

R E P O R T
on the activity of the Supervisory Board of Kredyt Bank S.A. in 2010

The Supervisory Board declares to have performed a permanent and current supervision over the activity of Kredyt Bank S.A. The supervisory activities were performed in accordance with the legal requirements applicable to joint-stock companies. The above was also contributed to by the meetings with the Management Board members, who, based on the books and documents, provided the exhaustive explanations and submitted other documents related to the Bank's management.

The composition of the Supervisory Board in 2010 was as follows:

Starting from May 27, 2009 the composition of the Supervisory Board was as follows:

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| 1. Mr. Andrzej Witkowski | - Chairman of the Supervisory Board, |
| 2. Mr. Adam Noga | - Deputy Chairman of the Supervisory Board, |
| 3. Mr. François Gillet | - Member of the Supervisory Board, |
| 4. Mr. John Hollows | - Member of the Supervisory Board, |
| 5. Mr. Feliks Kulikowski | - Member of the Supervisory Board, |
| 6. Mr. Marek Michałowski | - Member of the Supervisory Board, |
| 7. Mr. Dirk Mampaey | - Member of the Supervisory Board, |
| 8. Mr. Krzysztof Trębaczewicz | - Member of the Supervisory Board, |
| 9. Mr. Jan Vanhevel | - Member of the Supervisory Board, |

Mr. Jan Vanhevel resigned as of September 15, 2009 from performance of the function of a Member of the Supervisory Board. The Supervisory Board co-opted Mr. Ronny Delchambre (Resolution no 1/2009 of September 16, 2009 r.). This appointment was confirmed by the resolution no. 2/2009 of the Extraordinary General Assembly of Kredyt Bank on December 16, 2009.

During the VII term of office the following persons resigne from the membership on the Supervisory Board:

- Mr. François Gillet as of February, 23 2010
- Mr. Marek Michałowski as of March 23 2010 r.

As of the day of holding the Ordinary General Assembly, the mandates of the Members of the Supervisory Board of VII term of office expired.

The General Assembly of Kredyt Bank S.A. appointed as of May 26, 2010, seven Members of the Supervisory Board for the VIII term which during its meeting on May 26, 2010 established itself in the following manner:

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| 1. Mr. Andrzej Witkowski | - Chairman of the Supervisory Board, |
| 2. Mr. Adam Noga | - Deputy Chairman of the Supervisory Board, |
| 3. Mr. Ronny Delchambre | - Member of the Supervisory Board, |
| 4. Mr. Stefan Kawalec | - Member of the Supervisory Board, |
| 5. Mr. Dirk Mampaey | - Member of the Supervisory Board, |
| 6. Mr. Jarosław Parkot | - Member of the Supervisory Board, |
| 7. Mr. Marco Voljč | - Member of the Supervisory Board, |

In the reporting year the Supervisory Board passed its decisions at 5 meetings. The Supervisory Board meetings were held on: February 22, 2010, April 26, 2010, May 26 2010, September 15, 2010 and November 25, 2010. 30 resolutions were passed which concerned, among other things, the following:

- updating the process of internal capital assessment in Kredyt Bank S.A. (Resolution No. 3/2010 of February 2010),
- determination of the number of the Management Board's Members (Resolution no. 1/2010 of April 26, 2010, No. 2/2010 of April 26, 2010, Resolution no. 2/2010 of September 15, 2010),
- appointment of Mr. Zbigniew Kudaś as a Member of the Management Board of Kredyt Bank S.A. (Resolution no. 2/2010 of of April 26, 2010), and Mr. Piotr Sztrauch as a Member of the Management Board (Resolution no. 1/2010 of April 26, 2010),
- appointment of the chartered public accountant – company Ernst & Young Audit Sp. z o.o. to examine the financial statements of the Bank for the financial year 2010 (Resolution no. 6/2010 of April 26, 2010),
- approval of the Regulations of the Management Board and organizational structure of Kredyt Bank S.A. (Resolution no. 7/2010 of April 26, 2010),
- approval of the strategy of Kredyt Bank for the years 2010-2012.

Periodical information on the Bank's financial results, quality of the credit portfolio and the Bank's activity in the quarterly periods were a permanent element of the Supervisory Board meetings.

The Supervisory Board examined and gave its positive opinion about the materials for the General Assembly of Kredyt Bank S.A. that was held in the reporting period:

Ordinary General Assembly of Kredyt Bank S.A. held on May 26, 2010 (2009 financial statement, the report on the activity of the Bank in 2009 prepared by the Bank's Management Board, the Management Board proposals regarding profit

distribution, the Supervisory Board's report on the assessment of the financial statement for year 2009, approval of the amendments to the Regulations of the Supervisory Board of Kredyt Bank, election of the Supervisory Board),

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The Supervisory Board analyzed the situation in the area of the Bank's internal audit, risk management, compliance, financial reporting through approving the minutes of meetings of Audit, Risk and Compliance Committee of Kredyt Bank S.A. and acquainted itself with the decisions taken by the Remuneration Committee and also approved the minutes of its meetings.

The Supervisory Board, having analyzed on April 4, 2011, the documents specified below, submitted by the Bank's Management Board, i.e.:

- profit-and-loss account for the period from January 1, 2010 until December 31, 2010 showing the net profit in the amount of PLN 111.239 thousand,
- the report of total proceeds for the period from January 1, 2010 until December 31, 2010 showing total proceeds in the amount of PLN 164.944 thousand,
- balance sheet as of December 31, 2010 showing the amount of PLN 43.000.255 thousand,
- specification of changes in equity for the period from January 1, 2010 until December 31, 2010 showing the increase in the amount of PLN 164.944 thousand,
- cash flow statement for the period from January 1, 2010 until December 31, 2010, showing the net increase in the amount of PLN 1.210.239 thousand,
- principles (policies) of accounting and additional explanatory notes,

together with

- the consolidated Group's profit-and-loss account for the period from January 1, 2010 until December 31, 2010, showing the net profit in the amount of PLN 185.936 thousand,
- the consolidated report of total proceeds for the period from January 1, 2010 until December 31, 2010, showing total proceeds in the amount of PLN 239.641 thousand,
- consolidated Group's balance sheet as of December 31, 2010, showing the assets and liabilities and equity in the amount of PLN 43.374.246 thousand,
- specification of changes in Group's consolidated equity for the period from January 1, 2010 until December 31, 2010, showing an increase in equity in the amount of PLN 239.641 thousand,
- the consolidated Group's cash flow statement for the period from January 1, 2010 to December 31, 2010, showing an increase in the net amount of PLN 1.210.302 thousand,
- principles (policies) of accounting and additional explanatory notes.

in accordance with Article 382 section 1 and 3 of the Commercial Companies and Partnerships Code the Supervisory Board assessed 2010 financial statement of Kredyt Bank S.A. and the report on activity of Kredyt Bank S.A. in 2010 prepared by the Bank's Management Board, the Supervisory Board examined also the consolidated financial statement of the Capital Group of Kredyt Bank for 2010 and the report of the Management Board on activities of the Capital Group of Kredyt Bank for 2010.

The Supervisory Board assessed the reports as regards their conformity with the books and documents as well as a true state of things. The Supervisory Board acquainted itself with the opinion of an independent auditor as well as the Report supplementary to the opinion from auditing financial statement and consolidated financial statement for the year ended on December 31, 2010. Having assessed the reports and having acquainted itself with the opinion and auditor's report the Supervisory Board stated that the reports presented by the Management Board were prepared reliably, in accordance with the books and true state of things as well as the provisions of the relevant laws in the area of accountancy.

Pursuant to the Article 382 § 3 of the Commercial Companies and Partnerships Code the Supervisory Board submits this report on the activity of the Supervisory Board in 2010 as well as the assessment of the financial report of Kredyt Bank S.A. and the assessment of the report on the Bank's activity in 2010; and at the same time the Supervisory Board requests the General Assembly to approve the above.

Furthermore, pursuant to Article 395 § 5 of the Commercial Companies and Partnerships Code, the Supervisory Board recommends to the General Assembly to approve the 2010 financial statement of the Capital Group as well as the report on the activity of the Capital Group of Kredyt Bank in 2010.

The Supervisory Board recommends to the General Assembly of Kredyt Bank S.A. to approve

- the financial statement as well as the report on the activity of Kredyt Bank S.A. in 2010 prepared by the Bank's Management Board.
- the consolidated financial statement of the Capital Group of Kredyt Bank in 2010. as well as the report on the activity of the Capital Group of Kredyt Bank in 2010.
- grant of vote of approval for the Members of the Management Board for the financial year 2010.

Moreover the Supervisory Board declares to have issued a positive opinion on the Management Board's motion concerning the distribution of the Bank's 2010 profit amounting to PLN 111.239.095,19.

II. Assessment of activity of Supervisory Board of Kredyt Bank S.A.

The Supervisory Board of Kredyt Bank S.A. – pursuant to point 1, sub-point 2 part III of the Best Practices of Companies Listed on the Warsaw Stock Exchange (Resolution of the Warsaw Stock Exchange Supervisory Board 17/1249/2010 of May 19, 2010) submits to the Ordinary General Assembly of Kredyt Bank S.A. the assessment of its activity in 2010 together with the report on the activity of the Audit, Risk and Compliance Committee, Remuneration Committee, assessment of the company's situation together with the evaluation of the internal audit system and risk management system.

In the reporting period the Supervisory Board exercised a continuous supervision over the Bank's activity: analyzed financial results and the Company's general situation as well as exercised other supervisory activities in accordance with its competence. The tasks of the Supervisory Board were primarily focused on winning public trust both in the financial situation and the Bank's business activity. The financial situation, strategy, the transparency of management mechanisms, effectiveness of the internal audit system, observance of the Bank's appropriate policy and goals, and also creating the Bank's image were the areas where the Supervisory Board Members expressed a lot of support.

In the reporting period the Supervisory Board, within its competence, applied the corporate governance principles concerning the joint stock companies listed on the stock exchange market and included in the document "The best practices of the companies listed on the WSE".

The Supervisory Board acts in accordance with its Regulations which is available on the Bank's internet page.

In 2010 two committees functioned within the Supervisory Board's structure: the Audit, Risk and Compliance Committee and Remuneration Committee which were established by the Supervisory Board to fulfill the particular supervisory activities.

There are independent members who sit on the Supervisory Board and the committees.

All the Supervisory Board Members have adequate education and professional experience, represent high moral standards and are able to expend the time needed to properly fulfill their duties as the Supervisory Board Members.

Starting from the year 2003 the Supervisory Board members once a quarter submit their declarations about the links with the shareholders having a right to exercise over 5% of total votes during the General Assembly. These declarations, in a form of an overall table, are published on the Bank's internet website.

The Supervisory Board members have received from the Bank's Management Board regular and exhaustive information about all crucial issues in the Bank's activity, the risk related to the activity carried out as well as the methods of managing that risk.

III. Report on the activity of the Audit Committee of Kredyt Bank S.A. in 2010 (since 25 November 2010 the Audit, Risk and Compliance Committee of Kredyt Bank S.A.)

The Audit Committee of Kredyt Bank S.A. was established by the Supervisory Board of Kredyt Bank S.A. by the Resolution No. 1/2002 at the meeting held on January 30, 2002.

On November 25, 2010, the Audit Committee of Kredyt Bank S.A. was renamed into the Audit, Risk and Compliance Committee (hereinafter referred to as the "ARC Committee" or "Committee").

In 2010 the Audit Committee of Kredyt Bank S.A. acted pursuant to:

- Regulations of the Supervisory Board of Kredyt Bank S.A. – Resolution No. 24/2008 of the Ordinary General Assembly of Kredyt Bank S.A. of May 28, 2008 – in force until May 25, 2010;
- Regulations of the Audit Committee of Kredyt Bank S.A. approved on April 18, 2007 – in force until November 24, 2010;
- Regulations of the Supervisory Board of Kredyt Bank S.A. – Resolution No. 25/2010 of the Ordinary General Assembly of Kredyt Bank S.A. of May 26, 2010 – in force since May 26, 2010;
- Regulations of the Audit, Risk and Compliance Committee of Kredyt Bank S.A. approved on November 25, 2010 by the Audit, Risk and Compliance Committee and the Supervisory Board of Kredyt Bank S.A.

As of January 1, 2010 the composition of the Audit Committee of Kredyt Bank S.A. was as follows:

Mr. Dirk Mampaey	- Chairman of the Audit Committee
Mr. John Hollows	- Member of the Audit Committee
Mr. Adam Noga	- Member of the Audit Committee.

As of December 31, 2010 the composition of the Audit, Risk and Compliance Committee of Kredyt Bank S.A. was as follows:

Mr. Dirk Mampaey	- Chairman of the Audit, Risk and Compliance Committee
Mr. Marko Voljč	- Member of the Audit Committee
Mr. Adam Noga	- Member of the Audit Committee.

The Audit, Risk and Compliance Committee supports the activities of the Bank's Supervisory Board. In order to achieve that the Audit, Risk and Compliance Committee, in the name of the Supervisory Board exerts supervision over the consistency, effectiveness and efficacy of the internal audit system, compliance function and also the risk management connected with the Bank's activity, drawing special attention to the financial reporting. The Audit, Risk and Compliance Committee supervises the processes carried out at the Bank from a point of view of their conformity with the absolutely binding laws as well as the Bank's internal regulations.

The Audit, Risk and Compliance Committee exerts supervision over:

- the services rendered by the external auditors, having in mind especially the issue of their independence, in accordance with the applicable provisions of the law. The ARC reviews the kind and scope of services other than the ones related to the examination of the financial statements, rendered by the external audit for the Bank's benefit,
- compliance with the internal procedures in force within the Bank, including the Code of Ethics, provisions of the Bylaws and binding laws;
- organization of the internal audit function within Kredyt Banks S.A. with special consideration devoted to the issue of independence, professional skills and the level of competence and expertise of the internal auditors;
- organization of the compliance function in Kredyt Bank S.A. with special consideration devoted to the issue of independence, professional skills and the level of competence and expertise of the Compliance Department.

Additionally the Audit, Risk and Compliance Committee monitors:

- reliability of financial statements and reporting process;
- effectiveness of structures, processes and control applied to identification, monitoring and management of risks to which Kredyt Bank S.A. is exposed;
- if the Principles of Activity of Audit and Inspection Department are complied with;
- if the Principles of Activity of Compliance Department are complied with;

The ARC carries out an annual review of the quality of internal audit based upon the information prepared by the managers supplemented by the opinion of the Audit and Inspection Department.

In performance of its activities four meetings of the Audit, Risk and Compliance Committee were held and their dates were as follows:

- February 22, 2010,
- June 18, 2010,
- September 16, 2010,
- November 25, 2010.

During the meetings in 2010 the Audit, Risk and Compliance Committee members performed their tasks in the following areas:

Internal audit system:

- assessment of the internal audit system,
- approval of the audit and inspection plans,
- assessment of the activity of the Audit and Inspection Department,
- review of the results of the audits completed,
- survey of implementations of recommendations issued by the Audit and Inspection Department,
- survey of recommendations issued by the external auditor in the Letter to the Management Board,
- survey of progress made in executing post-audit recommendations of the Financial Supervision Commission.

Compliance function:

- review of tasks taken up by the Compliance Department,
- approval of action plans of Compliance Department and monitoring of recommendations implementation status,
- review of the major litigations and the amendments to the relevant laws.

Risk management:

- review of issues related to risk management,
- supervision over the implementation of standards concerning the operating risk management,
- review of the status of work connected with the implementation of the New Capital Accord.

Financial reporting:

- recommending the selection of a chartered public accountant to the Supervisory Board,
- crucial accounting and financial issues as well as tax issues, including the amendments to the tax regulations,
- opinions and reports of the external auditor concerning the annual and semi-annual financial statements.

IV. Report on the activity of the Remuneration Committee of Kredyt Bank S.A. in 2010

The Remuneration Committee of Kredyt Bank S.A. was established by the Supervisory Board at the meeting held on February 9, 2005 by the Resolution No. 9/2005.

The Remuneration Committee of Kredyt Bank S.A. acts pursuant to:

- Regulations of the Supervisory Board of Kredyt Bank S.A. – Resolution No. 24/2008 of the Ordinary General Assembly of Kredyt Bank S.A. of May 28, 2008 – in force until May 25, 2010;
- Regulations of the Supervisory Board of Kredyt Bank S.A. – Resolution No. 25/2010 of the Ordinary General Assembly of Kredyt Bank S.A. of May 26, 2010 – in force since May 26, 2010;
- Regulations of the Remuneration Committee of Kredyt Bank S.A. of September 25, 2005;

As of January 1, 2010 the composition of the Remuneration Committee of Kredyt Bank S.A. was as follows:

Mr. John Hollows - Chairman of the Remuneration Committee,
Mr. Andrzej Witkowski - Member of the Remuneration Committee,
Mr. Dirk Mampaey - Member of the Remuneration Committee.

Due to expiration on May 26, 2010 of the mandates of the Members of the Supervisory Board of VII term of office, the Ordinary General Assembly of Kredyt Bank S.A. appointed the Members of the Supervisory Board for VIII term of office. The Supervisory Board during its meeting on May 26, 2010 appointed Mr. Marco Voljč, Mr. Dirk Mampaey and Mr. Andrzeja Witkowski to the Composition of the Remuneration Committee.

On September 15, 2010, the Remuneration Committee entrusted the function of the chairman of the Committee to Mr. Marko Voljč.

W dniu 15 września 2010 roku Komitet ds. Wynagrodzeń funkcję przewodniczącego Komitetu powierzył panu Marko Voljč.

As of December 31, 2010 the composition of the Remuneration Committee of Kredyt Bank S.A. was as follows:

Mr. Marko Voljč - Chairman of the Remuneration Committee,
Mr. Andrzej Witkowski - Member of the Remuneration Committee,
Mr. Dirk Mampaey - Member of the Remuneration Committee.

The Remuneration Committee supports the activity of the Supervisory Board of Kredyt Bank S.A. as regards the principles of remuneration applicable to the Members of the Management Board.

In 2010 the Remuneration Committee of the Supervisory Board of Kredyt Bank S.A. realized the tasks of presenting to the Supervisory Board the recommendations concerning the remuneration principles of the Bank's Management Board Members.

In performance of its activities three meetings of the Remuneration Committee were held and their dates were as follows:

- April 26, 2010,
- September 15, 2010,
- December 16, 2010, January 14, 2011.

In particular, the Remuneration Committee's tasks in 2010 included the following:

- determination of principles of remunerating the Member of the Management Board who commenced performance of his function on the Management Board of Kredyt Bank S.A. in 2010,
- determination of the activities aimed at the modification of the principles of remunerating the Members of the Management Board in line of the recommendations of the Financial Supervision Commission and the legal regulations on the EU level, and implementation of the relevant amendments to the principles of granting bonus payments to the Management Board of Kredyt Bank S.A.
- review of remuneration of the Members of the Management Board of Kredyt Bank S.A. with the view to the current market level and recommendation of appropriate actions,
- organizational issues related to the entrusting of the function of the Chairman of the Remuneration Committee and the Secretary of the Remuneration Committee.

While executing the assigned tasks, the Remuneration Committee recognized that the observance of the Bank's internal regulations as well as adherence to the absolutely binding provisions is an issue of overriding importance.

The Human Resources Department as well as the Legal Department supported the activity of the Remuneration Committee.

V. Assessment of Bank's situation including the assessment of the internal audit system and the risk management system in 2010

Assessment of Bank's situation

2010 brought an improvement of moods and macroeconomic prognoses. Tendencies seen in the global economy indicate that there is a continuation of economic prosperity which has taken place after the deep crisis of 2008-2009. But the economic growth is still limited due to high deficits of public sectors stemming from recession, currency expansion aimed at support of economic growth and the necessity of supporting financial institutions with public resources.

The economic situation of Poland was good as compared to other European countries. 2010 brought prosperity in comparison to 2009 when one could observe the downturn in the banking sector. The situation on the domestic currency market improved as well as the results of the banking sector. A factor limiting the said was a minor tendency of enterprises to make investment decisions influencing adversely the demand for loan products and increase of employment. As a result of savings programs implemented yet in 2009, the level of costs of activity was relatively low and positively influenced the results of the banks.

In 2010 the most important challenges for Kredyt Bank S.A. were the increase of basic incomes with maintaining the cost discipline and restructuring of the banking for enterprises aimed at increase in return on assets and greater diversification of risk. The results attained confirmed the correctness of decisions and adjustment actions taken up in 2009. However the nominal net profit of Kredyt Bank S.A. realized in 2010 amounted to PLN 111.239 thousand and was lower by 32,7% as compared to 2009 (PLN 165.301 thousand), but the whole of that difference resulted from the fact of completing in 2009 a single transaction of the sale of the Żagiel company, whose impact on the net profit amounted to + PLN 310.334 thousand.

The operative profit of the Bank (understood as the gross profit without impairment losses on financial assets and provisions) in 2010 amounted to PLN 607.547 thousand i.e. by 2,8% more than in the preceding year without taking into account the sale of Żagiel company. It is especially worth to underline the increase in basic incomes. The sum of results on interests and commissions amounted in 2010 to PLN 1.358.089 thousand and was higher by 18,8% than in 2009. The said increase was partially neutralized by the decrease in the sales activity (by 23,4 % to the amount of PLN 120.466 thousand) caused primarily by the decreased of the currency spread incomes.

In 2010 the main focus was on the improvement of financing structure and increase of acquisition of clients' deposits. The aggregate amount of liabilities towards clients of Kredyt Bank S.A. increased in relation to 2009 by 14,2 % i.e. by PLN 3.188.318 thousand to the amount of PLN 25.710.004 thousand. Good results were brought by the strategy of conversion of deposits acquired into investment-insurance products. Due to the improved prosperity on WSE in Warsaw, increase of sales activity in the

areas of investment funds and insurance-based product distribution, together with review and improvement of insurance-based products offer distributed together with banking products, there was an increase by 15,2 % in the result on commissions and charges as compared to 2009.

As of the end of 2010 the gross value of receivables due from clients amounted to PLN 28.901.536 thousand, i.e. by 5,8 % more than as of the end of 2009. Value of retail clients portfolio increased as a result of increase in mortgage loans sales (in 2010 PLN 2.393 million as compared to PLN 1.320 million in 2009), attaining as of the end of 2010 the value of PLN 22.203.956 thousand (increase by 13,4 %). In case of enterprises portfolio, together with receivables due from budget sector, there was a continuation of limiting significant exposures characterized by low return. As a result the value of loan portfolio as of the end of 2010 amounted to PLN 6.630.048 thousand, i.e. by 14,2 % less than as of the end of 2009. Simultaneously the result from the operational activity of the said segment decreased only by 5 % and amounted to PLN 420.839 thousand.

The decrease in value of risk –weighted assets in the enterprises segment positively influenced the solvency indicator. As of the end of 2010 it was at 12,8 % (by 0,7 percentage point more than as of the end of 2009).

The Bank tightened credit policy and requirements towards clients without credit history or other product-based relationship with the Bank. In the area of retail banking the main focus was on the principle of offering the product offer mainly to present client having good behavioral assessment. The credit verification was further made watertight in relation to retail clients granted mortgage loans which was arrived at through centralization of the credit decision-making process and partial centralization in relation to other banking products. In the area of banking for enterprises the new, more restrictive conditions of financing were introduced in relation to commercial real properties and there was a continuation of limiting more risky corporate clients (having worse PD ratings) and more risky business sectors.

The most significant problem in 2009 was the occurrence of the so-called over-crediting phenomenon and the necessity of higher impairment on the loss of value of cash loans. In 2010 writing-offs on the loss of value of financial assets and other assets as well as provisions amounted to PLN -464.578 thousand, i.e. by 40,8 % less than in the preceding year (PLN -784.291 thousand). The most significant improvement of the result concerned the consumer finance portfolio, where the risk cost stabilized at the neutral level for this type of products. In comparison to 2009 the level of provisions within the area of retail banking (with the exclusion of the consumer finance) increased. In the third quarter of 2010 a modification of a singular character took place concerning methodology of creating writing-offs for the mortgage loans portfolio, based on the separation of the more homogenous sub-portfolios. The result of the said modification was the necessity of creating additional provisions in the amount of PLN –57 million. The participation of loans for which the prerequisites of loss of value were found amounted to, as of the end of 2010, to 10,1 %.

In order to create a possibility of further development of the Bank, including in particular, improvement of ability of generating incomes, a new strategy elaborated and implemented embracing the focus on certain products and services as well as final segments of clients, was. It envisages, among other things, organizational changes aimed at improvement of management of business lines and change of business models targeted at better adjustment of the offer and processes to the requirements of the market and clients. The new strategy foresees the re-positioning of the Bank, as the family bank, rendering services for the middle class and medium and small enterprises, focused on precisely defined areas, where it would compete with the best market participants. The realization of a few infrastructural projects was commenced in the area of ICT (including the change of the basic operational system and re-shaping of the electronic banking system), which are aimed at increase of possibility of implementing new products and services and facilitating and increasing the reliability of services for clients.

The indicators of liquidity and solvency reached at the end of 2010 justify the positive assessment of the Bank's financial condition.

Assessment of the internal audit system

The assessment of the internal audit system functioning at Kredyt Bank S.A. as well as the companies composing the Kredyt Bank S.A. Group is performed on a regular basis by the Audit and Inspection Department. The assessment of the internal audit control is presented to the Audit, Risk and Compliance Committee members and the chairman of the Audit, Risk and Compliance Committee informs other members of the Supervisory Board about the findings of the assessment.

The assessment is performed on the basis of audits and inspections findings, taking also into account the monitoring of the recommendations already issued by the Audit and Inspection Department, external auditor and the post-control recommendations of the regulatory bodies. In the assessment process the standpoint of the processes' owners is also taken into account relating to the actions taken aimed at making the functioning of the internal audit system more efficient.

23 business processes at the Bank and 6 processes in the subsidiaries were assessed in 2010. The key processes that really have an impact on the functioning of the internal audit system are as follows:

- crediting,
- managing the value, risk and capital,
- electronic banking,
- payments,
- ICT issues.

Assessment of the risk management system

In the process of risk management the most important role is played by the main bodies of the Bank i.e. the Management Board and the Supervisory Board. The Supervisory Board with the intermediation of the Audit, Risk and Compliance Committee is informed about the most important decisions and gives its opinions on the Management Board's actions within the said respect.

The direct management of the certain kinds of risk is carried out by the specified committees:

- Assets and Liabilities Management Committee which is responsible for the risk management in the field of banking and commercial portfolio as well as the structural liquidity of the Bank,
- Operational Risk Committee– supervises the process of managing operational risk.
- Credit Risk Committee – supervises the process of credit risk management.

The works of the above-mentioned committees are headed by the Members of the Management Board who are present in the number of at least two in the composition of each committee.

The measurement and monitoring of all kinds of risk in Kredyt Bank is handled by the Risk Management Department. It is the only unit reporting all issues related to risk being fully independent from the business units. In the process of identification, measurement and management of risk Bank uses the techniques proper for each type of risk.

The superior goals of risk management policy are consistently realized in the first place in the area of observance of external and internal limits and optimizing and mitigating of risk in the form of a constant monitoring process. The process of risk management is strictly connected with the process of capital management. The most important goal of capital management is its optimization, of course with the simultaneous fulfillment of the capital requirements. To achieve the above-stated goal the ICAAP(Internal Capital Adequacy Assessment Process) was implemented in the first half of 2008.

Supervisory Board of Kredyt Bank S.A.

Warsaw, 4 April 2011