

Opinion of the Supervisory Board of BRE Bank SA on the situation of the Bank in 2012 including the internal control system and the Bank's relevant risk management system

Base: Rule III.1(1) of the Best Practices of WSE Listed Companies

The results of BRE Bank Group in 2012 were similar to the results in 2011. The consolidated profit before tax reached PLN 1,472.1 million, while the consolidated net profit attributable to the shareholders of the Bank stood at PLN 1,203.2 million, representing an increase by 0.3% and 6.0%, respectively. Considering that the year 2011 was record-breaking in terms of achieved results, the Supervisory Board notes with all the more satisfaction their moderate growth in 2012. This proves that the high profitability of the Bank goes hand in hand with its stability. This stability is also corroborated by the fact that, unlike in 2011 when a one-off sale of a non-performing loan portfolio added around PLN 90 million to the profit before tax, the results in 2012 were fully achieved through recurrent business activity.

The total income of the Group in 2012 was PLN 3,578.1 million, an increase by 1.6% year on year. The structure of total income was also similar to that reported in 2011, which is yet another proof of the stable situation of the Group. The net interest income increased by 3.1%, the net commission income was stable, and the net trading income increased by 2.6%.

In the opinion of the Supervisory Board, in addition to the achieved high and stable profitability, the Bank and its subsidiaries have kept costs under control. Operating costs including amortisation/depreciation decreased by 1.1% year on year in 2012. As a result, the effectiveness of BRE Bank Group measured by the cost/income ratio improved for another consecutive year. The ratio was 46.4% in 2012 compared to 47.7% in 2011. It should be noted that the ratio oscillated around 54% in 2009, which demonstrates the progress made in this regard.

In contrast to income and costs, loan loss provisions changed more substantially. While being significant, the increase of provisions by 19.1% year on year in 2012 was driven by the low base of 2011 resulting from the one-off sale of non-performing loan portfolio. Net of the PLN 81.8 million of provisions released in 2011 as a result of the transaction, the provisions decreased by 2.3% in 2012. However, given the currently uncertain economic environment and the high likelihood of further slow-down in the Polish economy, the Supervisory Board will closely monitor the loan loss provisions at the Group through 2013.

The Supervisory Board notes with satisfaction that the Bank's deposit base continued to grow. Deposits increased by 6.9% in 2012 and reached almost PLN 58 billion. Deposits now finance no less than 56.7% of the assets.

In the opinion of the Supervisory Board, the activity pursued by BRE Bank SA in 2012 ensured full safety of deposits. The consolidated capital adequacy ratio under AIRB was 18.73% and the consolidated Core Tier 1 ratio was 13.00% at the end of 2012. These levels are much higher than the legal requirements and in the opinion of the Supervisory Board they are fully satisfactory.

Considering all the foregoing, the Supervisory Board gives a positive opinion on the situation of BRE Bank SA in 2012.

The Supervisory Board acknowledges the engagement and the efforts made over the past year both by the Management Board and the employees of the Bank in the interest and for the benefit of the Bank, which are reflected in the financial standing of the Bank. Furthermore, the Supervisory Board wishes to express its hope that these efforts will continue in 2013 and beyond in order to ensure further growth of the Bank's Shareholder value in the long term. The Supervisory Board also wishes to thank Bank's Shareholders for their trust in the activity of BRE Bank.

In relation to the conclusion of the current term of the Management Board, the Supervisory Board also wishes to thank the Management Board for five years of constructive and effective co-operation. At the same time, the Supervisory Board believes that the co-operation with the newly elected Management Board will be equally productive.

Opinion on the internal control system and the Bank's relevant risk management system

The internal control system in BRE Bank SA is comprised of institutional controls exercised by the Internal Audit Department, as well as functional controls.

The Supervisory Board has an Audit Committee which monitors internal audit matters on an on-going basis. The Internal Audit Department is functionally subordinated and reports to the Audit Committee. The Audit Committee of the Supervisory Board was regularly appraised of a broad range of audit-related issues in 2012 including, among others, assessments of the internal control and risk management systems, implementation of major audits in the Bank and subsidiaries of the Group. The Audit Committee reviewed and approved the 2012 Audit Plan. Furthermore, the Chairman of the Supervisory Board received copies of reports of all audits conducted in the Bank and subsidiaries of the Group by the Internal Audit Department. The Audit Committee of the Supervisory Board was also supported by the external auditor who regularly reported the findings and conclusions of its audits of the financial statements in 2012.

The Supervisory Board gives a positive opinion on the internal control system in BRE Bank SA including both its functional and institutional part.

On matters of risks, the Supervisory Board acts through its Risk Committee, which exercises on-going supervision of all risks, in particular credit risk (including concentration risk), market risk, operational risk, liquidity risk, and business risk. The Risk Committee issues recommendations on significant exposures carrying the risk of a single business entity. Furthermore, the Risk Committee reviewed many major risk issues in 2012 including macroeconomic factors, the situation on the Polish credit market, matters of capital and balance-sheet management, and further development of risk management methodologies, mainly AIRB.



Furthermore, the Management Board of the Bank controls risk management processes in BRE Bank Group through a range of committees. These include: the Credit Committee of the Management Board of the Bank, the BRE Bank Risk Committee, the Data Quality Management Committee, the Capital Management Committee, the Assets and Liabilities Management Committee.

In general, the Supervisory Board gives a positive opinion on the risk management system in BRE Bank SA. In the opinion of the Supervisory Board, the system covers all risks which are relevant to the Bank and the Group.

Maciej Leśny

Chairman of the Supervisory Board