

Letter by the President of the Management Board of BRE Bank

Dear Shareholders,

The year 2003 was yet another period of BRE Bank's dynamic growth. The generated pre-tax profit was PLN 47.7 million, compared to a loss of nearly PLN 300 million in 2002; the consolidated profit (disclosed in the Q4 2003 report) was PLN 59.5 million, compared to a loss of 413.5 million in 2002. The restructuring measures taken by the Management Board a year ago have been effective. It should be borne in mind that the results of 2003 were adversely affected by the downturn on the debt securities market in H2 2003 which hit BRE Bank as an active market player. In addition, the results were reduced by a large income tax charge of over PLN 31 million due to the revaluation of the deferred income tax assets and liabilities following the reduction of the CIT rate to 19%. As a result, the Bank closed 2003 at a net profit of PLN 1.8 million.

The success of BRE Bank's restructuring measures in 2003 is unquestionable. It was possible despite heavy capital expenditures in the retail banking business and prevailing weak conditions in the Polish economy. Hence, the return to the growth track and an annual net profit are good prospects for 2004.

BRE Bank's total assets grew by over PLN 2 billion in 2003, best proof of the Bank's expanding business. The loan portfolio grew very fast, at a rate three times that recorded in the banking sector, and the quality of the Bank's loanbook improved. Owing to a very conservative rating of loans in 2002 and their maximum coverage with provisions, the net balance of provisions set up and released was positive in 2003.

The corporate banking business made a large contribution to the Bank's results in 2003. BRE Bank expanded its service for large corporate clients and SME customers. BRE Bank was recognised as an Entrepreneur-Friendly Bank for its extensive offering including products of the BRE Bank Group subsidiaries. The Bank's share in foreign trade service was 18.6% and transactions serviced stood at US\$ 19.8 billion. The Bank is well positioned to assist corporate customers in using EU funds. The Bank's outlook benefits from a strong upturn the corporate banking business enjoyed in the last weeks of 2003 as a result of economic recovery.

BRE Bank effectively managed its investment portfolio and proved that it can restructure investments and sell stocks at a profit, including transactions with ITI Holdings, Elektrim, and Optimus. The proprietary investment business which had reported a loss in 2002 generated a net profit of PLN 30 million in 2003.

The strategic investments business recorded a marked improvement. The BRE Bank subsidiaries are increasingly profitable. PTE Skarbiec Emerytura reported its first net profit (PLN 17.8 million, compared to a loss of PLN 29.6 million in 2002). The asset management companies TFI Skarbiec and Skarbiec Investment Management were also in the black. Other companies, including RHEINHYP-BRE Bank Hipoteczny and BRE Leasing, were also profitable in 2003. This had a positive impact on the results of the Bank whose share in the net profits of strategic subsidiaries was PLN 8.5 million, compared to a loss close to PLN 95 million in 2002.

Among BRE Bank's most active business lines in 2003 was its investment banking activity. Although the Bank was hurt by the downturn in the debt securities market, the net profit of investment banking at PLN 98 million in 2003 remains a major contribution to the profitability of the Bank.

BRE Bank continued its dynamic expansion in the retail banking market. mBank and MultiBank achieved spectacular growth in the number of customers and the volume of deposits and loans. The success is unique in that household deposits fell 2% in 2003 in the sector while the total deposits of mBank and MultiBank grew 53% and reached nearly PLN 3 billion at 31 December 2003,

equal to 25% of BRE Bank's liabilities to clients. Retail loans grew by a factor of 7.5 and stood at PLN 1.1 billion at 31 December 2003. These achievements were however coupled with a high loss of the business due to necessary capital expenditures. The results of the retail banking line will continue to improve: mBank is projected to break even in the EBIDTA formula in Q1 2004 and MultiBank, which was launched later, at the turn of 2005.

Further expansion of the Bank, including the planned acquisition of 50% of stocks of RHEINHYP-BRE Bank Hipoteczny and the expected growth of the loan portfolio, requires bigger equity. Therefore, I would urge you to approve a new issue of stocks. Bigger equity will enable continued expansion and ensure safe operation of the Bank as measured by a solvency ratio of 12%.

Dear Shareholders!

On behalf of the Management Board, I wish to thank you for your trust and support for our work. In particular, I thank our strategic shareholder Commerzbank which sees BRE Bank as a company with a huge growth potential and a strong outlook of long-term co-operation, as demonstrated by increase of Commerzbank's investment from 50% to a high 72.2% of equity. The new investment ascertains BRE Bank's important role in the strategy of Commerzbank in Central and Eastern European markets. It also improves BRE Bank's image, as reflected in the rating of long-term deposits and debt raised by Moody's from Baa1 to A3.

In conclusion, I wish to thank the Supervisory Board, whose two-year term of office ends at this year's General Shareholders' Meeting, for their contribution to the growth of the Bank.

I am certain that 2004 and the years to come will bring gradual improvement in the results of the Bank and will enable us to pursue our mission: to grow the shareholder value of the Bank.

Wojciech Kostrzewa

President of the Management Board