of the Corporate Division in BPH Bank. From May to November 2006 he held the position of Chief Executive Officer and General Director of Calyon Bank Polska and Calyon SA Branch in Poland. In November 2006 he took the position of Vice President of the Management Board in BPH Bank responsible for corporate banking and real estate financing. After the merger of BPH Bank and Pekao SA - Vice President of the Management Board responsible for Corporate Banking, Markets and Investment Banking of Pekao SA. On the Management Board of BRE Bank since 19 November 2008.
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, he worked in the Bond Trading Department of Dresdner Bank. In 1996-1998, employed with Oppenheim jr. & Cie KGaA, Financial Market Department, Frankfurt. In 1998-2005 he was Head of the Corporate Risk Advisory in the Head Office of Commerzbank. As of 2005, he was Managing Director of Luxembourg-based Public Finance Bank EEPK and a member of the senior management team of Commerzbank responsible for international public finance. On the Management Board of BRE Bank since 10 July 2009.
Jarosław Mastalerz Member of the Management Board, Head of Retail Banking	Born in 1972, in 1996 he graduated from the Faculty of Economics and Foreign Trade at University of Łódz. In 1996-1998, he worked in the Audit Department of PricewaterhouseCoopers. In 1998-2003 - Marketing Director and later Financial Director in Zurich Group. After the take-over of the Polish Zurich operations by Generali in 2003, he worked as Financial Director (also responsible for bank assurance) at Generali TU and Generali TUnŻ. Since 2006 he has been working for BRE Bank Group, he was a co-author of the insurance project BRE Ubezpieczenia, and he held the position of the President of BRE Ubezpieczenia Management Board. On the Management Board of BRE Bank since 1 August 2007.
Christian Rhino Member of the Management Board, Head of Operations and IT	Born in 1969, graduate of Berlin Technical University. In banking since 1998 when he started working in Deutsche Bank AG, first as e-commerce coordinator, later as director of the eBusiness Department, finally as Vice President of Corporate Banking. Since 2001 employed with Commerzbank, where he held the position of Global Head Trade Finance & Transaction Services and Managing Director in Corporate Banking. On the Management Board of BRE Bank since 15 March 2008.

The President of the Management Board of BRE Bank was replaced in 2010. On 2 August 2010, the Supervisory Board dismissed Mariusz Grendowicz from the position of President of the Management Board and appointed Cezary Stypułkowski as President of the Management Board; Mr Stypułkowski is in office as of 1 October 2010.

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

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 operate at BRE Bank:

- BRE Bank Group's Operational Management Committee (Chairperson: Cezary Stypułkowski)
- Assets and Liabilities Management Committee (ALCO) of the BRE Bank Group (Chairperson: Hans Dieter Kemler)
- Capital Management Committee (Chairperson: Karin Katerbau)
- Investment and Resource Allocation Committee (Chairperson: Cezary Stypułkowski)
- Management Board Credit Committee (Chairperson: Wiesław Thor)
- Risk Committee of BRE Bank (Chairperson: Wiesław Thor)
- Committee on Data Quality Management for the purposes of the Bank's regulatory requirements calculation (AIRB) (Chairperson: Wiesław Thor);
- BRE Bank IT Projects Committee (Chairperson: Christian Rhino).

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 operation 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 website of the Bank). 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. The issues which require a resolution of the Management Board include among others decisions to assume obligations or to dispose of assets whose total value in relation to one entity exceeds 5% of the Bank's own funds, however, the Management Board by way of its resolution may authorise standing committees or relevant persons to make such decisions.

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 principles of best practices, the Rules of the Management Board provide 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 Executive Committee of the Supervisory Board determines the rules and levels of remuneration of Members of the Management Board.

Rules of the incentive programme for the Management Board and rules concerning procedure of awarding bonuses for Members of the Management Board have been adopted in resolutions of the Supervisory Board.

Total remuneration of Management Board Members includes a fix and a variable part. The fix part includes basic remuneration, the amount of which is set for each Member of the Management Board.

The variable part is composed of an annual cash bonus for the previous financial year, as well as of a bonus in shares of BRE Bank and shares of Commerzbank which serves as a long-term remuneration component. In 2010, entitled Board members received cash as a settlement of the first part of incentive program for the Management Board of the Bank based on shares of Commerzbank, relating to results generated by BRE Bank Group in 2008.

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

- - net ROE of BRE Bank Group or of the supervised area,
- - total budget performance of BRE Bank Group or of the supervised area,
- - individual assessment of the Management Board Member by the Supervisory Board.

Total remuneration of the Management Board for 2009 and 2010 is presented below:

Year (PLN '000)	Base salary	Other profits	Cash bonus	Cash settlement of the incentive program based on Commerzbank shares	Total
2009 - Members of the Management Board as of 31 December 2009	8 752.8	1 766.9	5 909.5	0	16 429.2
2009 – former Members of the Management Board	600.0	2 022.5	2 180.1	0	4 802.6
Total 2009	***9 352.8***	***3 789.4***	***8 089.6***	***0***	***21 231.8***
2010 - Members of the Management Board as of 31 December 2010	8 295.2	928.7	1 167.3	907.0	11 298.2
2010 - former Members of the Management Board	1 179.4	4 525.0	225.0	151.2	6 080.6
Total 2010	***9 474.6***	***5 453.7***	***1 392.3***	***1 058.2***	***17 378.8***

Information on remuneration received by particular Management Board Members divided into the fix part and the variable part is presented in explanatory note no. 44 to the Financial Statements of BRE Bank SA Group for 2010 pursuant to the International Financial Reporting Standards. The description of the share-based incentive programme for the Management Board is presented in note 40 to the Financial Statements.

XVI.11.2. Supervisory Board

The Supervisory Board acts on the basis of adopted Rules and as stipulated in the BRE Bank By-laws, the Code of Commercial Partnerships and Companies, and the Banking Law Act. The BRE Bank By-laws provide that the Supervisory Board consists of not less than five Members elected by the General Meeting for a joint term of office 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 office 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, should hold the Polish citizenship. Pursuant to the statutory requirement, at least two Supervisory Board Members are independent, unless the General Meeting decides otherwise. Independence criteria of the Supervisory Board Members are stipulated in the Rules of the Supervisory Board.

The composition of the Supervisory Board reflects the aim to diversify its Members both in the context of their professional experience as well as their knowledge and skills. The Supervisory Board is composed of bankers as well as representatives of science and corporate business.

The Supervisory Board of BRE Bank SA acts in the following composition:

Member/function	Professional experience
Maciej Leśny Chairman of the Supervisory Board	Born in 1946. In 1969 Mr. Leśny graduated from the Faculty of Economy of the Warsaw University. During his professional career he worked for 6 years in the shipbuilding industry in Gdańsk, 8 years for Zakłady Elektronicznej Techniki Obliczeniowej. He worked 22 years in the central state administration, including 8 years on the position of the Subsecretary of State: at the Ministry of Foreign Economy Co-operation, the Ministry of Economy, Labor and Social Policy – recently as the Subsecretary of State at the Ministry of Infrastructure. He completed post-graduate studies and training at universities in the USA: the Michigan University (Business School of Administration) and De Paul University (Chicago). In 1992-1993 as a scholarship holder of the government of the USA he studied at the American University in Washington, DC. During his scholarship he conducted a four month training at the World Bank and completed privatization training at the International Currency Fund. Between March 1994 and 1998 he was appointed as the Chairman of the Supervisory Board and then until December 2001 he was the member of the Supervisory Board. He was re-elected the Chairman in 2004.
Andre Carls Deputy Chairman of the Supervisory Board	Born in 1963, graduate of economics, PhD at the University of Cologne. He joined Commerzbank in 1990; in 2000 - 2008, he was a member of the Management Board of comdirect bank AG; from 2004 to March 2008 CEO of comdirect bank AG; from March to September 2008, Deputy President of the Management Board and CFO of BRE Bank. Currently holds the position of President of the Management Board of Commerzbank Auslandsbanken Holding AG.
Achim Kassow Member of the Supervisory Board	Born in 1966, graduate of the University of Cologne, 1996 Doctorate. In 1993-2002, he worked for Deutsche Bank Group, as from 2001 - Member of the Board of Managing Directors of Deutsche Bank 24 AG. Since 2002 in Commerzbank Group, in 2002-2004 – Chief Executive Officer of comdirect bank AG. Since November 2004 – Member of the Board of Managing Directors of Commerzbank AG, responsible for the Business Segment Central and Eastern Europe.
Sascha Klaus Member of the Supervisory Board	Born in 1970, he graduated from the Frankfurt School of Finance and Management. From 1990 to 1999 he was employed at Deutsche Bank AG. Later, he was Managing Director for Investment Banking/Risk Management at Dresdner Kleinwort in New York, while in 2008 he took up a similar post at Dresdner Bank AG, Frankfurt/ London. Since 2009, he had been acting as Deputy Head of Investment Banking/Risk Management at Commerzbank AG. Since March 2010, Member of the Management Board of Commerzbank Auslandsbanken Holding AG, at present responsible for risk management in Central and Eastern Europe.
Teresa Mokrysz Member of the Supervisory Board	Born in 1952. She graduated from the Karol Adamiecki University of Economics in Katowice in 1978. Co-owner of MOKATE. In 1992-1994 she 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 she built a greenfield MOKATE plant in Ustroń and in 2001 her company gave another plant in Żory for use. Thanks to investment projects she introduced the company into the market of semi-finished products and opened at MOKATE new

	manufacturing divisions equipped with state-of-the-art technologies. She is the winner of the "Leader of the decade" title awarded by Gazeta Wyborcza daily and the "Success of the decade" title awarded by Businessman Magazine. In 2000 the International Foundation for Women's Entrepreneurial Spirit from Los Angeles awarded her the title of the "the most entrepreneurial woman of the world". She has founded, among other things, scholarships for talented and impoverished youth, financially supported health care institutions, nursing homes, orphanages and schools.
Stefan Schmittmann Member of the Supervisory Board	Born in 1956, graduate of business administration, doctorate in economics at the University of St. Gallen in Switzerland. In 1986-2003, he was employed at Bayerische Vereinsbank AG and, as of 1998, with Bayerische Hypo- und Vereinsbank AG. In 2004-2005, Chairman of the Board of Directors of Vereins- und Westbank AG, Hamburg. In 2005, Member of the Divisional Board of Directors in Munich and 2006-2008, Member of the Management Board of Bayerische Hypo - und Vereinsbank AG in Munich, where he was responsible for the Corporate Customer and Commercial Real Estate Customer Division, and Member of the Executive Committee UniCredit Corporate Division. Since November 2008, Member of the Board of Managing Directors of Commerzbank AG, currently holding the position of Chief Risk Officer.
Waldemar Stawski Member of the Supervisory Board	Born in 1958, graduate of Gdańsk Technical University and post-graduate studies among others in financial analysis and accountancy and finance. In 1993-1995, he was employed with Pomorski Bank Kredytowy as a Head of Branch in Gdynia, then with PKO BP since 1995 as a Head of Regional Branch in Gdańsk. Since 2000 Vice President of PKO BP SA responsible for Treasury, Corporate Clients and Capital Markets. From June 2002 to February 2003, Chairman of the Team of Receivers for Wschodni Bank Cukrownictwa SA. Later he was Management Board Member of CTL Logistics SA and General Director of the Polish Association of Transport and Logistics Employers. He has an Accounting Certificate issued by the Minister of Finance.
Jan Szomburg Member of the Supervisory Board	Born in 1951. Graduate of the University of Gdańsk, PhD in economics. Previously worked as an Assistant Professor and then as Adjunct Professor at the University of Gdańsk. He is the founder and President of the Management Board of the Gdańsk Institute for Market Economics Research. In the 1990s, he was Chairman of the Supervisory Board of Polski Bank Rozwoju and Bank Gdański, Advisor to the Minister of Ownership Transformation, member of the Ownership Transformation Council, an advisory body to the Prime Minister. He was Economic Advisor to Prime Minister Jerzy Buzek and was Chairman of the Ownership Transformation Council to the Prime Minister.
Marek Wierzbowski Member of the Supervisory Board	Born in 1946. Full professor at the University of Warsaw, legal counsel, partner at the law firm Prof. Marek Wierzbowski Radcowie Prawni Spółka Partnerska, member of the Public Procurement Board and of the Central Commission for Scientific Degrees and Titles, President of the Court of the Chamber of Brokerage Houses. He was Deputy Dean of the Faculty of Law and Administration and Deputy Rector of the University of Warsaw. He was Chairman of the Supervisory Board of the Warsaw Stock Exchange and Deputy Chairman of the Court of Arbitration at the Polish Chamber of Commerce.
Martin Zielke	Born in 1963, economist, graduate of the University in Göttingen. In 1990 – 2000, he held various positions at Dresdner Bank AG, then he

Member of the Supervisory Board	was appointed Regional Head of Portfolio Investments in Deutsche Bank 24, afterwards Regional Head of Retail Banking Finance at Deutsche Hyp. In 2002 - 2004, he acted as Group Manager of the Retail Banking area, Commerzbank AG, and from January 2005 to March 2006 he was Group Manager in the Corporate Banking area of Commerzbank AG. On 1 April 2006 he became Member of the Management Board of Eurohypo AG, Eschborn. Afterwards back at Commerzbank AG he was appointed Divisional Board Member for the Group Finance Department (1 January 2008), and since November 2010 he is Member of the Board of Managing Directors of Commerzbank AG responsible for the Business Segment Private Customers.

One change in the composition of the Supervisory Board took place in 2010. On 22 March 2010, BRE Bank received a notice of Michael Schmid who resigned from his position as Member of the Supervisory Board as of 31 March. Mr Schmid was replaced by Sascha Klaus, elected to the Supervisory Board as of 1 April 2010.

The following were independent Members of the Supervisory Board in 2010: Maciej Leśny, Teresa Mokrysz, Waldemar Stawski, Jan Szomburg, Marek Wierzbowski. The dependent members were: Andre Carls, Achim Kassow, Sascha Klaus, Stefan Schmittmann, Martin Zielke.

The term of office of the Supervisory Board expires on the day of the General Meeting in 2011.

The powers of the Supervisory Board (defined in the Rules 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 evaluation 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, drafted pursuant to separate regulations,
- approving the Bank's annual financial plans, multi-annual 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; the Supervisory Board draws up justifications (opinions) for draft resolutions to be submitted for approval of the General Meeting,
- issuing or approving the rules provided for in the Bank's By-laws,
- appointing and dismissing the President, the First Deputy President, the Deputy Presidents and the other Members of the Management Board in accordance with the provisions of the Banking Law and taking into consideration relevant qualifications for performing the functions assigned to them,
- defining terms and conditions of contracts and setting remuneration for the President, the First Deputy President, the Deputy Presidents and the other Members of the Management Board,
- authorising the Chairman of the Supervisory Board to represent the Bank in agreements with the Members of the Management Board including signing management contracts with the Members of the Management Board,

- approving conclusion of or amendments to any significant agreement or arrangement with Members of the Management Board or the Supervisory Board,
- approving 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, which, based on conducted audits and drawn up reports on monitoring the effectiveness of internal control mechanisms, contains information on identified irregularities, conclusions and actions undertaken in order to eliminate the irregularities.

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, not less frequently than three times a year. All 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 with a simple majority of votes cast. In the case of an equal number of opposed votes, the Chairman of the Supervisory Board has the casting vote. A Member of the Supervisory Board is obliged to notify all the other Supervisory Board Members of any conflict of interest as it arises or a possibility of such conflict and should refrain from taking the floor in discussion and from voting on the resolution pertaining to the situation in which the conflict of interest has arisen or may arise.

No resolution should be passed without the consent of the majority of the 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 into 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 3 Committees: the Executive Committee, the Risk Committee, and the Audit Committee.

Each of the committees was composed of four Members of the Supervisory Board in 2010, including two independent members.

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; authorising 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; reviewing rules and levels of remuneration of Members of the Management Board; issuing opinions on granting Members of the Management Board approval for engaging in competitive activity. The Executive Committee is composed of Maciej Leśny as Chairman and Members: Andre Carls, Jan Szomburg and Sascha Klaus, who replaced Michael Schmid on 1 April 2010.

The Audit Committee issues opinions about the election of the Bank’s statutory auditor by the General Meeting, recommends that the Supervisory Board should approve or reject financial statements, exercises regular supervision over the internal control system at the Bank, and approves the changes proposed by the Management Board of the Bank at the position of the manager of the Internal Audit Department. The Audit Committee is composed of at least one independent Supervisory Board Member with qualifications and experience in accounting and finance. The Audit Committee is composed of: Martin Zielke as Chairman, and Andre Carls, Maciej Leśny and Jan Szomburg.

The tasks of the Risk Committee include among others exercising permanent supervision over credit risk, market risk and operational risk. Moreover, the Risk Committee recommends that the transactions, provided for in the Banking Law, between the Bank and members of the Bank's authorities be approved or refused and submits recommendations relating to among others approval or refusal to approve the Bank’s information policy regarding risk management. The Risk Committee is composed of: Sascha Klaus as Chairman (as of 1 April 2010) and Members: Maciej Leśny, Andre Carls and Waldemar Stawski.

All standing committees acting within the Supervisory Board make reports pertaining 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. 27 adopted by the 17th General Meeting of BRE Bank of 21 April 2004.

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

Total remuneration of the Supervisory Board for 2009 and 2010 is presented below:

Year	2009	2010
Remuneration paid in PLN thousand	1 866.8	1909.9

Detailed information about the remuneration amounts paid to particular Members of the Supervisory Board is included in explanatory note no. 43 to the Financial Statements of BRE Bank SA for 2010 in accordance with the International Financial Reporting Standards.

In 2010, the Supervisory Board, including especially the Executive Committee, co-operated closely and on a regular basis with the Management Board in order to develop the Mid-term Business Plan for the BRE Bank Group for 2011-2014 and the strategic directions for the future business development of BRE Bank Group.

In 2010, the Supervisory Board held 6 meetings and adopted 49 resolutions. The resolutions concerned among others:

- acceptance of financial statements of BRE Bank and the BRE Bank Group and of other materials for the Ordinary General Meeting,
- approving a capital increase of BRE Bank SA,
- adopting the Financial Plan for 2011,
- adopting the Mid-term Plan for 2012-2014,
- personnel issues,
- granting a loan to an entity associated with a Member of the Management Board,
- adopting amendments to the Rules of the Supervisory Board,
- adopting the new text of the BRE Bank By-laws,
- allocation of funds to BRE Bank's Foundation,
- adoption of the report on compliance risk management,
- adoption of the Compliance Risk Management Policy,
- adoption of the Compliance Policy,
- consent for BRE Bank SA to take bilateral loans from Commerzbank,
- adoption of the new rules and scope of operation of the Risk Committee of the Supervisory Board and the Audit Committee of the Supervisory Board,
- adoption of the Internal Audit Plan for 2010,
- adoption of the Capital Management Policy,
- adoption of the Investment Rules,
- adoption of the Compliance Risk Policy,
- adoption of the conflict of interest management rules,
- adoption of the internal capital adequacy assessment process (ICAAP) in the BRE Bank Group,
- defining amendments to the terms of management contracts of Management Board Members,
- adoption of the Capital Adequacy Information Policy,
- implementation of the Employee Programme and the Incentive Programme for Management Board Members.

Furthermore, current results of the BRE Bank Group and 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.

The Supervisory Board of the Bank operated in an effective manner. Members of the Supervisory Board did not participate in a meeting only in justified cases. The Supervisory Board passed all resolutions and decisions unanimously.

Participation of the Supervisory Board Members in the meetings and in the Committees in 2010:

Member	Attendance*	Executive Committee	Risk Committee	Audit Committee
Andre Carls	5/6	X	X	X
Achim Kassow	4/6			
Sascha Klaus	4/5	X (as of 1.04.2010)	X (as of 1.04.2010)	
Maciej Leśny	6/6	X	X	X
Teresa Mokrysz	5/6			
Michael Schmid	1/2	X (until 31.03.2010)	X (until 31.03.2010)	
Stefan Schmittmann	4/6			
Waldemar Stawski	6/6		X	
Jan Szomburg	6/6	X		X
Marek Wierzbowski	5/6			
Martin Zielke	5/6			X

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

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 2010. 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 and approved transactions exceeding 1% of the Bank's own funds.

The Audit Committee was regularly informed about the results and the financial standing of the Bank before the publication of quarterly results. The Committee held three meetings in 2010 where it discussed among others the following:

- compliance of the process of preparing financial statements with the law and applicable regulations,
- conclusions of the audit of financial statements of the BRE Bank Group,
- the "Main Rules and Process of Approving Audit and Non-audit Services",
- amendments to the IFRS to take effect in the coming years,
- assessment of the control system and the risk management system in BRE Bank in 2009 and the internal audit plan for 2010,
- co-operation with the auditor PricewaterhouseCoopers (PwC) to date and the scope of the audit of annual financial statements for 2010,
- status of implementation of recommendations of the Polish Financial Supervision Authority.

Among others, the Audit Committee recommended that the Supervisory Board approve the Reports of the Management Board of BRE Bank and the Group as well as the Financial Statements of the Bank and the Group and that it approve the BRE Bank Compliance Policy and the Compliance Risk Management Policy. The Audit Committee issued an opinion on the appointment of the auditor.

Exercising supervision over internal audit, the Audit Committee received regular reports of the Internal Audit Department covering a broad range of audit issues and was informed of actions taken with regard to key risk areas.

The Risk Committee in 2010 focused among others on the implemented project which introduces at BRE statistical methods for calculating credit risk regulatory capital requirements (A-IRB approach, Basel II). At its meetings, the Committee discussed quarterly risk reports and the current credit portfolio. Other major issues considered by the Committee included large exposures, the development of risk parameters and of loan loss provisions at the Bank and in the Group.

XVI.12. Investor Relations in BRE Bank

BRE Bank traditionally pays very close attention and takes good care of effective communication between the Company and the stakeholders. The Investor Relations Bureau, reporting directly to the President of the Management Board, maintains ongoing relations with investors and analysts. The key goals of Investor Relations include: to provide transparent information on the company's activity and results, to build its reputation and to ensure optimum market valuation.

Members of the Management Board of BRE Bank together with Investor Relations Bureau staff take part in most individual meetings with analysts and investors. In 2010, around 320 stakeholders attended more than 200 meetings. As usual, 4 conferences for analysts and investors were held in 2010 to discuss quarterly results; to ensure broad reception, the events were transmitted online as well as recorded and posted on the website of the Bank (www.brebank.pl).

In addition, Members of the Management Board of the Bank participated in national and international conferences as well as in roadshows (Europe and USA). BRE Bank representatives took part in 6 international and 2 national investor conferences, mainly in London, and 5 national and international roadshows.

The roadshow in Poland, the United Kingdom, Sweden and Germany completed before the issue of shares in May with the participation of the President of the Management Board and the Chief Financial Officer was particularly relevant for investors and the Bank. Active participation of Management Board Members in meetings with Polish and international investors largely contributed to the success of the issue.

The investor relations website (www.brebank.pl/en/investor_relations) is an important communication platform and provides interested parties with information about BRE Bank's shareholders, General Meetings, ratings, share price on the Warsaw Stock Exchange, and gives access to annual, periodic and current reports, presentations of the Company's strategy and results, as well as business and financial data.

BRE Bank Group and its results are monitored by analysts from a range of financial institutions, banks and brokers. At 2010 year-end, BRE Bank was covered by 21 national and international institutions whose analysts gave recommendations for BRE Bank shares. Most of the recommendations were neutral. Two analyst recommendations for BRE were positive ("Buy" or "Accumulate"), thirteen were neutral ("Hold"), and six were negative ("Sell" or "Reduce").

The investor relations activity was recognised by analysts and investors. In 2010, BRE Bank was awarded in a prestigious *Euromoney* ranking of the best managed companies in Central and Eastern Europe and took second place in the category "Most Accessible Senior Management". BRE Bank ranked third in the category "Best Investor Relations in Poland" in the European Investor Relations ranking of *Institutional Investor*. BRE Bank was also nominated in the *IR Magazine* ranking of "Best Investor Relations in Poland".

XVII. Statements of the Management Board

True and Fair Picture in the Presented Reports

The Management Board of BRE Bank SA declares that according to their best knowledge:

- The separate financial statement and the comparative figures were prepared in compliance with the binding accounting principles and present a true, fair and clear picture of the financial position and the condition of the assets of BRE Bank SA as well as its financial performance;

- The report of the Management Board on the business of the BRE Bank in 2010 presents a true picture of the developments, achievements, and situation of the BRE Bank SA Group, including a description of the main risks and threats.

Appointment of the Auditor

The Auditor authorised to audit financial statements performing the audit of the annual financial statements of the BRE Bank SA Group - PricewaterhouseCoopers Sp. z o.o. (PwC) was appointed in compliance with legal regulations. The audit company and its auditors fulfilled the conditions necessary for an impartial and independent audit report in compliance with respective provisions of Polish law and professional standards.

Signatures of the Members of the Management Board of BRE Bank SA

Data	First and last name	Position	Signature
28.02.2011	Cezary Stypułkowski	President of the Management Board, General Director of the Bank	
28.02.2011	Karin Katerbau	Deputy President of the Management Board, Chief Financial Officer	
28.02.2011	Wiesław Thor	Deputy President of the Management Board, Chief Risk Officer	
28.02.2011	Przemysław Gdański	Member of the Management Board, Head of Corporate Banking	
28.02.2011	Hans - Dieter Kemler	Member of the Management Board, Head of Investment Banking & Markets	
28.02.2011	Jarosław Mastalerz	Member of the Management Board, Head of Retail Banking	
28.02.2011	Christian Rhino	Member of the Management Board, Head of Operations & Information Technology	