BRE Bank SA Supervisory Board Assessment of the Bank’s Standing in 2008 including Evaluation of the Internal Control System and the Relevant Risk Management System.

Basis: Rule 3.1(1) of the Good Practices for Companies Listed on WSE

The past year, particularly second half of 2008 was full of unprecedented situations and events in the global financial sector. The market was stable until the moment when it was disrupted by bankruptcy of many banks, including the world's investment banking giants; some of the banks were taken over by their competitors, other banks received bailout from governments and other were nationalised. The global financial crisis, which began over the ocean on the local real estate financing market spread to the rest of the world by means of so-called toxic assets causing losses and decline of confidence on the interbank market. Additionally, the situation overlapped with business cycle in the form of closing the phase of intensive economic growth and entering the phase of economic slump. The Polish banking sector, in which BRE Bank operates, luckily has so far not been affected by such turmoil as for instance the American or British sector, however the echoes of the global financial crisis have been felt also here. First and foremost, in the past year, we dealt with the decline in confidence between banks which resulted in the interbank market standstill and therefore, ensuring funds for financing the banking activity became a challenge. Moreover, Q4 2008 proved to be a period of economic slump with all its possible consequences. In this situation, the macroeconomic environment of BRE Bank became disadvantageous.

The Supervisory Board assessed the financial standing of BRE Bank in 2008 as positive and agreed that the Bank has faced up to the challenges that appeared due to the changing macroeconomic environment. Except for the aforesaid, the Bank was able to generate a better financial result in 2008 than in the profitable 2007 (consolidated profit before tax amounting to PLN 1 000.1 million compared to PLN 954.5 million in the previous year) while the cost effectiveness has been improved (C/I ratio at the level of 55.1% as compared to 55.5% a year before).

The Bank's deposit base is also assessed positively by the Supervisory Board of BRE Bank SA. In 2008, the deposit base increased by 16.5%. At the same time, the share of funds deposited by individual clients increased considerably (to 55.1%). As a general rule, deposits of individuals are more stable, which is expected to positively affect the whole deposit base in terms of its stability.

The Supervisory Board was also pleased to see an increase in the number of BRE Bank clients. During the past year, the number of corporate clients increased by 6.6%, while the number of retail clients rose by 24%. The Supervisory Board expects this rise to form a basis for further development of the Bank and its business in the forthcoming years.

The Supervisory Board thoroughly analyzed the Q4 results. Despite a positive assessment of the entire year, the Board is concerned about non-performance of the plan in the last quarter, which was caused by the general crisis situation in the financial system. The Board is particularly alarmed by the increasing level of provisions and a result decrease in Q4 along with a negative impact of derivatives.

From the point of view of the Supervisory Board, the rise in profitability and scale of the Bank's business activity in 2008 was accompanied by maximum security of funds entrusted with the Bank. The consolidated solvency ratio remained at the safe level of 10% and amounted to 10.04% as at the end of 2008.

Bearing in mind the Bank's growth in the past year, whose general overview was presented above, as well as situation of the Polish and global banking sector, as well as the general macroeconomic conditions forming the natural business environment of the Bank, the Supervisory Board recommends to the General Meeting of Shareholders not to pay dividend from the 2008 profit in order to retain the profit for the purpose of strengthening the Bank's capital base. It is of particular importance, especially in the current market conditions and turmoil that occurred in the world in the past few months and the persisting uncertainty being its consequence. This will allow the Bank to weather the unfavourable external conditions and, mid-to long-term, to continue growth by creating favourable conditions for it, and will translate into an opportunity to continue the aim to increase the value of the

Company to Shareholders. Also the need for maintaining the solvency ratio at the safe level not exceeding 10% weighs in favour of strengthening the capital base.

The rating agencies – Fitch Ratings and Moody's Investors Service – seem to confirm the positive assessment of BRE Bank's standing presented above. Throughout 2008, both agencies maintained all ratings for BRE Bank at the unchanged level (changes referred only to their perspectives). It is also noteworthy that in the face of mass decrease of ratings assigned to financial institutions in 2008, maintaining the existing level of the ratings should be seen as a success.

The Supervisory Board positively assessed the continued efforts of the Bank's Management Board and the employees into further growth of the Bank and its financial result. At the same time, the Supervisory Board hopes that the Bank will accomplish all challenges in 2009 and that the implementation of the BREnova programme which is a response to these challenges will result in further development of the Bank, strengthening its competitive position and a rise in the value to Shareholders. The Supervisory Board would like to express hopes that this year will be a positive year for BRE Bank SA and its subsidiaries.

Assessment of the internal control system and the relevant risk management system

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

The Audit Committee, which performs its functions within the Supervisory Board, monitors all issues connected with internal control on an ongoing basis. The Internal Audit Department is functionally subordinate to the Committee and reports to it. In 2008, the Audit Committee of the Supervisory Board was regularly informed about the course of the most important audits, carried out in the Bank, and accepted the Plan of Audits for 2008. Moreover, the Chairman of Supervisory Board was provided with minutes taken of all audits conducted in the Bank by the Internal Audit Department.

The Supervisory Board assessed the internal control system at BRE Bank positively in respect of both its functional and institutional aspects. At the same time, the Supervisory Board expressed satisfaction with the fact that the degree of implementation of the plan for 2008 in corporate and retail banking was very high, which was summarized in reports on the control results.

In issues regarding risk, the Supervisory Board acts through the Risk Committee which exercises ongoing supervision over particular types of risk. The Risk Committee analyzes, discusses and finally adopts the decisions prepared by the Risk Department and decided by BRE's Credit Committee chaired by BRE's Chief Risk Officer.

The Risk Committee supported the Basle II project for AIRB which was identified by Management Board as the top priority project at BRE for 2009. It is an ambitious project with a tight time schedule. BRE Bank SA would be the first Polish bank finalizing AIRB.

The Supervisory Board assessed the risk management system at BRE Bank SA positively in general. In the opinion of the Supervisory Board, the BRE Bank SA risk management system covers all risks significant to the Bank.

Maciej Leśny
Chairman of the Supervisory Board