

## **BRE Bank SA Corporate Governance Compliance Report**

This report has been compiled on the basis of Article 1 of Resolution No. 1013/2007 of the Management Board of Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange) dated 11 December 2007 on defining the scope and structure of the report on application of the corporate governance rules by listed companies and Article 2(2) of Resolution No. 13/1171/2007 of the Supervisory Board of Giełda Papierów Wartościowych w Warszawie S.A. dated 4 July 2007 on amending the Rules of Warsaw Stock Exchange.

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### **1) Listing of the corporate governance rules which have not been observed by the issuer together with the circumstances and reasons behind non-observance of each rule and the manner in which the company intends to remove potential consequences of non-observance of a given rule or the steps which the Company plans to take in order to mitigate the risk of non-observance of particular rules in the future**

From the moment of introducing the Company to public trading in securities, BRE Bank SA has made every effort to provide all shareholders with access to company information and to ensure respect for the shareholders' rights irrespective of the size of their stake. The pursuit of full transparency or operation and compliance with business ethics has been reflected in the application of good practices for listed companies, starting from "Good Practices for Public Companies 2002".

On 1 January 2008, the document entitled "The Code of Good Practices for Companies Listed on the Warsaw Stock Exchange" adopted by the resolution of the Supervisory Board of Warsaw Stock Exchange on 4 July 2007, entered into force. On 7 January, during its first meeting in 2008, the Management Board of BRE Bank passed a resolution in which it declared its willingness to apply the recommendations and rules contained in the document, and committed itself to promptly report, according to the procedure set forth in Article 29 of the Warsaw Stock Exchange Rules, if a given rule would not be applied on a permanent basis or would be incidentally violated. The Supervisory Board adopted a similar resolution during its first meeting in 2008, held on 24 January.

Although BRE Bank's internal legal regulations were not contrary to "The Code of Good Practices for Companies Listed on the Warsaw Stock Exchange" which entered into force on 1 January 2008, for the purpose of maintaining full coherence, in 2008, the By-laws of BRE Bank SA and Rules of the Management and Supervisory Boards were amended in order to adjust them to the principles stipulated in Good Practices. Some part of the amendments adopted by the Board entered into force on 24 January 2008, while the remaining changes concerning the By-laws and selected provisions of the Supervisory Board Rules, took effect upon approval of the Annual General Meeting and registration in the registry court. The amendments were related to new criteria of independence of Supervisory Board members, rules for the composition of the Audit Committee, new powers for the Supervisory Board and the Presidium Committee connected with issuing general recommendations for members of the Management Board with respect to the level and structure of remuneration for top management and monitoring the level and structure of these remunerations. As regards detailed criteria for independence of members of the Supervisory Board, the current By-

laws refer to the Standing Rules of the General Meeting of BRE Bank SA. The provisions of Good Practices do not require that the independence criteria be included in the By-laws.

In 2008, BRE Bank issued one report on non-observance of a principle stipulated in "The Code of Good Practices for Companies Listed on the Warsaw Stock Exchange". The report concerned point 4.8 which reads as follows: "The General Meeting or the Supervisory Board should ensure that the company authorised to audit financial statements changes at least once every seven financial years".

Meanwhile, on 14 March 2008, PricewaterhouseCoopers Sp. z o.o (PwC), which has already acted as the Bank's auditor for more than seven years, was chosen by the Annual General Meeting of BRE Bank SA as the auditor to examine financial statements of BRE Bank and the BRE Bank Group for 2008.

PwC has been also acting as the auditor of financial statements of Commerzbank, the Bank's strategic shareholder. A change of the entity examining the Bank's financial statements is dependant on potential change of the company auditing statements of the Bank's strategic shareholder. It is a rule that cooperation with one auditor within one international financial group streamlines consolidation of financial statements and is an element of joint reporting policy.

It is worth stressing that the Bank observes the rule stipulating that a change of persons auditing financial statements within organisational framework of one entity should be made at least once in every seven years. Therefore, the Bank is in concurrence with Article 42 of the EU directive recommending that key audit partners responsible for performing the statutory audit should change at least once every seven years (Directive 2006/43/WE of the European Parliament and of the Council on statutory audits of annual financial statements and consolidated financial statements dated 17 May 2006).

In order to provide the utmost care in applying good practices in line with their spirit and letter, BRE Bank has adopted an interpretation saying that the period of seven financial years starts from the first financial year for which PricewaterhouseCoopers Sp. z o.o. examined the Bank's financial statement. In March 2008, the Warsaw Stock Exchange allowed listed companies to calculate the start of cooperation with an audit company from the effective date of Good Practices 2008. Having applied this interpretation, BRE Bank fulfils the requirements laid down in point 4.8 of Good Practices and, therefore, on a permanent basis, is in compliance with all the principles stipulated in the "Code of Good Practices for Companies Listed on the Warsaw Stock Exchange".

The issue of observance of the corporate governance rules by all authorities of the company: General Meeting, Supervisory Board and Management Board, has been of great significance for BRE Bank. For more details on the procedures of these authorities, see points 2) and 3) of this report.

## **2) Description of the procedures and fundamental powers of the General Meeting, rights of shareholders and their execution**

The General Meeting is convened and organised in accordance with the provisions of the Code of Commercial Partnerships and Companies, the Bank's By-laws and the Standing Rules of the General Meeting.

The General Meeting (GM) convened by the Management Board under normal procedure, is held once a year, not later than in June.

The Extraordinary General Meeting is convened as the need arises upon a motion of the Management Board, Supervisory Board or upon request of shareholders representing jointly at least 10% of the share capital. The shareholders may participate in the GM and exercise their voting rights personally or by proxies. Each share of the Bank represents the right to one vote. A General Meeting is deemed valid regardless of the number of shares represented during the GM, subject to the cases stipulated in the Code of Commercial Partnerships and Companies.

Pursuant to the By-laws of BRE Bank, apart from other issues set forth in the Code of Commercial Partnerships and Companies, the following issues require resolutions of the General Meeting:

- a) examination and approval of the report of the Management Board on the Bank's operations and financial statements for the previous financial year,
- b) adoption of resolutions on the distribution of profit or coverage of loss,
- c) vote of discharge of duties to the members of the Bank's authorities,
- d) election and dismissal of members of the Supervisory Board,
- e) amendment of the By-laws,

- f) increase or reduction of the Bank's share capital,
- g) adoption of resolutions concerning the redemption of shares and resolutions to redeem shares, in particular setting the rules of share redemption not regulated in the By-laws,
- h) creation and winding up of special purpose funds,
- i) issue of convertible bonds or preferred bonds,
- j) determination of remuneration for members of the Supervisory Board,
- k) liquidation of the Bank or its merger with another bank,
- l) appointment of liquidators,
- †) matters submitted by the Supervisory Board,
- m) matters submitted by shareholders in accordance with the provisions of the By-laws,
- n) election of an entity authorised to audit financial statements as the Bank's auditor.

All matters submitted to the General Meeting should be previously presented to the Supervisory Board for consideration. The principles of participation in the GM and of casting votes are governed by the Standing Rules of the General Meeting of BRE Bank. The Standing Rules of the General Meeting contain, in particular, provisions concerning elections, including elections to the Supervisory Board as well as provisions on voting procedures. Under the Standing Rules, votes are cast in an open ballot. A secret ballot is required in the case of elections and motions for dismissal of members of the Bank's authorities or liquidators, motions for bringing members of the Bank's authorities or liquidators to justice, and in personal issues. In addition, a secret ballot is required, if at least one shareholder present or represented at the General Meeting requests for it.

Resolutions of the General Meeting are passed by simple majority of votes unless provisions of the Code of Commercial Partnerships and Companies or the By-laws of the Bank stipulate more stringent conditions for adoption of resolutions on specific issues. Pursuant to the Rules of the Supervisory Board, draft resolutions of the General Meeting are tabled together with a justification (opinion) of the Supervisory Board.

The person opening the GM (Chairman of the Bank's Supervisory Board or Deputy Chairman, or – in the case of their absence – member of the Supervisory Board) proceeds immediately with election of the Chairman of the General Meeting. The Chairman of the General Meeting presides over the meeting, takes decisions relating to formal and procedural aspects, and has the right to interpret the Standing Rules. The Chairman's functions include, in particular: ensuring efficient course of the proceedings in keeping with the agenda and the procedure and guaranteeing respect for the rights and interests of all shareholders, giving the floor to speakers, accepting motions and draft resolutions, submitting them for discussion, opening and proceeding with voting, and confirming that the agenda has been exhausted. Pursuant to the Standing Rules of the General Meeting, members of the Bank's Management Board and the Supervisory Board should participate in the General Meeting, and so should the auditor, if the General Meeting deliberates over financial issues of the Bank. During the meeting, members of the Bank's Management Board answer to the questions of shareholders due to the fact that the Bank complies with reporting obligations in a manner stipulated in the provisions law, including: the Code of Commercial Partnerships and Companies, the Act on Trading in Financial Instruments, and the Act on the Public Offer, Terms and Conditions of Introduction of Financial Instruments to an Organised Trading System and Public Companies, whereas some information may only be disclosed pursuant to the provisions of law.

The 21st Annual General Meeting of BRE Bank was held on 14 March 2008. According to the recommendations set forth in "The Code of Good Practices for Companies Listed on the Warsaw Stock Exchange", the General Meeting was broadcasted on the Internet (open transmission available to the public), recorded and made available on the official website of BRE Bank along with the resolutions adopted by the General Meeting and questions asked by shareholders together with answers concerning the issues covered by the agenda of the GM.

Moreover, on 27 October 2008, BRE Bank held the Extraordinary General Meeting. The EGM passed resolutions on appointing Andre Carls by the Supervisory Board of BRE Bank on 5 September 2008, due to resignation submitted by Martin Blessing, and on establishing the rules for carrying out the incentive programme for key staff of the BRE Bank Group.

### 3) Composition and procedures of the managing and supervisory authorities of the Company and their committees

#### 3.1. Management Board

Under the By-laws of BRE Bank, the Management Board is composed of at least three members appointed for a joint 5-year term of office. At least half of members of the Management Board, including the President of the Management Board, must have Polish citizenship. Members of the Management Board supervise separate areas of the Bank's operation within the scope defined by the President of the Management Board. The detailed division of powers and the rules for replacements in the case of absence, holidays of the Management Board members are set forth in relevant resolutions of the Management Board.

In 2008, the composition of the Management Board of BRE Bank has changed due to expiration of the term of office. Before the end of the term of office, the Management Board has acted in the following composition:

1. Sławomir Lachowski – President of the Management Board, Chief Executive Officer
2. Jerzy Józkowiak – member of the Management Board, Chief Financial Officer
3. Bernd Loewen - member of the Management Board, Managing Director for Investment Banking
4. Rainer Ottenstein - member of the Management Board, Managing Director for Operations and IT
5. Wiesław Thor - member of the Management Board, Chief Risk Officer
6. Janusz Wojtas - member of the Management Board, Managing Director for Corporate Banking
7. Jarosław Mastalerz - member of the Management Board, Managing Director for Retail Banking

On 14 March 2008, the Bank's Supervisory Board appointed a new Management Board of BRE Bank for a joint 5-year term of office. Mariusz Grendowicz was appointed as President of the Management Board and Chief Executive Officer. New members of the Management Board included Andre Carls – Vice-President of the Management Board responsible for finance and Christian Rhino responsible for the area of operations and IT. The new composition includes three members of the previous Management Board: Wiesław Thor who was appointed as Vice-President of the Management Board, Bernd Loewen and Jarosław Mastalerz. Due to the fact that Andre Carls was appointed to the post of Supervisory Board member and Deputy Chairman of the Supervisory Board, the Supervisory Board appointed Karin Katerbau as Managing Director, Chief Finance Officer, effective from 5 September.

The supervision over the Corporate Banking area had been temporarily exercised by Bernd Loewen, whereas on 19 November 2008, Przemysław Gdański was appointed for the post of a member of the Management Board, Managing Director for Corporate Banking.

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

Mariusz Grendowicz President of the Management Board, Chief Executive Officer	Born in 1961, graduate of the Faculty of Economics of Transport at the University of Gdansk and studies in banking in the Great Britain. He started his professional career in foreign banks: Grindlays Bank, then in Australia and New Zealand Banking Group in London, where he was working until 1991. In 1991-1992 he worked in Citibank in London, and then in ING Bank, where in 1992-1995 he held managerial positions in Poland, and in 1995-1997 in Hungary. From 1997 to 2000, he was the President of the Management Board of ABN AMRO Bank Polska and the Head of the ABN AMRO Group in Poland. In 2001-2006 - Vice-President of the Management Board of BPH, in charge of Corporate Banking and Property Financing.
Wiesław Thor Vice-President of the Management Board, Chief Risk Officer	Born in 1958, graduate of the Warsaw School of Economics (formerly the Central School of Planning and Statistics) and, among others, summer school of banking at McIntire University Business School. Since 1990 he was working for BRE Bank, since May 2000 he held the position of the Head of Risk. As of 1 August 2002 he was working as the Managing Director at Bank Handlowy in Warsaw. On 2 November 2002 he was appointed as the Member of the

	Management Board of BRE Bank, Chief Risk Officer. He is a lecturer of the Warsaw Institute of Banking and the Warsaw School of Economics. He is a member of the Steering Committee of Robert Morris Association European Credit & Risk Management Round Table and a member of GARP Polska.
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 Gdansk and completed a one-year programme in banking and international finance at Loughborough University in the Great Britain. In 1993-95 he worked for IBP Bank S.A., then for ABN AMRO where he was managing corporate banking in ABN AMRO Bank in Romania, and from 2001 in the Head Office of ABN AMRO in Amsterdam where he was responsible for the portfolio of global clients within the Global Commodity Finance Department. In 2002-2006 he was the Managing Director of Large Corporations Division in BPH Bank. From May to November 2006 he held a position of Chief Executive Officer and General Director of Calyon Bank Polska and Calyon SA Branch in Poland. In mid-November 2006 he took the position of Vice-President of the Management Board in BPH Bank responsible for corporate banking and property 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.
Karin Katerbau Member 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 received French and German diploma in 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 since 2004 she held the position of Management Board Member, Finance Director responsible, among others, for finance and controlling. Since March 2008 she held the position of Operational Director of Private & Business Customers.
Bernd Loewen Member of the Management Board, Head of Investment Banking	Born in 1965, graduate of the Faculty of Management at University in Münster. In 1992-1995 he worked for Altenburg&Tewes AG, auditing company in Wuppertal. Since 1996 he worked for Commerzbank AG, first in the Strategic Controlling Division, later in 1998-2001, in Corporate and Investment Banking Division. Since 2002 he co-managed and since October 2004 he managed the Commerz Capital Markets Corporation in New York City.
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 Lodz. 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 the Financial Director (also responsible for bank assurance) at Generali TU and Generali TU n.ż. Since 2006 he has been working for the BRE Bank Group, he was a co-author of the insurance project BRE Ubezpieczenia, and held the position of the President of the Board of BRE Ubezpieczenia.
Christian Rhino Member of the Management Board, Chief Operation Officer	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 at Commerzbank, where he held the position of Global Head Trade Finance & Transaction Services and Managing Director for Corporate Banking.

The members of the Management Board are jointly liable for the overall operation of the Bank. They work as a collegiate body and inform each other about the most important matters concerning the Bank subject to the competencies of particular members of the Management Board. 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 as well as for specific tasks.

The following committees operate within BRE Bank:

- BRE Bank Group Operational Management Committee (chaired by: Mariusz Grendowicz).

- Assets and Liabilities Management Committee of the BRE Bank Group (chaired by: Bernd Loewen)
- Investment Committee of the Bank (chaired by: Bernd Loewen)
- Committee for Corporate Banking Offer Development (chaired by: Przemysław Gdański)
- IT Committee of the Bank (chaired by: Christian Rhino)
- Capital Management Committee (chaired by: Karin Katerbau)
- Management Board Credit Committee (chaired by: Wiesław Thor)
- Risk Committee of BRE Bank (chaired by: Wiesław Thor)

The Management Board directs the Bank's business, represents the Bank and defines the guidelines for the Bank's operations, especially the risk-bearing activities, such as the credit policy, the investment policy, the Bank's assets and liabilities management policy and the guarantee policy. The Management Board tables regular and exhaustive reports to the Supervisory Board on all significant aspects of the activities of the Bank and risks related to its operations as well as risk management methods.

The Management Board operates pursuant to its Rules approved by the Supervisory Board. The Rules determine, in particular, the issues which require consideration by the Management Board as a collegiate 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 dispose of assets whose total value in relation to one entity exceeds 5% of the Bank's own funds (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 their resolutions by consensus. In compliance with a principle of Good 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, relatives or relations by affinity up to the second degree, as well as persons with whom he or she has a personal relationship.

The remuneration of the Management Board members consists of a fixed part and a variable part adjusted and tied to the financial performance of the Company. The amount of remuneration is verified by the Supervisory Board on an annual basis. The total amount of the remuneration of all Management Board members jointly and of each individual member, broken down into component parts, is published in the financial statement.

### 3.2 Supervisory Board

The Supervisory Board acts on the basis of adopted Rules and performs functions pursuant to the by-laws of the Bank, Code of Commercial Partnerships and Companies and Act on Banking Law. 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 shall be defined by General Meeting. At least half of all Supervisory Board members, including the Chairman, shall have Polish citizenship. According to the statutory requirements, at least two Supervisory Board Members shall be independent, unless the General Meeting decides otherwise. Criteria of the Supervisory Board's members are determined in the Rules of the Supervisory Board. Both decisions regarding the number of the independent members, and requirements that must be met by the independent members, comply with the "Best Practice for WSE Listed Companies"

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

Maciej Lesny Chairman of the Bank's Supervisory Board (independent member)	Born in 1946, graduate of the Economics Division at University of Gdansk and foreign post-graduate studies. He worked 22 years in the central state administration, including 8 years on the position of the Sub-secretary of State: at the Ministry of Foreign Economy Co-operation, the Ministry of Economy, Labour and Social Policy, in 1994-1998 acting as Chairman of the Supervisory Board of BRE Bank, and then since December 2001 he was the member of the Supervisory Board. He was re-elected the Chairman in 2004.
Andre Carls Deputy Chairman of the	Born in 1963, graduate of economics studies, PhD at the University of Cologne. He joined Commerzbank in 1990, from 2000 to 2008 Andre Carls was a

Supervisory Board	member of the Management Board of comdirect bank AG, from 2004 to March 2008 CEO of comdirect bank AG, currently holds position of the President of the Management Board of Commerzbank Auslandsbanken Holding AG.
Achim Kassow Member of the Supervisory Board	Born in 1966, graduate of business administration and economics at the University of Cologne, PhD in economics. Between 1993 and 2002 he was employed in Deutsche Bank Group, from 2001 the Management Board Member of Deutsche Bank 24 AG. Between 2002-2004 - Chief Executive Officer of comdirect bank AG, Quickborn. From 10 November 2004 - Management Board Member of Commerzbank AG, responsible for: Asset Management, Private Banking, Individual and Corporate Clients and Retail Loans. Appointed as the Supervisory Board Member of BRE Bank on 17 October 2006.
Teresa Mokrysz Member of the Supervisory Board (independent member)	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 Ustron and in 2001 her company gave another plant in Zory for use. She is the winner of the „Leader of the Decade” title given by Gazeta Wyborcza daily, and the “Success of the Decade” given by the Businessman Magazine.
Michael Schmid Member of the Supervisory Board	Born in 1952. Mr. Schmid has a degree in economics. He studied economy at the University of Würzburg. He has worked for Commerzbank since 1979 and was in charge of corporate banking on numerous managerial positions. At present he holds a position of the Head of Division of Global Credit Operations at the Headquarters of Commerzbank in Frankfurt (Chief Credit Officer-CCO)
Waldemar Stawski Member of the Supervisory Board (independent member)	Born in 1958, graduate of Electricity Processing and Utilisation in the Electrical Faculty of the Gdansk and post-graduate studies within the financial analysis. In 1993-1995 he worked for Pomorski Bank Kredytowy, then with PKO BP as Vice-President responsible for Treasury, corporate clients and capital market management, From June 2002 to February 2003, Chairman of the Team of Receivers for Wschodni Bank Cukrownictwa SA. At a later date he was the Management Board Member of CTL Logistics SA and CFO Of Transport and Logistics Employers Association.
Jan Szomburg Member of the Supervisory Board (independent member)	Born in 1951. He has been the member of the Supervisory Board since May 1998. Mr. Szomburg has a PhD in economy Previously he worked as an assistant and then as a lecturer at the University of Gdańsk. He is a founder and the President of the Management Board of the Gdańsk Institute for Market Economics. In 90's he was the chairman of the Polski Bank Rozwoju Supervisory Board, Bank Gdański Council, advisor to the ownership transformation ministry, and member of the Ownership Transformation Council to the Prime Minister. He was the advisor of Jerzy Buzek – the Prime Minister, on economic issues and a chairman of the Ownership Transformation Council to the Prime Minister.
Marek Wierzbowski Member of the Supervisory Board (independent member)	Born in 1946. Full professor of the University of Warsaw, legal advisor, partner to the law office of Marek Wierzbowski Radcowie Prawni Spółka Partnerska. A member of the Public Order Board, the Central Commission for Scientific Degrees and Titles, President of the Court of the Chamber of Brokerage Houses. Professor Wierzbowski was a vice dean of the Faculty of Law and Administration and a vice rector of the University of Warsaw. He used to chair the Stock Exchange Board and was a vice chairman of the Arbitration Court of the National Chamber of Economy.
Martn Zielke Member of the Supervisory Board	Born in 1963, economist, graduate of University in Göttingen. In 1990 – 2000, cooperated with Dresdner Bank AG, Regional Head of Retail Banking for Portfolio Investments in Deutsche Bank 24, Regional Head of Retail Banking Finance at Deutsche Hyp. In 2002 - 2004, acted as Group Manager of Retail Banking Area, Commerzbank AG, and from January 2005 to March 2006 he was a Group Manager in Corporate Banking Area of Commerzbank AG. Since 1 April 2006, Member of the Management Board of Eurohypo Aktiengesellschaft, Eschborn and additionally since 1 February 2008 Group Manager in Group Finance Department at Commerzbank AG, in Frankfurt upon Main.

New Management Board Members appointed by 21st Ordinary General Meeting on 14 March 2008 are as follows: Waldemar Stawski, Marek Wierzbowski and Martin Zielke. As of 4 September 2008, a resignation from the membership of the Supervisory Board and Deputy Chairman function submitted by Mr. Martin Blessing, who since 15 May 2008 has been the President of the Management of Commerzbank AG. Mr. Andre Carls was appointed as Supervisory Board Member and Deputy Chairman of the Supervisory Board by the Resolution of the Supervisory Board of September 5 2008, until the end of the present term of office of the Management Board of BRE Bank SA.

The following persons are Independent Members of the Supervisory Board: Maciej Leśny, Jan Szomburg, Teresa Mokrysz, Waldemar Stawski and Marek Wierzbowski. The strategic shareholder - Commerzbank - is represented by: Andre Carls, Achim Kassow, Michael Schmid and Martin Zielke.

Powers of the Supervisory Board, defined in the Rules of the Supervisory Board involve, in particular:

- a) providing the Management Board with advice and exercising supervision over the Management Board in developing guidelines for the Bank's risk carrying operation, 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,
- b) exercising supervision over compliance of the Bank's regulations on risk taking with the strategy and the Bank's financial plan,
- c) approving the rules of information policy, adopted by the Management Board, regarding risk management and capital adequacy,
- d) approving strategies developed by the Management Board and the procedures of the internal control system, risk management system, internal capital assessment process, capital management and capital planning,
- e) assessing adequacy and effectiveness of risk management,
- f) examining all the regular reports and exhaustive information, received from the Management Board, on all important aspects relating to the Bank's operation, risk related to its operation, and on the manner and effectiveness of the risk management,
- g) drawing up concise evaluation report on the Bank's position to table it for the Ordinary General Meeting and appending it to the annual report of the Bank for the previous financial year, drafted pursuant to separate regulations,
- h) approving the Bank's annual financial plans, multi-annual development plans, as well as strategy of the Bank's operation and rules of cautious and stable management of the Bank,
- i) reviewing any motions and matters subject to resolutions of the General Meeting, including draft resolutions of the General Meeting; the Supervisory Board draws up statement of reasons (opinions) for draft resolutions to be tabled for approval of the General Meeting; such statements of reasons (opinions) and draft resolutions will be made available to the shareholders at the registration desk before the General Meeting;
- j) issuing or approving the rules provided for in the Bank's Statute;
- k) appointing and dismissing President, First Vice-President and Vice Presidents and other Members of the Management Board in keeping with the provisions of the Banking Law Act and taking into consideration relevant qualifications for performance of the functions assigned to them,
- l) defining terms and conditions of contracts and setting remuneration for President, First Vice-President and Vice-President as well as other Members of the Management Board,
- m) authorising Chairman of the Supervisory Board to represent the Bank in agreements with Members of the Management Board, including execution of management contracts with Members of the Management Board;
- n) receiving information in advance on formation, acquisition, closing and having at their disposal permanent establishments and parts of a business as well as initiating and terminating undertakings and fields of operation,
- o) approving conclusion of or amendments to any significant agreement or arrangement with Members of the Management Board or the Supervisory Board,
- p) approving conclusion of, amendments to or termination of any significant affiliation agreements or cooperation agreements;
- r) receiving information on expected deviations from the annual budget;



s) analysing a report of the Internal Audit Department's director, received at least once a year, which, based on the conducted audits and the drawn up reports on monitoring of the internal control mechanism effectiveness, contain information on identified irregularities, motions and action undertaken in order to eliminate the irregularities.

Meetings of the Supervisory Board are convened by Chairman of the Supervisory Board on his or her own initiative or on request of the Management Board or on request of the 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 votes, Chairman of the Supervisory Board has the casting vote. Member of 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 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 it 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, which the Bank was granted, to enter into a significant agreement with an entity associated with the Bank, member of the Supervisory Board or of the Management Board, and the entities associated with them.

The Supervisory Board has 3 Committees: the Executive Committee, the Risk Committee, and the Audit Committee. Each of the committees is composed of four members of the Supervisory Board, including two independent members.

The tasks of the Executive Committee involve, in particular: exercising regular supervision over the Bank's operation in the periods between meetings of the Supervisory Board; authorising the Management Board to acquire, encumber or dispose of real property, 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 of remuneration and amounts of remuneration of members of the Management Board; tabling opinions concerning granting members of the Management Board approval for engaging in competitive activity. The Executive Committee is composed of: Maciej Leśny - Chairman and members: Andre Carls, Jan Szomburg and Achim Kassow.

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, and exercise regular supervision over the internal control system at the Bank. 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, in particular: exercising regular 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 the approval of or the refusal to approve of the Bank's information policy regarding risk management and capital adequacy. The Risk Committee is composed of: Chairman - Michael Schmid and members: Maciej Leśny, Andre Carls and Waldemar Stawski.

The Standing Committees of the Supervisory Board submit a report to the Supervisory Board on its activities. The Bank makes the reports available to shareholders before the Ordinary General Meeting.

The amount of remuneration of the Supervisory Board members (jointly and individually for each member) is disclosed in the financial statement.

The year 2008 – abounded in changes (including changes in the Bank's Management Board) and new challenges; it forced the Supervisory Board to be particularly active.

In 2008, the Supervisory Board held 5 meetings. In October, apart from the scheduled meetings, the Supervisory Board held also teleconference meetings. Last year, the Supervisory Board adopted 58 resolutions.

The resolutions concerned, in particular:

- acceptance of financial statement of BRE Bank, the BRE Bank's Group and of other materials for the OGM,

- election of the Management Board of the current term of office,
- taking out subordinated loans and bilateral loans from Commerzbank,
- adoption of an incentive programme and an employee programme for the Management,
- setting terms and conditions of managerial contracts and rules of awarding bonuses to the Management Board Members,
- formulating valid consolidated texts of the BRE Bank's Statute, Rules of the Supervisory Board, Rules of the Management Board, and Rules of the Audit Committee of the Supervisory Board,
- approval of BRE Bank's Compliance Policy,
- approval of BRE Bank's Mezzanine Policy,
- approval of the Conflict of Interest Management Policy,
- allocation of funds to the BRE Bank's Foundation,
- recommendations concerning the choice of an auditor.

Furthermore, current results of the BRE Bank Group, relating to the financial plan, were discussed and evaluated in a systematic manner at the meetings of the Supervisory Board.

Average turnout for the meetings of the Supervisory Board Members was around 90%.

Participation of the Supervisory Board Members in the meetings and in the Committees in 2008

	Turnout*	Executive Committee	Risk Committee	Committee Audit
Martin Blessing (till 4 September 2008)	2/3	X		X
Andre Carls (from 5 September 2008 )	2/2	X	X	X
Gromosław Czempiński (till 14 March 2008 )	2/2			
Achim Kassow	2/5	X (from 14 March 2008)		X (till 14 March 2008)
Maciej Leśny	5/5	X	X	X
Teresa Mokrysz	5/5			
Michael Schmid	5/5		X	
Nicholas Teller (till 14 March 2008 )	2/2	X	X	
Waldemar Stawski (from 14 March 2008)	4/4		X	
Jan Szomburg	4/4	X		X
Marek Wierzbowski (from 14 March 2008 )	4/4			
Martin Zielke (from 14 March 2008)	3/4			X

\* Attendance at meetings/ number of meetings during a term of office

#### 4) Characteristics of the Company's internal control and risk management systems in relation to preparation of financial statements

Under the provisions of the Banking Law, Resolutions of the Polish Financial Supervision Authority (KNF) (formerly the Commission for Banking Supervision(KNB)), within the framework of the bank's management system BRE Bank applies the System of Internal Control (SKW), which involves:

- 1/ functional internal control;
- 2/ institutional internal control.

BRE Bank's internal control is governed by the provisions of the Internal Control Rules introduced under the Order of the President of the Management Board based on a Resolution of the Bank's Management Board.

The 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 supervision of head of an 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 Banking Law, BRE Bank internal regulations, *International Standards for the Professional Practice of Internal Auditing* and good business practices in this respect.

DAW is subordinate to the President of the Management Board and reports to the President of the Management Board and to the Audit Committee of the Supervisory Board of BRE Bank S.A. The principle of audit operational independence is applied since auditors are not involved in operational activity. Mission, position, objectives, the scope of activities and DAW's tasks are stipulated in internal Bank's regulations.

The main functions of DAW include:

- a) developing the rules for internal control system, assessment of risk management systems and consultancy in this respect,
- b) monitoring and assessment of risk management systems,
- c) examining and assessing the adequacy and effectiveness of control mechanisms in the Bank management systems, operating and IT systems,
- d) performing scheduled and ad hoc control activities in respect of particular banking and IT products, organisational units and areas of the Bank's operation (including the Bank's foreign branches),
- e) exercising functional supervision over internal control units in the Bank's organisational units (including the Bank's foreign branches),
- f) initiating and supervising prevention activities aiming at counteracting irregularities in the Bank's operation,
- g) maintaining contact, on behalf of the Bank, with the Polish Financial Supervision Authority (KNF) and the Supreme Chamber of Control (NIK) in the scope of the Department's competence,
- h) coordinating works related to controls exercised by external control authorities and cooperation with an external auditor.

In terms of provided services, including consultancy, DAW performs:

- audit tasks: those scheduled on the basis of "The plan of DAW's operation" and ad hoc ones
- non-audit tasks of consultative and advisory nature.

The scope of those tasks covers all the Bank's organisational units.

The process of internal audit is planned. The audit plan is prepared annually on the basis of the risk analysis in all the significant areas of the Bank's operation and is approved by the Management Board of the Bank and, upon the recommendation of the Audit Committee of the Supervisory Board, it is approved by the Supervisory Board. The audit results are reported to the President of the Management Board and to the Supervisory Board of the Bank (the Audit Committee).

DAW monitors implementation of post-audit guidelines and recommendations. The process of monitoring guidelines and recommendations and reporting no progress in their implementation to the Members of the Management Board has been automated in terms of the IT system supporting audit.

In its advisory role, the Department issues opinions on internal legislation, regulations, policies and procedures for the operational activity of the Bank from the point of view of internal control and risk. The Department also provides internal services in the organisation including audit supervision over ongoing or prepared projects at the Bank.

The Internal Audit Department presents semi-annual activity report which includes important findings concerning the effectiveness of the internal control system and the related risk assessment. The report is regularly submitted to the President of the Management Board and to the Audit Committee. The quality of the internal audit work is assessed in the form of regular overviews of the auditors' work by the DAW director.

In particular, the Bank uses risk management and internal control in the process of preparing financial statements.

The process of preparation of 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 the process which covers respective internal controls. Manual adjustments are subject to special control.

The organisation of examining the Bank's financial statements is laid down in the Bank's internal legislation and approved by the Order of the President of the Management Board. The Order in force provides for a clear and transparent division of responsibility of persons participating in preparation and verification of the quality of prepared financial statements of the Bank.

The Bank's financial statement is prepared by the Accounting Department (DR) which constitutes an organisational unit in the Finance Business Line, reporting directly to the Managing Director of Accounting and Controlling and to the Chief Financial Officer.

Substantive and organisational supervision over the preparation of the financial statement is exercised by the Director of DR.

The work on the preparation of the annual and semi-annual financial statements of the Bank is co-ordinated by the Deputy Director of DR.

The prepared financial statements are submitted to the Management Board for verification.

In addition, the Audit Committee, as a body supporting the Supervisory Board in its performance of obligations relating to the quality of the prepared financial statements, receives reports on quarterly financial statements as well as profits or losses before their publication. The Audit Committee recommends approval or rejection of annual financial statements to the Supervisory Board.

The annual and semi-annual financial statements of the Bank are respectively audited and reviewed by an independent external auditor.

The Bank manages the risks of the process of preparing financial statements also by ongoing monitoring of changes required under external legislation and regulations concerning reporting obligations of banks, and by preparing for their implementation well ahead of the deadline.

The Bank also updates, on an ongoing basis, its accounting principles used to prepare financial statements.

The Bank also performs control functions with respect to subsidiaries which are controlled for the needs of preparing the financial statement of the Group through their representatives in supervisory boards of those subsidiaries.

It should be noted that in 2008 BRE Bank took first place, second time in a row, in the category of financial institutions of "The Best Annual Report" competition organised by the Institute of Accounting and Taxes.

## **5) Investor relations in BRE Bank**

A sharp decline on the stock exchange, as well as changes, which took place in 2008 in the Management Board of the Bank engendered a need for special care of good communication between the Company and its stakeholders. This task has dominated the activities within the scope of investor relations in 2008.

In 2008, the investor relations representatives took part in a total of 174 individual meetings with investors and stock analysts, which means on average three meeting per week. A total of 340 stakeholders took part in the meetings organised by investor relations within a year. The number of contacts of the investor relations team with analysts and investors in the form of e-mails and phone conversations in 2008 exceeded 1.6 thousand. The effects of activities conducted in the scope of investor relations along with positive results of the Company, gave the expected results. The number of brokers issuing recommendations for BRE Bank on regular basis increased from 14, at the end of 2007, to 20, at the end of 2008.

Investors and stock analysts took part in four quarterly result conferences, directly or via the Internet. All meetings of analysts and the Management Board, connected with publication of quarterly results in 2008, were transmitted on-line and available on the web site (as an archive record). The Bank also took part in four foreign investor conferences (in London, New York and Prague). Investor relations also organised six foreign and two domestic road-shows.

The market positively evaluated the activity of investors relations in BRE Bank. The Bank received the Company with High Reputation title, in the finance category in PremiumBrand ranking - of listed companies in 2008. Moreover, the investor relations team in BRE Bank was one of the finalists in a ranking "IR Magazine 2008 Awards" in the category "Best investor relations in a Polish company". The investor relations in BRE Bank were assessed highest by the Individual Investors Association in a ranking of investor relations of the banking sector. The Bank was ranked highest in three categories: web site, annual reports and corporate governance.