BRE BANK SA

MANAGEMENT BOARD REPORT

ON THE BUSINESS

OF THE BRE BANK SA GROUP

in 2006

Warsaw, 28 February 2007

CONTENTS

External Environment of the BRE Bank SA Group

I. Favourable Macroeconomic Conditions in 2006

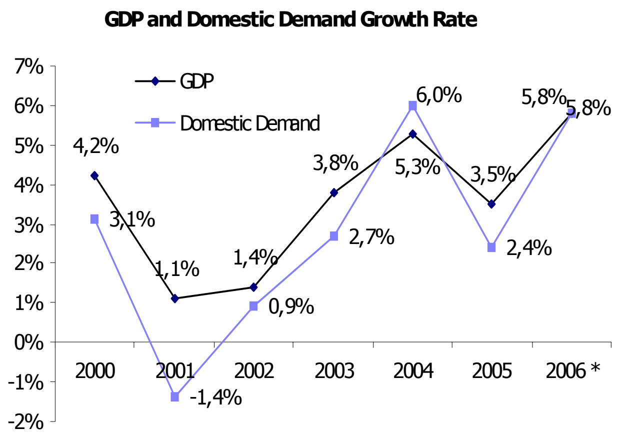
I.1. Fast Growth of Gross Domestic Product

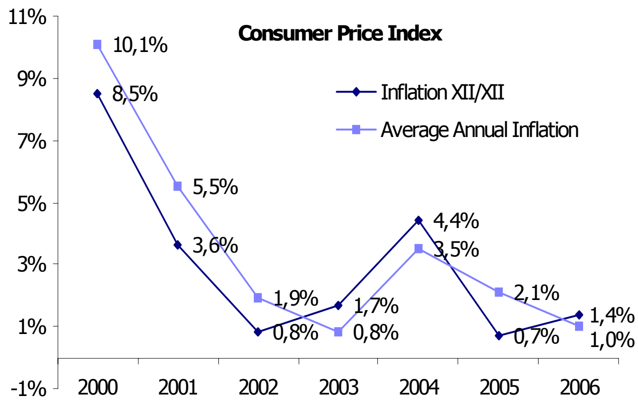
In 2006, the Polish economy was growing very fast: according to preliminary GUS statistics, GDP was up 5.8% in 2006, compared to 3.5% in 2005.

The higher economic growth was accompanied by a significant change in the GDP structure, in particular higher growth in investments (gross investments in fixed assets). Investments were up 16.7% in 2006 (compared to 6.5% growth in 2005). The high growth of investments was possible thanks to growing foreign direct investments, increasing use of EU funds and a better sentiment among domestic businesses. The growth in investments was also driven by very high profits generated by companies and by widely available, relatively inexpensive bank loans.

In January-September 2006, the net profit of the sector of non-financial companies was PLN 50.7 billion, nearly matching their profit reported for the whole of 2005 (PLN 51.4 billion). Investments were also driven by other factors, including the record-high utilisation of the production capacity (81.7% according to NBP estimates) and gradually rising labour costs. The growth of industrial output was up in 2006 and totalled 11.8%, compared to only 3.7% in 2005. The growth in the output of the construction sector was even higher, at 17.5%.

In addition to investments, the sharp GDP growth was driven by high growth in private consumption, up by more than 5% in 2006. Consumption was driven, among others, by high growth in wages (over 8% in the corporate sector), revaluation of pensions, growing transfers from migrant workers, and EU funds (partly boosting household income). The consumer goods market grew fast: retail sales were up 13.3% in January-December 2006.





Despite fast growing domestic demand and the steadily strong zloty, exports continued to grow sharply. According to NBP statistics, exports in EUR grew 19.8% year on year at the end of December 2006. Imports grew even more, by 21.5% year on year. As a result, net exports were no longer a driver of GDP growth. While the current account gap increased modestly, it remained very safe at ca. 2% of GDP.

I.2. Improving Labour Market

Thanks to the prevailing economic upturn, the labour market continued to improve. The official unemployment rate fell from 17.6% at the end of 2005 to approximately 14.9% at the end of 2006. Unemployment was falling mainly due to fast growing employment. Employment in the corporate sector was up 4.1% year in year in December 2006, the highest since the outset of economic transition in Poland. Large-scale economic migration to other EU member states also drove the reduction of unemployment. The improving labour market saw a relatively high growth in wages and salaries. The average gross wage in the corporate sector was up 5.1% year on year in

2006. In December 2006, the wages growth ratio in the corporate sector was 8.5%, mainly due to the amended schedule of bonus payment in the mining sector.

I.3. Low Inflation, Strong Zloty

At the end of December 2006, year-on-year inflation was 1.4%, below the floor of the NBP inflation target deviation band. The average growth in prices was only 1% higher than in 2005. PPI grew significantly in 2006 and was 2.8% at the end of the year, compared to only 0.2% at the end of 2005. This was mainly driven by rising prices of raw materials while the prices for the products of the processing industry increased modestly (1.7%).

In view of low inflation, the Monetary Policy Council twice cut the NBP interest rates (in Q1) by a total of 0.5 percentage points for the main reference rate which remained stable at 4.00% after 1 March 2006. The other interest rates after 1 March were as follows: Lombard rate 5.50%, rediscounting rate 4.25%, interest on banks placements with NBP 2.50%.

In its communication published after the December meeting, MPC stressed that keeping inflation close to the 2.5% target "may in the mid-term require a tightening of the monetary policy." Whether and when the NBP reference rate is hiked depends largely on further developments in wages growth and the core inflation measures. The most closely monitored indicator, net inflation, was growing slowly but steadily throughout 2006 and reached 1.6% in December.

The Polish currency continued to strengthen in 2006. The average exchange rate to the euro was 3.8951, compared to 4.0254 in 2005. The exchange rate to the US dollar was 3.1025 in 2006, compared to 3.2348 in 2005. At the end of December, the rate to the euro was 3.8312 as the zloty had strengthened by ca. 1%; the rate to the US dollar was 2.9105, up 11%. The trend was driven by the economic cycle in Poland, a stable political situation, uninterrupted execution of the public budget, a public deficit below the target, the inflow of foreign capital (portfolio investments and FDI) and EU funds.

II. Capital Market

The Warsaw Stock Exchange reported record-high performance in 2006. The economic upturn and strong profits of companies attracted foreign investors to WSE and drove the growth of its main indexes to historical highs. The Warsaw Stock Exchange reported the highest-ever in-session equities trading volume, record-high capitalisation and dividends, and highest-ever trading volumes in forward transactions. The bull stock market in 2006 featured the following highlights:

- Record-high equities trading volume: PLN 343.5 billion, including PLN 320.3 of in-session trading, up 83% compared to the record-high 2005. In July 2006, session equities trading exceeded the 2005 annual equities trading volume (PLN 175.4 billion);
- Volume of trading in forward transaction at 6.6 million transactions was up 20% year on year. The growth in trading was helped by new Stock Exchange regulations: package transactions in derivative instruments are available for all forwards and options as of 16 October 2006;
- Record-high indexes: WIG reached its historical high on 44 occasions in 2006, WIG-20 on 23 occasions, MIDWIG on 72 occasions, WIRR on 84 occasions. All main Stock Exchange indexes grew by a two-digit figure throughout the year;
- Record-high number of IPOs: 38 companies were floated in 2006, including 6 foreign companies (Astarta from Ukraine, Asseco Slovakia from Slovakia, CEZ from the Czech Republic, Cinema City from the Netherlands, CEDC from the USA, Pegas Nonwovens from the Czech Republic). At the end of 2006, companies from 9 countries were listed on WSE (Poland, Czech Republic, Slovakia, Hungary, Netherlands, Israel, Ukraine, Germany, USA);
- High growth in Stock Exchange capitalisation to PLN 636 billion at the end of 2006, including Polish companies PLN 438 billion and foreign companies PLN 198 billion. The capitalisation of Polish companies was up 40% year on year. Capitalisation grew thanks to IPOs and the fourth subsequent year of a bull market. The capitalisation of Polish companies as a percentage of GDP was ca. 45% at the end of 2006;
- New entrants raised PLN 2.44 billion of equity through stock issues (IPOs) while WSE-listed companies raised PLN 2.15 billion.
- Statistically, investors gained in equities for the fourth consecutive year.

III. The Banking Sector in 2006

Banks present in Poland reported highest-ever profits and further improvement in effectiveness in 2006. According to the estimates of GINB (General Inspectorate of Banking Supervision), Polish banks generated a net profit of PLN 10.65 billion in 2006, up 16.9% year on year. Their ROE (return on equity) was 22.4% at the end of 2006, compared to 20.6% at the end of 2005; their ROA (return on assets) was 1.8%, up from 1.6% in 2005. The share of loans at the risk of impairment was 7.4%, down from 11% at 2005 YE. Despite growing competitive pressure and interest rate cuts, the net interest margin in the sector was stable at approximately 3.3% over the past two years, mainly thanks to growing loans volumes. The further improvement in the banking sector was mainly driven by growing sales of loans, in particular mortgage and consumer loans, high profits on sales of investment fund shares, and in the case of some banks – the net commission income.

Loans and advances to customers of banks and other monetary financial institutions grew by nearly PLN 70 billion in 2006. Household loans were the fastest growing category (up 33.4% YoY), in particular housing loans. Housing loans enjoyed a new trend: sharply growing interest in PLN loans as of H2 2006. In addition to regulatory factors (Recommendation S effective as of 1 July 2006), borrowers' preferences also changed due to the shrinking interest rate differential of PLN, CHF and EUR loans. The growth rate of household deposits rose again in the last months of 2006 but it remained moderate (9.7% year on year). This was a result of growing competition on the part of investment funds whose assets were close to PLN 100 billion at the end of 2006.

Corporate loans rose fast as companies were more prone to invest. Corporate loans grew 14.7% year on year in December 2006, up by PLN 18.3 billion in 2006 (compared to only PLN 3 billion in 2005). Thanks to very good financial results of companies, corporate deposits with banks grew fast (up 25.6% year on year). This suggests that companies still have a large potential to invest drawing upon their own funds.

Competitive pressure increased, mainly in the most attractive and promising segments of retail and SME customers; as a result, the product offer was modernised, new solutions and facilities were introduced, and the quality of customer service further improved. The offer of structured products expanded. The co-operation between banks and their partners in the financial sector (financial intermediaries, insurance companies, leasing providers and factors) gained on importance. Banks also offered products jointly with non-financial customers: retail chains and phone operators.

The number of issued payment cards, the number and value of card transactions, and the average value per transaction grew sharply in 2006. Debit cards still dominate the market but their share is steadily falling in favour of credit cards. Banks issued 5.6 million credit cards by the end of September 2006 (up 1.2 million year to date) and their share in all payment cards grew from 21.5% at the end of 2005 to 24.8% at the end of 2006.

Under a new Law on Supervision of the Financial Market passed by the Sejm on 21 July 2006, the newly established Financial Supervision Commission (KNB) took over the functions of the insurance and capital market supervisors as of 19 September 2006. The Commission will take over the supervision of the banking sector on 1 January 2008.

Activities of the BRE Bank Group in 2006

I. Factors and Events Affecting the Results of the BRE Bank Group in 2006

The profit before tax of the BRE Bank Group was PLN 576.4 million in 2006, of which PLN 534.5 million was generated by continued operations and PLN 41.9 million by discontinued operations including the results of the sold in January 2007 subsidiary SAMH and the subsidiary PTE held for sale.

The profit before tax generated in 2006 was up 70.5% (PLN 238.4 million) year on year (PLN 338 million of the Group's profit in 2005). The high profitability was a result of above-average growth in income, especially in the core business, i.e., net interest and commission income, while overhead costs grew modestly. As a result, the BRE Bank Group reported improved profitability and efficiency indicators in 2006:

- The Group's profit before tax to average annual equity (ROE) was 26.9% at the end of 2006, compared to 17.8 % at the end of 2005.
- The Group's cost/income ratio (C/I) was 63.7% including discontinued operations at the end of 2006, compared to 69.3% in 2005.

The key drivers of financial performance included:
1. Growing portfolio of loans and customer deposits thanks to expansion in retail banking and growth in the corporate loans market, which helped to improve the balance sheet structure in terms of profitability. The share of the loans portfolio in the balance sheet total was up by more than 7 percentage points in 2006 and reached 54.4%;
2. Continued positive trends in the financial and fx markets, resulting in high profitability of trading, especially a high share of the fx income in the Group's income compared to 2005;
3. Considerable contribution of the subsidiaries to the Group's results including discontinued operations the subsidiaries' contribution to the Group's profit before tax was 36% (calculated as sum of accounting results in relation to the consolidated profit before tax of Group) thanks to their growing profitability as well as the consolidation of BRE Bank Hipoteczny (BBH). BBH's contribution to the Group's pre-tax profit was approximately 7 % in 2006; its contribution to the profit and loss account was mainly under net interest income with a share of 8% and 3% of overhead costs;
4. Strict cost discipline at the Bank and the subsidiaries;
5. Continued high quality of the loans portfolio resulting in relatively low credit impairment provisions charged to the Group's results.

The BRE Bank Group's financial results reported at 2006 YE considerably exceeded the annual profit target of PLN 380 million and ROE (pre-tax) target of 18.0%. This was mainly possible thanks to higher income on the core business, high profitability of trading under favourable market conditions, and a significant improvement in the quality of the loans portfolio resulting in a lower credit provisions charge.

The major events in the BRE Bank Group in 2006 included several strategic decisions for further expansion in retail banking which will have a positive impact in the coming years:

- Entry into the insurance market – the service company BRE Ubezpieczenia Sp. z o.o. was established, the property insurer BRE Ubezpieczenia TU S.A. was licensed by the financial supervision in late 2006;
- Decision to further expand the MultiBank branch network by opening 56 new outlets in the coming years;
- Decision to enter the consumer credit market, including significant expansion of the mBank mKiosk network (by 100 outlets) located not in shopping malls, as previously, but outside malls, in towns and cities below 150 thousand people;
- Launch of a wealth management service provided by a dedicated subsidiary to the most affluent Private Banking customers.

These projects are described at length in the section on the Retail Banking Business.

The major events of 2006 included changes in the composition of the BRE Bank Group. As was mentioned above, BBH is consolidated again, and this impacted both the financial results and the volumes of the Group's assets and liabilities.

Another important change was the disposal of the subsidiary Skarbiec Assets Management Holding S.A. (SAMH). The transaction was neutral to the Group's financial results in 2006 as it was closed on 8 January 2007 (at a profit of PLN 89,0 million, after costs connected with this transaction) The relevant agreement with Enterprise Investors Fund V.LP was, however, signed in September 2006. All three subsidiaries of the holding were sold, including Skarbiec TFI S.A., BRE Agent Transferowy. Skarbiec Investment Management was bought back by the Bank; renamed BRE Wealth Management, it will provide wealth management services. The disposal of another asset management subsidiary, PTE Skarbiec Emerytura, was underway in 2006.

Under the International Financial Reporting Standards (IFRS 5), SAMH and PTE are shown as discontinued operations as this part of the Bank's business was disposed or classified as held for sale. From the point of view of BRE Bank Group the operations of above mentioned companies are not regarded as a core business.

The Bank translated the comparative data in the Profit and Loss Account for previous financial periods presented in the accounts in order to present continued operations and discontinued operations.

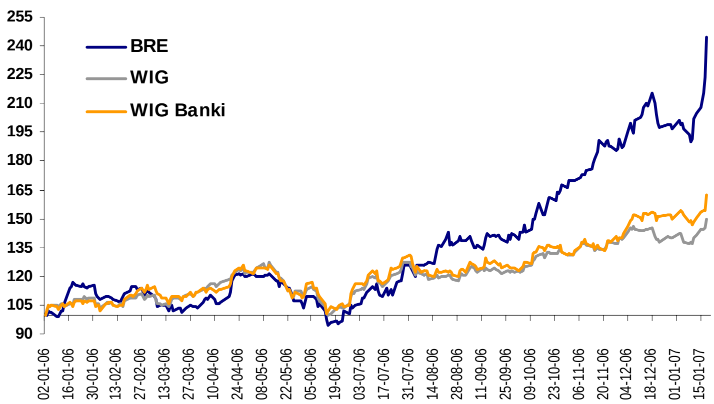
II. Shareholders and BRE Bank Share Price on WSE

Commerzbank Auslandsbanken Holding AG is the only shareholder of BRE Bank that holds more than 5% of the share capital and votes at the General Meeting. It held 70.20% of the share capital and votes at the General Meeting of BRE Bank SA at 31 December 2006. It is a 100% subsidiary of Commerzbank AG (CB). BRE Bank shares were transferred from CB to the subsidiary in November 2005 as an organisational measure where CB moved its foreign stakes to a relevant holding company. In practice, CB is BRE Bank's major shareholder since 1995 when it held 21% of the Bank's shares, gradually growing its stake to 50% in 2000 and to 72.16% in 2003. The stake was reduced modestly in 2005 following the maturity of stock management option programmes (see section X.1.4), and was down to 71.49% at the end of 2005. The percentage stake in the share capital equals to the percentage of votes at the General Shareholders Meeting.

The remaining 29.8% of shares are free float, mainly traded by financial investors (ca. ¾ of the free float) and other investors, including private individuals. Their stakes in BRE Bank tend to remain below 5% and they are not required to report their acquisitions.

BRE Bank's shares traded much above the market in 2006. The shares rose 97.1% between the first session of the year on 2 January 2006 and the last session when they traded at PLN 336. This represented the highest return among all listed banks in Poland. During the year, the WIG index gained 39.9%, WIG-20 21.9% and the WIG-Banks subindex 49.8%. Throughout the year, BRE Bank's shares price reached its historical high on several occasions, setting a record of PLN 367 on 18 December 2006, whereas the lowest price during the year was PLN 161 and was recorded on 14 of June 2006.

Dynamics of BRE Bank Share Price in 2006v. WIG and WIG Banks Indexes (2.01.2006 =100)



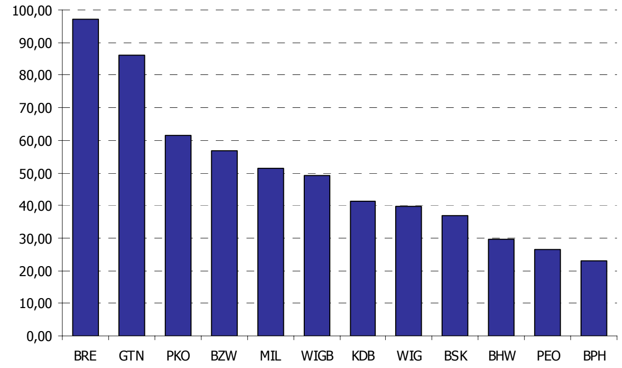
The price/book value ratio (P/BV) was 3.92 at the end of 2006 (compared to 2.4 at the end of 2005).

BRE Bank's P/E ratio was 23.5. The Bank's capitalisation was PLN 9.9 billion (EUR 2.59 billion) at the end of 2006. For comparison, its capitalisation was PLN 4.9 billion at 31 December 2005.

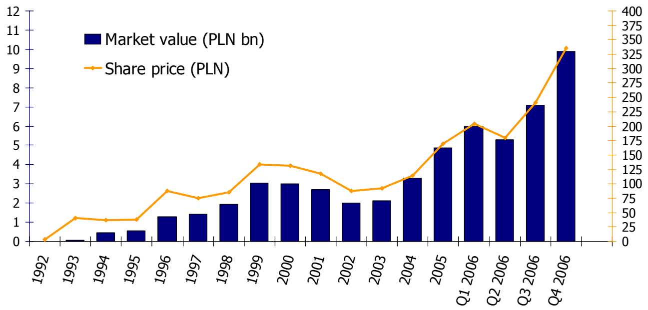
BRE Bank's share price on WSE in 2006 was driven by the following factors:

- continued bull stock market;
- investors' strong interest in the banking sector;
- positive analyst recommendations based on the Bank's good financial results and new strategic initiatives.

Return Rate in 2006



BRE Bank's Share Price and Capitalisation in 1992 – 2006



III. The Profile and Composition of the BRE Bank Group

BRE Bank has been present in the market for 20 years. Its founding deed was signed in June 1986 and the Bank (then known as Bank Rozwoju Eksportu SA) launched its business operations on 2 January 1987.

Initially the Bank only serviced companies; corporate banking is its traditional business line. In the early years, the Bank focused on granting fx loans to Polish exporters planning to buy investment goods and technologies. With time, the product and service offer was gradually expanded to include foreign trade finance, a variety of deposits and loans, derivative instruments, cash management products, etc.

In 1998, the Bank started to service high net worth individuals under the Private Banking (PB) umbrella.

In 1998-2002, the Bank was involved in large-scale proprietary investments, but began to reduce the portfolio in 2003. Its current Investment Banking business line mainly focuses on trading in the financial markets to service corporate customers and partly also retail customers, to issue debt securities for customers, to finance projects, and to manage the Bank's liquidity and fx position.

The business profile changed dramatically in late 2000 when BRE Bank launched its retail banking line: mBank, Poland's first internet bank targeting retail customers and microenterprises. With time, small outlets (mKiosks) and larger Financial Centres were founded. The retail banking business expanded a year later with the launch of the second project, MultiBank, which also services private individuals but with a higher net worth. MultiBank uses both remote channels and a continuously expanding network of local branches.

Today, BRE Bank is a universal bank. It serves large corporations, small and medium-sized enterprises (SMEs), and private individuals, from the most affluent Private Banking customers to students.

BRE Bank's expansion included the inception and acquisition of subsidiaries which offer financial products and services complementary to the banking offer and fulfil the needs of the Bank's customers. The financial service subsidiaries are assigned to the relevant business lines depending on their business profile and customer segment.

At the end of 2006, the structure of the BRE Bank Group was as follows:

<table>
<tr><th colspan="4">BRE Bank Group</th></tr>
<tr><td rowspan="2">Bank</td><td>Corporate Banking</td><td>Investment Banking</td><td>Retail Banking</td></tr>
<tr><td>▪ Corporations (Capital Groups)
▪ Large Companies
▪ SMEs
▪ Foreign trade finance</td><td>▪ Financial markets
▪ Treasury
▪ Project finance
▪ Financial institutions
▪ Proprietary investments</td><td>▪ mBank (mass retail customers and microenterprises)
▪ MultiBank (affluent and promising retail customers)
▪ Private Banking (high net work individuals)</td></tr>
<tr><td rowspan="3">Consolidated subsidiaries</td><td>▪ BRE Bank Hipoteczny SA
▪ BRE Leasing Sp. z o.o.
▪ Intermarket Group
- Intermarket Bank AG
- Polfactor SA
- Transfinance a.s.
- Magyar Factor zRt</td><td>▪Dom Inwestycyjny BRE Banku SA
▪BRE Corporate Finance SA
▪BRE Finance France SA
▪Tele-Tech Investment Sp. z o.o.
▪Garbary Sp. z o.o.</td><td>▪ BRE Wealth Management SA*/

*/former Skarbiec Investment Management (SIM)</td></tr>
<tr><td>Asset Management – discontinued operations</td><td colspan="2">▪ Skarbiec Asset Management Holding SA (SAMH)**/
▪ PTE Skarbiec-Emerytura SA
**/subsidiary sold on 8 January 2007 under an agreement signed in 2006</td></tr>
<tr><td>Other subsidiaries</td><td colspan="2">▪ BRE.locum Sp. z o.o.
▪ Centrum Rozliczeń i Informacji CERI Sp. z o.o.</td></tr>
</table>

The subsidiaries CERI Sp. z o.o. and BRE.locum are not assigned to any business line and are shown as "Other" due to their business profile.

Under IFRS, all above mentioned subsidiaries are consolidated using acquisition accounting. A significant change took place in the composition of the Group compared to 2005 due to the consolidation of BRE Bank Hipoteczny SA.
As of the financial statements for Q1 2006, the Bank no longer consolidates two subsidiaries:

- BRE International Finance B.V. – subsidiary was liquidated. It was deleted from the Netherlands court register on 30 March 2006.
- TV-TECH Investment 1 Sp. z o.o. – on 23 March 2006, its General Meeting passed a resolution to liquidate the company.

The key financial information about the consolidated companies as at the end of 2006 is shown in the table below (all figures in PLN thou.):

Company	Business	BRE Group's share in equity	Equity	Assets
1. BRE Bank SA	Bank		2 353 073	36 862 230
2. BRE Bank Hipoteczny SA	Bank	100%	234 387	2 400 972
3. DI BRE Banku SA	Brokerage	100%	53 683	445 840
4. BRE Corporate Finance SA	Consultant	100%	3 416	4 047

5.	PTE Skarbiec-Emerytura SA	Pension fund	100%	137 218	146 972
6.	Centrum Rozliczeń i Informacji CERI Sp. z.o.o	Settlement service	100%	10 523	19 494
7.	BRE Wealth Management S.A.	Asset management	100%	7 450	10 119
8.	Garbary Sp .z o. o	Management of own real estate	100%	48 920	49 010
9.	Tele-Tech Investment Sp. z o.o.	SPV	100%	246	49 013
10.	BRE Finance France SA*)	SPV	99.99%	1 377	1 657 226
11.	BRE.locum Sp. z o.o.	Real estate developer	79.99%	35 392	190 104
12.	Transfinace a.s.*)	Factoring	78.12%	39 253	465 302
13.	Polfactor SA	Factoring	78.12%	30 291	290 039
14.	Magyar Factor zRt*)	Factoring	78.12%	23 233	201 780
15.	Intermarket Bank AG*)	Factoring	56.24%	112 679	826 704
16.	SKARBIEC Asset Management Holding S.A. (SAMH)	Asset management	100,0%	80 395	103 440
17.	BRE Leasing Sp. z o.o.	Leasing	50.00%	60 546	2 228 566

*/For foreign factors, the mid exchange rate quoted by NBP on 29 December 2006 was used.

IV. The BRE Bank Group in the Financial Services Market in 2006

BRE Bank is a leading Polish bank in terms of assets and equity. BRE Bank was the fifth largest bank listed on the Warsaw Stock Exchange by assets and liabilities to customers, and the seventh largest by equity at the end of 2006 (consolidated figures). BRE Bank was the fourth largest Polish bank in terms of the consolidated portfolio of credit and loans to non-financial customers and the public sector at the end of 2006.

Most of the Group subsidiaries also rank high in their sectors of the financial services market. The table below presents the market share and position of the Bank and selected subsidiaries in 2006.

Business	Market Position*/	Market Share
Corporate Banking		
Corporate loans		5.9%
Corporate deposits		8.6%
Leasing	3	11.1%
Factoring		
Poland	3	21%
Austria	1	59%
Hungary	2	14%
Czech Republic	2	26%
Retail Banking (mBank+MultiBank)		
Total loans		4.4%
Mortgage loans		9.0%
Mortgage loans granted in 2006	3	11.0%
Deposits		3.2%
Investment Banking		
Financial markets		
Treasury bills and bonds		10.8%
IRS/FRA		21.5%
FX spot and forward		8.6%
WIG-20 options		24%
Non-Treasury securities (debt)		
Short-term debt securities	3	13.1%
Commercial papers	2	13.0%
Bank debt securities	1	31.9%
Municipal bonds	6	3.0%
Brokerage		
Equities trading	7	6.1%
Bonds trading	6	3.0%
Derivative transactions	2	13.4%
Options	1	35.9%
Asset Management		
Pension funds (assets under management)	9	3.1%
Investment funds (assets under management)	9	3.6%

Source: Own calculations based on data from BRE Bank, NBP, WSE, Fitch Polska, Polish Association of Leasing Companies, press reports

*/where determinable

V. Growth of the BRE Bank Group's Corporate Banking Business

V.1. BRE Bank's Corporate Banking Business

The Corporate Banking Line was largely restructured in 2005-2006. As a result of the reorganisation, the sales force was expanded, including the formation of a separate SME sales force, and the back office functions were centralised. The functional and organisational restructuring involved a separation of the front desk staff and the sales force from support staff as functions other than sales were shifted to the support and back office staff.

The pursued sales policy aims to grow the share of SMEs in BRE Bank's customer base and to increase the profitability of this customer segment, in particular by developing a separate product offer dedicated to SME customers and by improving the lending process.

Lending process improvements included the introduction of new credit risk rating tools, simplification of the decision-making process, improvement of customer monitoring, and implementation of a comprehensive approach to customer service. The processes will be further enhanced in 2007, in particular the operating service process.

V.1.1. Customers and Dedicated Offer

Corporate Banking customers were assigned to three segments:

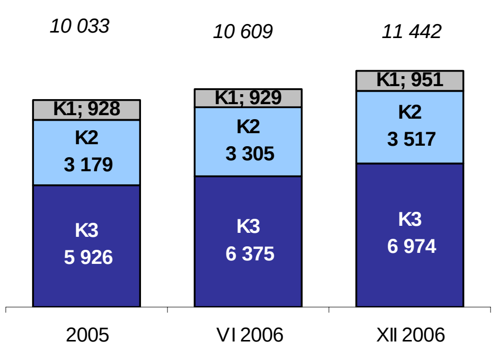
- K1 segment covers capital groups and large enterprises with sales over PLN 1 billion per year; it is assumed that the number of active customers in this segments will remain stable. K1 customers require professional advisory focused on structured finance, capital markets, and innovative products. BRE Bank offers advanced financial instruments, technological solutions for cash management instruments tailored to the customers' expectations, and advisory on capital transactions.

- K2 segment covers medium-sized enterprises with sales between PLN 30 million and PLN 1 billion per year; the number of customers in this segment will grow thanks to active acquisition of companies which require a high quality and a broad range of financial products and expect top service standards combined with advisory on financial services. The strategic K2 products include structured foreign trade finance, including both current and long-term financing, mainly using discounting (discounting of trade debt with and without recourse) as well as fx products, derivative instruments, basic and advanced cash management using Electronic Distribution Channels, and investment finance.

- K3 segment covers small and medium-sized enterprises with sales up to PLN 30 million per year which carry full accounting records, in particular foreign trade companies; it is assumed that the share in this market segment will grow significantly. The strategic product offering targeting K3 customers is based on the EFFECT Package line (EFFECT, EFFECT Plus, EFFECT Financial, EFFECT Investments) which provides a comprehensive banking service matched to the company's business profile and growth phase. Risk products are available under a simple and speedy procedure of limits.

The Bank's active customer acquisition produced positive results in 2006. BRE Bank acquired 2,552 new corporate customers, 33% more than in 2005; 76% of those were K3 customers and 20% were K2 customers. The Bank had 11,442 corporate customers at the end of December 2006 (net increase by 1,409 year on year).

Number of customers



V.1.2. BRE Bank's Corporate Banking Deposits and Loans

The market share of BRE Bank's corporate deposits was 8.6% at the end of December 2006 (compared to 9.2% in December 2005). The corporate deposits market grew 25.6% in 2006.

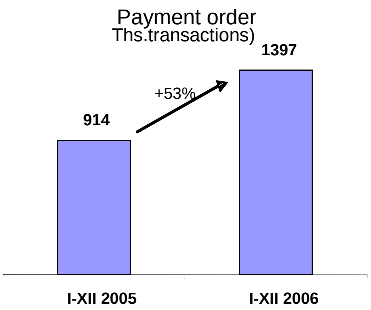
The market share of BRE Bank's corporate loans was 5.9% at the end of December 2006 (compared to 5.8% at the end of 2005).

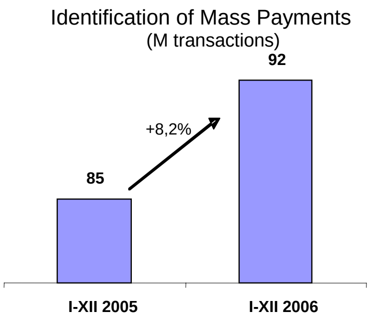
V.1.3. Expansion of the Corporate Banking Product Offer

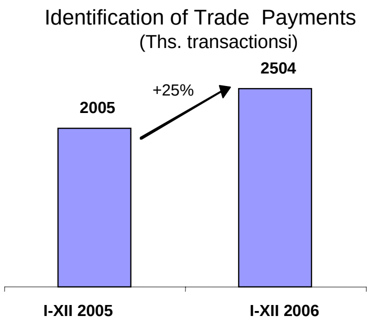
The Bank's product offer was further tailored to customers' needs in 2006. Changes were introduced with regard to settlements, cash management product, finance, risk management, and dedicated SME products. The main changes in the offer in 2006 included the launch of the following:

- Credit products – Multi-currency Line, Current Business Finance Line, Mortgage Credit and Loan, Multi-currency Overdraft;
- Bank accounts and settlements – Integrated Bank Account Agreement, Post Deposits in Envelopes;
- Cash Management and Electronic Distribution Channels – Electronic corporate account statements, automated currency translation for transfers between the customer's accounts with BRE Bank in different currencies, Automated Regulated Payment Settlement (STP), Multicash on-line connectivity.

The sales of the strategic product lines and their contribution to Corporate Banking sales grew in 2006, in particular for cash management and trade finance. The number of direct debits processed in 2006 was close to 1.4 million, up 53% year on year. The number of identifications of mass payments was 92 million, up by more than 8% year on year. The number of identifications of trade payments was more than 2.5 million in 2006, up 25% year on year.







The sales of dedicated SME service packages grew. The number of customers using service packages was 3,564 at the end of December, representing 51% of the K3 segment targeted with the service. The Bank acquired 1,415 new customers who bought service packages in 2006, 49% more than in 2005. The sales of packages including credit products (EFFECT Plus, EFFECT Financial, EFFECT Investments) were growing. The number of such packages sold was up 60% year on year in 2006.

V.1.4. Effective Absorption of EU Funds

BRE Bank pursued its active EU fund strategy in 2006. The volume of sold banking products with EU financing (commitments, loans, guarantees) was up 28.4% year on year in 2006. Loans granted were up 109.6% and guarantees using EU funds 63.2% year on year in 2006.

According to data provided by PARP (Polish Agency for Entrepreneurship) in June 2006, BRE Bank was very effective in the absorption of EU funds. In the fourth application round (measure 2.3 SPO WKP [Sectoral Operational Programme – Supporting Corporate Competitiveness]), every second application of BRE customers (47%) was approved for financing. By comparison, of all applications submitted in the fourth application round, 24% were approved for financing.

The high number of transactions concluded in 2006 was mainly owed to highly competent BRE Bank staff – EU Fund Consultants and their close co-operation with BRE Bank customers.

BRE Bank carried out information and training initiatives in 2006 targeting the Bank's actual and prospective customers, including a cycle of customer training at Branches and the co-arrangement of the Third Euroforum of EU Fund Consultants "Development through Innovation: Best European Practices." This is the region's largest forum for the exchange of experiences of independent EU Fund Consultants working for social and economic growth in the European Union.

V.1.5. Branch Network

Corporate customers are served by 23 Corporate Branches. A project launched in 2006 aims to optimise and reorganise the corporate branch network by changing the functionality and visuals of branches and opening business offices as a new way to expand the network. The functional change mainly involves an evolution of branch functions to create business centres as locations for business meetings, videoconferences, and customer training. The first branches implementing the new model are the Second Warsaw Corporate Branch and the Gdynia and Olsztyn Corporate Branches.

V.2. Corporate Banking Line Subsidiaries

V.2.1. BRE Bank Hipoteczny S.A. (BBH)

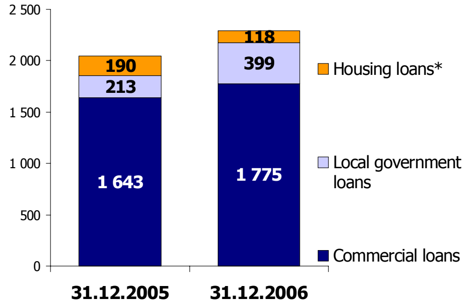
The results of BRE Bank Hipoteczny are consolidated with BRE Bank as of Q1 2006. In 2006, BBH generated a profit before tax of PLN 40.2 million.

BBH's balance-sheet and off-balance sheet credit portfolio was over PLN 3.1 billion at the end of 2006, compared to PLN 2.7 billion at the end of 2005. BBH's liabilities under issued mortgage bonds totalled PLN 1.5 million.

The quality of BBH's credit portfolio remained high: the share of the default portfolio was 0.6%.

According to published annual statistics, BBH is the leader of Poland's mortgage banking in terms of the credit portfolio (54% share) and liabilities under mortgage bonds (52%).

BBH's Credit Portfolio (excluding provisions and interest) (PLN M)



*/ Bank Hipoteczny stopped granting loans to retail customers. The volume of housing loans represents the existing portfolio still managed by the Bank

V.2.2. BRE Leasing Sp. z o.o.

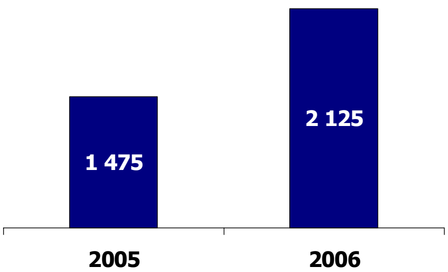
The leasing market enjoyed record-high growth in 2006. BRE Leasing was the third leasing provider (after EFL and Raiffeisen Leasing) with a share of 11.1%. More than a third of the leasing market belongs to three players: EFL, BRE Leasing and Raiffeisen.

BRE Leasing executed leasing contracts at PLN 2.1 billion, up 44% year on year. BRE Leasing's fastest growing segments were: machinery and equipment and vehicles.

BRE Leasing completed the largest and technologically most advanced transaction in the market in 2006: the lease-back of PLL LOT passenger aircraft at ca. US$ 100 million.

On-going good sales results and the restructuring of the financing costs launched in 2005 allow for growing profitability. BRE Leasing's 2006 profit before tax was PLN 29.6 million up PLN 9.1 million year on year.

BRE Leasing Contracts by Value (PLN M)



V.2.3. The Intermarket Group

Compania de Factoring SA with its seat in Romania joined the Intermarket Group in 2006.

The sales of the Intermarket Group totalled EUR 5.0 billion in 2006, up 17% year on year. The sales of the Group grew by a factor of 2.5 compared to 2000, always at a double-digit annual growth rate.

The Intermarket Group companies consolidated with BRE Bank (Intermarket Bank AG, Transfinance a.s., Polfactor SA and Magyar Factor zRt.) generated a profit before tax of PLN 52.7 million in 2006.

Intermarket Bank AG

The company's sales were EUR 2.5 billion, accounting for 56% of the sales of the Intermarket Group, up 19% year on year. Its profit before tax (including dividend income) was EUR 5.5 million (up 17%).

The company pursued the mid-term plan of Intermarket Group expansion to Central and Eastern European markets. Compania de Factoring IFN SA, Romania's first specialised factor, was established in June 2006. Its shareholders are Intermarket Bank AG (50%) and Banca Transilvania Group (50%). The company joined the other Intermarket Group subsidiaries in the Factors Chain International as of July 2006. Its loss was approximately EUR 240.4 thousand in 2006. Its sales initiatives launched in 2006 will produce positive results in 2007.

The company's Supervisory Board decided to establish a factoring company in Slovenia in 2007.

Polfactor S.A.

Polfactor is one of three factors which share ¾ of Poland's factoring market, and belongs to the Polish Factors Association. Polfactor's market share was 21% at the end of 2006. The company purchased invoices totalling PLN 2.9 billion in 2006 (up 20% year on year) and generated a profit before tax of PLN 11.5 million (up 20% year on year).

The company expands its own distribution network by opening offices in BRE Bank Branches. The network includes branches in Gdańsk, Poznań, Wrocław, Katowice and a new branch opened in 2006 in Kraków, and will soon have two new branches: in Olsztyn and in Łódź. The company continues sales co-operation with BRE Bank and provides training to BRE Bank's K1, K2 and K3 advisors. Polfactor was appreciated both domestically (second position in the factor ranking FAKTOR 2005) and abroad by foreign partners in FCI (19^{th} position among 110 ranked factors).

Transfinance a.s.

The company was the second largest factor in its local market with a share of 25.2% after Q3, slightly behind its main competitor Factoring CS (Erste Bank Group) with a share of 26.9%. Its total sales were CZK 27 billion, up 23%, the highest growth rate in the Intermarket Group. Its profit before tax was PLN 12.4 million, up 26% year on year.

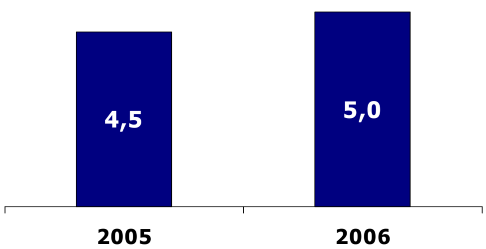
Magyar Factor zRt.

The company focused on customer acquisition in 2006 in order to restore the sales volume affected by the attrition of several large customers in late 2005. As banks were competing to win large customers, the company focused on the acquisition of SME customers. The company reported a year-on-year decrease in sales by 13%, the first in many years. Its profit before tax was PLN 7.2 million, down 4% year on year.

Competition also affects the area of human resources. As a result, the company could not expand its sales network.

The profitability of the company was also hit by tax regulations. The Hungarian government imposed a new tax in 2006 (following the levy of a tax on bank savings), which reduced the company's profit.

Total Sales of the Intermarket Group Companies (EUR B)



VI. Retail Banking and Private Banking

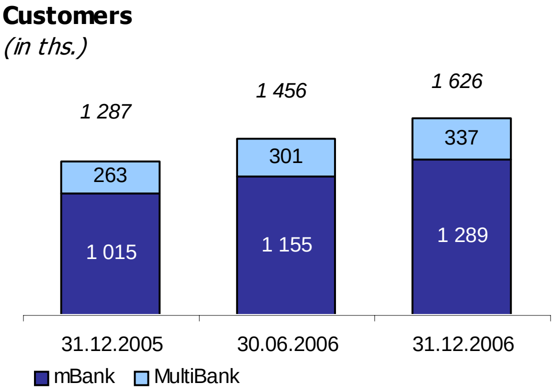
VI.1. Dynamic Growth of mBank and MultiBank

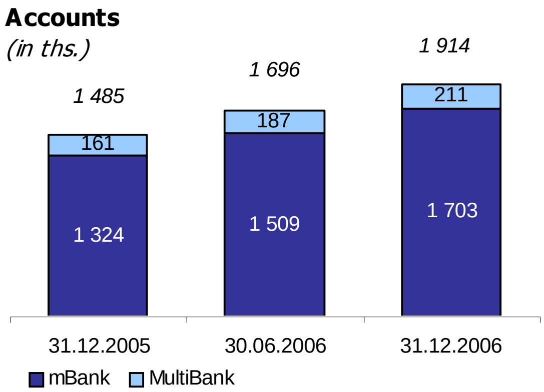
VI.1.1. Growth in the Number of Customers

BRE Bank's Retail Banking Line, including mBank and MultiBank, is the newest and most dynamically growing business line. It had 1,626.1 thousand customers at the end of 2006 (including 1,289.5 thousand at mBank and 336.6 thousand at MultiBank). The Line acquired 348.1 thousand new customers in 2006 (274.5 thousand at mBank, 73.6 thousand at MultiBank). The number of customers grew 27.3% in 2006 (27.0% at mBank, 28.1% at MultiBank).

The Retail Banking Line had 185.6 thousand microenterprise customers (134.8 thousand at mBank, 50.8 thousand at MultiBank). The number of new microenterprise customers was 42.4 thousand in 2006 (31.1 thousand at mBank, 11.3 thousand at MultiBank).

The number of accounts grew by 428.7 thousand in 2006 (379.3 thousand at mBank, 49.4 thousand at MultiBank), up 28.9%. There were 1,914 thousand accounts at 31 December 2006 (1,703.1 thousand at mBank, 210.9 thousand at MultiBank). There were 222.1 thousand microenterprise accounts (171.2 thousand at mBank, 50.9 thousand at MultiBank), up 51.5 thousand year on year (40.2 thousand at mBank, 11.3 thousand at MultiBank).





I.1.2. Fast Growth in Customer Deposits and Investments

Deposits

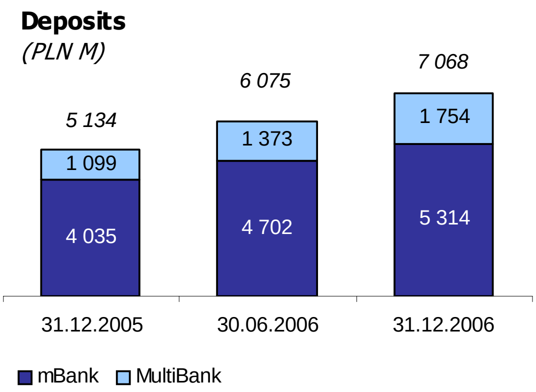
Deposits grew by PLN 1,934.4 million in 2006 (by PLN 1,278.7 million at mBank and by PLN 655.7 million at MultiBank), up 37.7% (31.7% at mBank, 59.7% at MultiBank). Deposits were PLN 7,068.0 million at the end of December (PLN 5,314 million at mBank, PLN 1,754 million at MultiBank). According to NBP statistics, household deposits grew 9.7% in 2006.

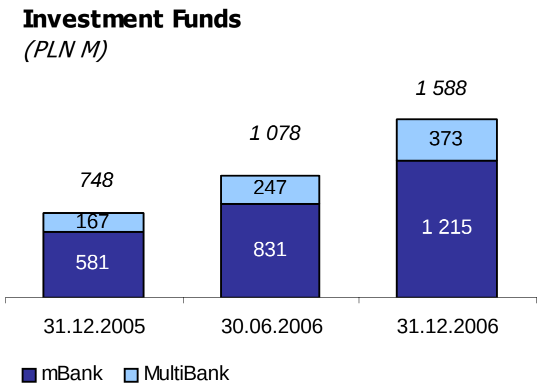
The share of mBank and MultiBank in the retail deposits market was 2.85% at the end of December 2006, compared to 2.3% at the end of December 2005.

Investment Funds

Investment fund assets of BRE Bank retail customers were PLN 1,587.8 million at the end of December 2006 (PLN 1,215.2 million at mBank, PLN 372.6 million at MultiBank). Investment fund assets grew by PLN 839.5 million in 2006 (up 112.3% while the market grew 61%).

The market share of the Private Banking Line's investment funds sales was 1.6% at the end of December 2006 (compared to 1.2% at the end of 2005).





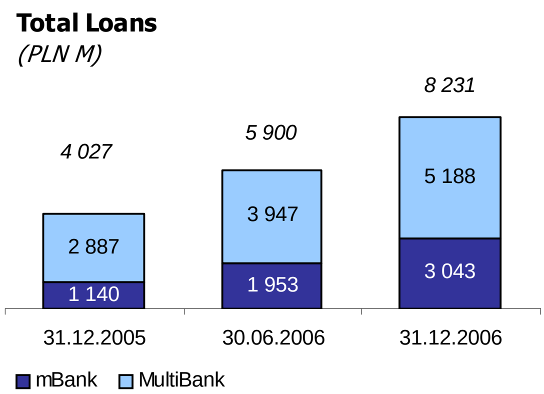
VI.1.3. Loans Portfolio Doubled

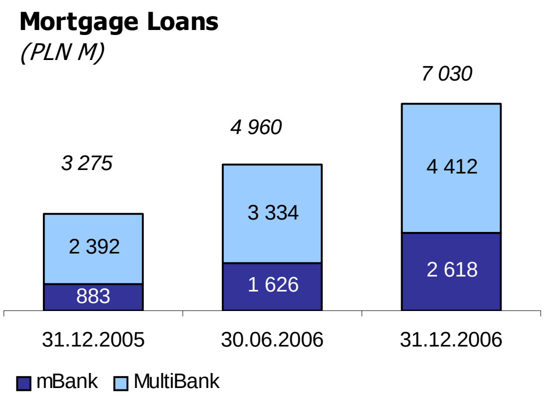
Retail Banking loans were up PLN 4,203.3 million or 104.4% in 2006 (PLN 1,902.5 million or 166.9% at mBank, PLN 2,300.8 million or 79.7% at MultiBank). Balance-sheet loans were PLN 8,230.7 million at the end of 2006 (PLN 3,043.2 million at mBank, PLN 5,187.5 million at MultiBank). According to NBP statistics, household debt grew 33.4% in 2006.

The Retail Banking Line's market share in retail loans was 4.4% at the end of December 2006, up 1.4 pp year on year.

The Retail Banking Line's balance-sheet mortgage loans were PLN 7,030.3 million at the end of December 2006 (PLN 2,618.6 million at mBank, PLN 4,411.7 million at MultiBank). Balance-sheet mortgage loans grew PLN 3,755.3 million or 114.7% year to date (PLN 1,735.6 million at mBank, PLN 2,019.7 million at MultiBank). A vast majority of the loans (PLN 6,681.4 million or 95%) were retail loans (PLN 2,618.6 million at mBank, PLN 4,062.8 million at MultiBank). According to estimates, Poland's mortgage loans grew ca. 67% in 2006.

82.4% of all balance-sheet mortgage loans were fx loans, mainly in the Swiss franc (91% at mBank, 77.4% at MultiBank).





BRE Bank's Retail Banking Line granted approximately PLN 4.6 billion of new mortgage loans and was their third largest provider in Poland with a market share of ca. 11% (*Rzeczpospolita*, 17 January 2007).

The retail mortgage loans portfolio is described in the table below.

Retail Mortgage Loans (Private Banking Line)	Total	PLN	FX
Balance-sheet value (PLN billion)	6.7	0.9	5.8
Average maturity (years)	22.8	19.0	23.3
Average value (PLN thou.)	157.4	182.6	156.3
Average LTV (%)	66.4%	57.5%	67.8%
NPL (%)	0.5%	2.1%	0.2%

VI.1.4. Growth in the Number of Cards Issued

The number of credit cards issued by the end of 2006 was 151.7 thousand (91.3 thousand at mBank, 60.4 thousand at MultiBank). The number of credit cards grew by 59 thousand in 2006 (42.6 thousand or 87.5% at mBank, 16.4 thousand or 37.4% at MultiBank). The number of debit cards issued by the end of 2006 was 1,046.2 thousand (782.3 thousand at mBank, 263.9 thousand at MultiBank).

VI.1.5. Product Offer Expansion in 2006

- **mBank** offered its traditional products, including bank accounts, deposits, loans, credit cards, shares of investment funds, insurance, mShop (on-line shopping), and launched new products and services in 2006, in particular:
  - mBank mobile, Poland's first virtual independent mobile phone operator (December 2006);
  - Refinancing loans (under mPlan);
  - Orange and G+J co-branded cards;
  - Another 200 charge-free cash4you ATMs added to the network;
  - Microenterprise credit limits, mortgage mPlans, and Visa Business cards;
  - FX accounts and international transfers;
  - 8 new funds in the Investment Fund Supermarket which offered shares of 82 funds at the end of 2006 (89 funds including Individual Pension Accounts).

- **MultiBank**'s extensive product offering including bank accounts, PLN and fx deposits, mortgage products (Financial Plans), credit cards, Aquarius Club service for the most affluent customers, investment funds (Savings Centre), investment insurance, was expanded in 2006 to include:
  - Brokerage Service;
  - Investment Deposits (the first structured product available on-line);
  - Another 17 funds in the Savings Centres which offered shares of 84 investment funds at the end of 2006;
  - Group real property insurance in mortgage lending;
  - Group life assurance and professional disability insurance in mortgage lending;
  - Modification of cash and car loans;
  - New mixed deposit options (deposit combined with a fund in the proportion 25:75);
  - Several modifications in the SME offering to make it more flexible and friendly.

VI.1.6. Expansion of the Distribution Network in 2006

mBank:

At the end of 2006, mBank had 65 outlets (50 mKiosks, 15 FCs). 11 new outlets were opened in 2006, including 3 mKiosks in Q4.

MultiBank:

At the end of 2006, MultiBank had 84 outlets (37 CUFs, 38 Partner Outlets (PP), 9 miniCUFs). 12 new outlets were opened in 2006 (5 CUFs, 4 PPs, 3 miniCUFs).

VI.2. Private Banking (PB)

The Bank had 7,806 customers at the end of December 2006, down by 274 customers (3.4%) year on year due to the restructuring of the customer base aimed at focusing on those customers who meet PB criteria (liquid assets over PLN 500 thousand). At the same time, 593 new customers were acquired in 2006.

Loans and Deposits

The Private Banking customers' debt was PLN 467.1 million at the end of December 2006, up PLN 169.4 million (up 56.9%) year on year.

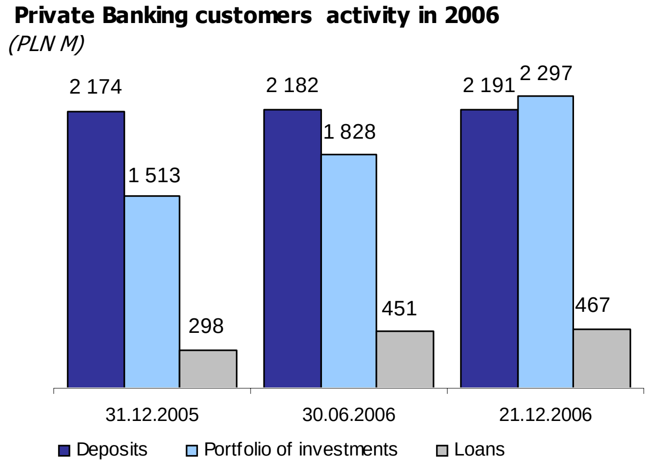
Deposits were PLN 2,191.1 million at the end of 2006, up PLN 16.7 million (up 0.8%) year on year.

Portfolio Investments

Private banking customers' portfolio investments were PLN 2,297.4 million at the end of 2006 (up PLN 785.2 million or 51.9% year to date).

Asset management products grew the fastest, by PLN 737.8 million (71.5%) in 2006, reaching PLN 1,769.8 million at the end of December 2006. The biggest growth was reported for investment fund shares (up PLN 388.7 million or 66.6%).

Funds invested in financial market products grew by PLN 47.4 million (9.9%) year to date and were PLN 527.6 million at the end of December 2006. The growth was possible thanks to successful subscriptions for structured bonds whose sales were PLN 130.7 million in 2006.



Major New Products and Developments in 2006

- Decision to launch in 2007 a wealth management service: comprehensive management of Private Banking customers' funds. Wealth management services will be available to customers with liquid funds over PLN 2 million. Wealth management services will be provided by BRE Wealth Services, a dedicated private banking subsidiary.
- Launch of shares in a TFI Arka fund, new TFI ING umbrella funds, and Franklin Templeton funds;
- 13 successful subscriptions for structured bonds;
- 15 completed subscriptions for investment deposits raised PLN 57.3 million;
- BRE Private Banking won the Manager Magazine "The Best in Private Banking" ranking.

The prestigious UK *Euromoney Magazine* named BRE Bank "Best Private Bank in Poland" in January 2007.

VI.3. New retail strategic projects

VI.3.1. BRE Ubezpieczenia TU S.A. and BRE Ubezpieczenia Sp. z o.o.

In 2006, BRE Bank made the strategic decision to enter the insurance market. BRE Bank plans to first offer property insurance and then also life assurance.

BRE Ubezpieczenia Sp. z o.o., a service company, was established in May 2006. The investment in its equity totalled PLN 4 million. In June 2006, BRE Bank applied for an insurance licence and the permission to establish a property insurance provider BRE Ubezpieczenia TU S.A. In December 2006, the Financial Supervision Commission issued the permission and in mid-February 2007 a car insurance supermarket based on mBank's platform was launched. Partners are Swiss Re, Allianz, Benefia, HDI Asekuracja, Ergo Hestia. The Bank's investment in the company totals PLN 26.4 million.

VI.3.2 mBank mobile

In December 2006 mBank began operations as the first virtual mobile operator in Poland. Polkomtel S.A., operator of Plus and Sami Swoi is mBank partner. At the beginning mBank mobile offered pre-paid services (voice transmission, SMS/MMS, Internet), loyalty bonuses for mBank clients and NOKIA mobile phones without simlock. In 2007 offer will be developed including broadband Internet, integration with mBank transactional system. Planned customer acquisition 162,5 thou. in 2007 and 450 thou. in 2009 r.

VII. Investment Banking

VII.1. BRE Bank's Investment Banking Line

VII.1.1. Market Position Continues to Strengthen

At the end of 2006, BRE Bank ranked first in the market of bank debt securities and third in the market of commercial papers with a share of 32.0% and 13.1% respectively; the Bank also ranked second in mid-term corporate debt securities (13.0%). The strong market position was retained in 2006 thanks to:

- issue of mid-term bonds of Getin Bank, BRE Bank Hipoteczny, Lukas Bank, Polimex – Mostostal Siedlce, Echo Investment , AIG Bank
- new debt issue programmes for JW. Construction (PLN 250 million); SPIN (PLN 100 million), PKN Orlen (PLN 2 billion), Getin Bank (PLN 1.5 billion), PKM Duda (PLN 50 million).

BRE Bank ranked first in the Treasury Securities Dealers ranking for the period October 2005 – September 2006.

Thanks to its active presence in the financial markets, the Bank's market share was 21.5% in interest rate derivative instruments and 10.8% in trading in Treasury bonds and bills. Its share was 8.6% in spot and forward fx transactions and 24% in WIG-20 index options (at the end of November 2006).

In the NBP Dealer Activity Index (IAD) ranking covering all banks in Poland which apply for the Money Market Dealer function, in 2006 BRE Bank ranked first in two categories:

- OIS market;
- FRA and IRS market.

BRE Bank's position reflects the Bank's share in the trading of the Polish interbank market; its first rank means that the Bank's portfolio is the largest. The NBP ranking is used to select the most active and professional banks as Money Market Dealers with the exclusive right to participate in auctions of government securities.

BRE Bank's macroeconomic analysts were also ranked first for best forecasting macro figures by the financial daily Parkiet.

VII.1.2. Financial Institutions

The number of correspondent banks with which BRE Bank had exchanged swift keys grew by 65 in 2006 (from 1,803 to 1,868).

At the end of 2006, the Bank had 39 nostro accounts, the same number as at the end of 2005. The number of PLN loro accounts grew from 99 to 106. In addition to PLN accounts, the Bank maintains for other banks 8 accounts in other currencies.

At 31 December 2006, the Bank had 16 active loans totalling PLN 4.64 billion, of which ca. PLN 4.57 billion were drawn. Four loans, mainly in EUR, totalling the equivalent of PLN 1.4 billion were repaid in 2006, and six new CHF loans totalling the equivalent of PLN 3.89 billion were taken (including two in Q4). The net balance of loans taken was up by PLN 2.26 billion year on year.

At 31 December 2006, the Bank's portfolio included 113 active short- and long-term loans granted by BRE Bank to other banks, mainly used to finance Polish exports. They totalled the equivalent of PLN 792 million (compared to PLN 992 million at 31 December 2005) while the amount of drawn loans was stable at the equivalent of PLN 716 million in 2006 compared to PLN 713 million in 2005.

VII.1.3. Project Finance

In 2006, BRE Bank co-arranged five syndications and participated in another five. The Project Finance Department granted 9 bilateral loans totalling ca. EUR 465 million. Two of the granted bilateral loans totalling ca. EUR 20 million were given to companies in Russia and Ukraine to construct industrial facilities under KUKE insurance. In addition, a syndication with two other banks arranged an issue of long-term bonds to finance the construction of an energy generation block for Południowy Koncern Energetyczny. BRE's participation was the equivalent of ca. EUR 55 million.

VII.1.4. Proprietary Investments

At the end of 2006, the proprietary investments portfolio was PLN 278 million at cost, down PLN 98.3 million year on year. The reduction was mainly due to:

- decrease following the sale of securities totalling PLN 112.2 million (mainly bonds of ITI Bond Finance Sp. z o.o. and Polish Pre-IPO Fund) ,
- increase due to the acquisition of securities and increase of the share capital totalling PLN 26.3 million (Vectra SA – additional payment for shares, Garbary Sp. z o.o. and Tele-Tech Investment Sp. z o.o.).

Proprietary Investments (PLN M)	31.12.06	31.12.05	Change	
			Value	%
Value at cost	278.0	376.3	-98.3	-26.1
Balance-sheet value	263.6	335.6	-71.9	-21.4

The largest investments in the Bank's portfolio at the end of 2006 included:

- 19.95% of shares of Vectra S.A. (11.2% of votes), balance-sheet value PLN 125.0 million;
- 0.76% of shares of PZU S.A., balance-sheet value PLN 74.0 million;
- 100% of shares of Garbary Sp. z o.o., balance-sheet value PLN 53.4 million.

Main Transactions and Developments in 2006:

ITI Bond Finance Sp. z o.o. Bonds

All bonds of the company were sold to ITI Holdings SA for cancellation at a total of US$ 29.6 million.

Vectra SA

In May 2006, the Bank and three National Investment Funds (NIF) signed agreements amending the principles of payment for shares of the company Vectra SA acquired by BRE Bank from the NIFs in 2005.

Under the original agreements, the Bank was required to repay to the three NIFs all gains realised at any time on the sale of the package of Vectra shares (minus cost of financing) acquired from the NIFs (approximately a half of the shares held by the Bank).

Under the amended agreements with the three NIFs, the Bank made an additional payment of PLN 25 million for the acquired Vectra shares, and thereby limited the amount, the period, and the percentage share of the NIFs' participation in potential gains on BRE Bank's future sale of the Vectra shares. As a result, the Bank's obligation to repay to the NIFs the gains on the sale of the company's shares will expire on 22 May 2007.

Novitus SA

BRE Bank sold a package of company shares representing 20.3% of its equity and votes for a total of PLN 15.6 million. The profit on the sale was PLN 11.7 million.

Tele-Tech Investment Sp. z o.o.

The Bank acquired the remaining shares of the company for a total of PLN 38 thousand and following the transaction holds shares representing 100% of the equity and votes with a value of PLN 50 thousand at cost

PZU SA

BRE Bank received a 2005 dividend of PLN 10.2 million before tax.

Restructuring of the Proprietary Investments Portfolio

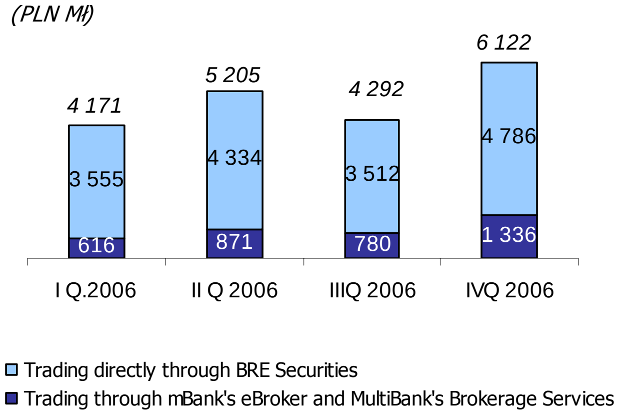
The liquidation of the following companies in the Proprietary Investments portfolio was initiated in 2006: TV-Tech Investment 1 Sp. z o.o., TV-Tech Investment 2 Sp. z o.o., MKF Sp. z o.o. In the case of TV-Tech Investment 1 Sp. z o.o. and MKF Sp. z o.o., applications were filed with the National Court Register to delete the companies from the Register.

VII.2. Investment Banking Line Subsidiaries

VII.2.1. Dom Inwestycyjny BRE Banku S.A. (DI BRE Banku)

DI BRE improved its position in equities trading, growing its market share from 4.1% in 2005 to 6.1% in 2006, the seventh position in the market. The equities trading volume was PLN 19.8 billion, double the 2005 figure. The improvement was driven by the success of research products (the company's analysts are top-ranked according to Bloomberg and AQ). Another driver of the improved market position was the success of mBank's eBroker service and MultiBank's Brokerage Service. Their total trading accounted for 18% of DI BRE's equities trading volume in 2006. Of 59.5 thousand accounts operated at the end of 2006, 20.7 thousand were accounts opened directly with DI BRE, 34.4 thousand were eBroker accounts (mBank), and 4.4 thousand were Brokerage Service accounts (MultiBank).

DI BRE Bank - stock trading in 2006



DI BRE kept the first position in options trading (market share of 35.9%) and the second position in futures trading (13.4%); it ranked sixth in bonds trading with a market share of 3.0%. The company reported a record-high profit before tax of PLN 26.9 million in 2006, compared to PLN 14.6 million in 2005.

VII.2.2. BRE Corporate Finance (BRE CF)

BRE Corporate Finance provided works on M&A projects and public market offers in 2006. The company's business model evolved in 2006, from privatisations of State enterprises to private sector deals. The company also focused on consulting and arrangement of EU funds. The company's profit before tax was PLN 194 thousand in 2006.

VII.2.3.Tele-Tech Investment Sp. z o.o. (TTI)

This is a special-purpose vehicle (SPV) whose core business includes:

a) Investment in securities, trading in debt;
b) Proprietary transactions in securities;
c) Management of controlled businesses;
d) Business and management consulting.

The Bank acquired 76 shares of the company, representing 76% of the share capital, in 2006. After the transaction, the Bank held 100% of shares and votes of the company. The balance-sheet value of shares in TTI's portfolio was PLN 48.6 million at the end of 2006. These were shares in 2 companies, including 30% of shares of BRE.locum Sp. z o.o., as well as bonds of Autostrada Wielkopolska SA.

VII.2.4. Garbary Sp. z o.o.

The company is part of the Bank's portfolio since May 2004 following the restructuring of the Bank's investment in the debt securities of Tele-Tech Investment Sp. z o.o. where TTI bonds with redemption value of PLN 51.5 million (issued in 2001 to finance the acquisition of the company by TTI) were converted to 100% of the company's shares. Garbary's only asset is a piece of land with buildings at 101/111 Garbary St., Poznań, including a meat plant facility (not in use) subject to protection as historical monument. Due to on-going litigation and existing collateral, BRE Bank cannot dispose of the shares of Garbary Sp. z o.o. or use them as security.

VII.2.5. BRE Finance France S.A.

BRE Finance France SA continued the EUR 1.5 billion Euro Medium Term Notes (EMTN) issue programme in 2006. BRE International Finance B.V., operating under the same programme and filed for liquidation in December 2005, was deleted from the register of businesses as of 30 March 2006.

In November 2006, BRE Finance France SA redeemed a EUR 200 million EMTN tranche issued in 2003. There are 3 outstanding tranches under the programme:

- EUR 225 million maturing in 2007;
- US$ 10 million maturing in 2009;
- EUR 200 million maturing in 2008.

The company is not planning any further issues in 2007.

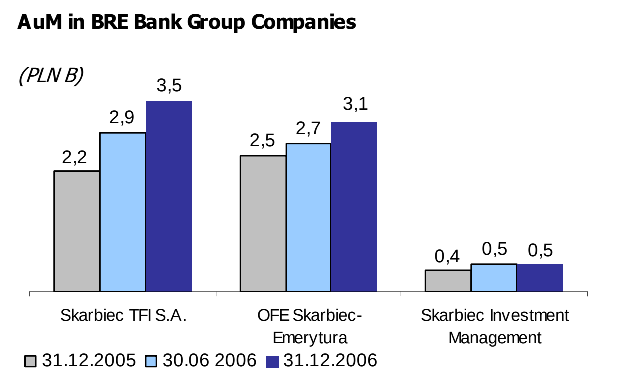
The company's profit before tax was PLN 739 thousand in 2006.

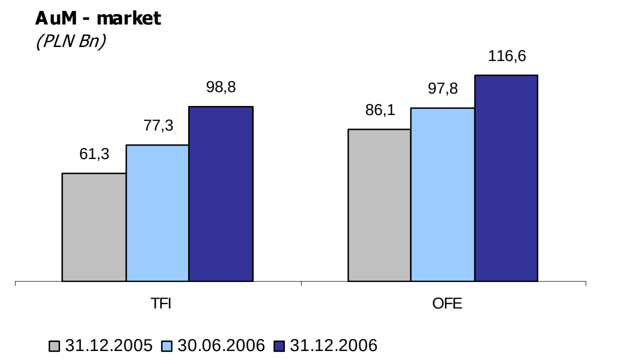
VIII. Asset Management Line

In 2006, Asset Management in the BRE Bank Group was performed by companies comprising SAMH , i.e. Skarbiec TFI and Skarbiec Investment Management (SIM). The third company in this area is PTE Skarbiec-Emerytura. The Bank decided to discontinue this activity and in 2006 signed the agreement to sell SAMH (followed by the repurchase of SIM), that was finalised in January 2007. The activities to sell PTE are being continued. Therefore in financial statement of BRE Bank Group these operations are reported as discontinued activities.

Favourable market trends allowed to increase the assets under management and had a key importance for the financial situation of the asset management companies. They recorded an increase of both net sales and market value of assets.

Assets under management of the BRE Bank Group's asset management subsidiaries totalled PLN 7,108.3 million at the end of December 2006 (up PLN 2,019.7 million or 39.7% year on year). The charts below show the assets under management of the Bank's three subsidiaries as compared to the market.





VIII.1. Skarbiec Asset Management Holding S.A.

In 2006, SAMH reported a consolidated profit before tax of PLN 24,7 million, up 132% year on year (profit of PLN 10.7 million in 2005). In September, BRE Bank and Enterprise Investors Fund V, L.P. entered into an agreement to sell all SAMH shares for PLN 155 million. The transaction was closed on 8 January 2007. SAMH's book value to the Bank was ca. PLN 51 million. The profit before tax on the sale of the shares net of transaction costs was PLN 89,0 million.

Skarbiec TFI S.A., a subsidiary of SAMH, reported a growth in assets by PLN 1.3 billion year on year at the end of 2006. Assets grew thanks to the launch of shares in new funds, growing sales of shares in existing funds, and good management performance helped by a bull stock market.

VIII.2. BRE Wealth Management S.A. (BWM, formerly Skarbiec Investment Management S.A.)

In December 2006, BRE Bank acquired 100% of BWM shares for PLN 12 million. Decision to purchase BWM shares is aimed at continuing of portfolio management of individual clients and development of wealth management in the framework of Private Banking. According to the sale agreement of SAMH shares BRE Bank was obliged to transfer the assets of institutional clients portfolio from BWM to TFI, which was effected in January 2007.

VIII.3. Powszechne Towarzystwo Emerytalne Skarbiec-Emerytura S.A. (PTE)

The assets of the pension fund PTE Skarbiec-Emerytura were up PLN 613 million year on year at the end of 2006 and amounted to PLN 3.1 billion.
The Bank continues the process of selling its PTE investment. In December, the Bank received preliminary proposals which are now being analysed. In January 2007, the Bank decided on a due diligence process of potential investors. PTE reported a profit before tax of PLN 18 million in 2006, up 71% year on year.

IX. Other Consolidated Subsidiaries

IX.1. Centrum Rozliczeń i Informacji CERI Sp. z o.o. (CERI)

In 2006, the company began to take over Regional Operating Centre (RCO) functions for international transfers, spot and forward fx transactions, and domestic transfers submitted by customers on paper to Bank's branches.

The company continued to acquire third-party customers (55 new customers acquired). The share of profits generated by third-party customers in total profits was 16.7% in 2006 (7.8% in 2005).

Electronic filing services were provided to further BRE Bank Group subsidiaries (BRE Leasing Sp. z o.o., BRE Agent Transferowy Sp. z o.o.).

In February 2006, BRE Bank raised CERI's equity by PLN 3.5 million used by the company to finance the acquisition of real estate at Traktorowa St., Łódź, to be used as a BCP back-up location and an anchor of further growth. The company's profit before tax was PLN 0.7 million in 2006.

IX.2. BRE.locum Sp. z o.o.

BRE.locum Sp. z o.o. is a real estate developer which mainly invests in residential property and provides property management services. The company operates since 2001 in Łódź, Wrocław, Kraków and Warsaw. The Bank holds a direct stake of 49.99% of shares. As BRE Bank raised its stake in Tele-Tech Investment Sp. z o.o. (which holds 30% of BRE.locum shares) from 24% to 100%, the Bank held directly and indirectly 79.99% of BRE.locum shares at the end of 2006.

BRE.locum reported a record-high profit before tax of PLN 18 million in 2006, compared to PLN 6.8 million in 2005. This was a result of the sale of apartments in Warsaw ("Park Mokotów") and Kraków ("Zielona Galicja") at the time of fast rising prices.

X. Financial Results of the BRE Bank Group in 2006

Under the International Financial Reporting Standards (IFRS 5), SAMH and PTE are shown as discontinued operations as this part of the BRE Bank Group's business was disposed in January 2007 (SAMH) or classified as held for sale (PTE) and represents a separate major line of business, and is part of a single co-ordinated plan to dispose of a separate major line of business.

The Bank translated the comparative data in the Profit and Loss Account for previous financial periods presented in the accounts on the basis of the same division of activity into continued operations and discontinued operations.

X.1. Changes in the Consolidated Balance Sheet in 2006

The balance sheet total was PLN 42.3 billion at 31 December 2006, up 29.3% year on year. The consolidated balance sheet as at 31 December 2006 compared to 31 December 2005 is shown below.

As the shares of PTE Skarbiec-Emerytura SA and the shares of SAMH fulfilled the conditions of classification as assets held for sale under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" at 31 December 2006, the Group's assets and liabilities related to the disposal of PTE Skarbiec-Emerytura SA and SAMH are shown in separate balance sheet items as "Fixed assets for sale" and "Liabilities for sale."

X.1.1. Changes in the Assets of the BRE Bank Group

ASSETS	31.12.2006		31.12.2005		Change
	PLN thou.	%	PLN thou.	%	%
Cash and transactions with the central bank	**3 716 607**	**8.8%**	**1 778 457**	**5.4%**	109.0%
Bills eligible for rediscounting at the central bank	26 725	0.1%	37 464	0.1%	-28.7%
Amounts due from banks	**2 844 124**	**6.7%**	**4 668 474**	**14.3%**	-39.1%
Trading securities	**3 516 149**	**8.3%**	**5 011 960**	**15.3%**	-29.8%
Derivative financial instruments	1 413 065	3.3%	1 264 500	3.9%	11.7%
Loans and advances to customers	**23 044 694**	**54.4%**	**15 375 958**	**47.0%**	49.9%
Investment securities	**3 055 516**	**7.2%**	**1 124 832**	**3.4%**	171.6%
- Available for sale	3 055 516	7.2%	1 124 832	3.4%	171.6%
Fixed assets for sale	385 194	0.9%	317 349	1.0%	21.4%
Assets under pledge	**2 702 180**	**6.4%**	**1 516 212**	**4.6%**	78.2%
Investment in affiliates	5 356	0.0%	6 477	0.0%	-17.3%
Intangible fixed assets	381 111	0.9%	406 380	1.2%	-6.2%
Fixed assets	580 108	1.4%	558 535	1.7%	3.9%
Deferred income tax assets	65 112	0.2%	117 048	0.4%	-44.4%
Other assets	594 640	1.4%	555 437	1.7%	7.1%
Total assets	**42 330 581**	100.0%	**32 739 083**	100.0%	**29.3%**

Credits and loans grew the fastest, by PLN 7.7 billion. With the high growth, much above the growth in the balance sheet total, this item accounted for 54.4% of total assets, compared to 47.0% at the end of 2005.

The high growth in the loans portfolio was mainly driven by the expansion of retail banking, the consolidation of BBH's mortgage loans portfolio (balance-sheet portfolio at PLN 2,265 billion at the end of December), and improvement in the corporate loans market.

Amounts due from banks were down by ca. PLN 1.8 billion. On the other hand, cash with the central bank grew. The portfolio of trading securities was down by ca. PLN 1.5 billion. The portfolio of securities available for sale grew by PLN 1.9 billion. These changes occurred at the Bank. Assets under pledge were up sharply by ca. PLN 1.2 billion due to a growing portfolio of sell-buy-back securities.

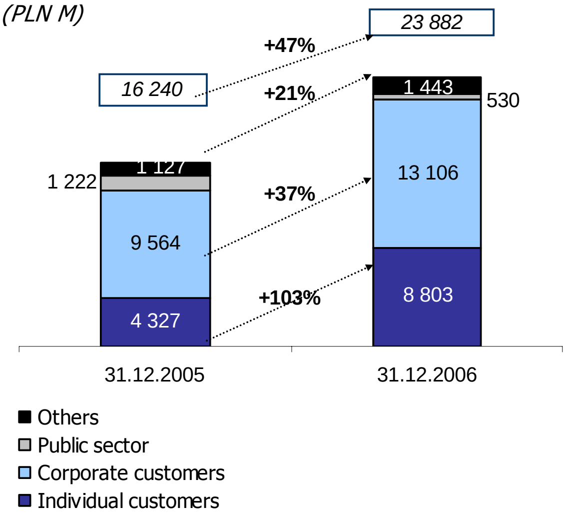
X.1.2. Description of the Loan Portfolio

The largest item of the consolidated loans portfolio is the corporate loans portfolio accounting for 54.9% of the total.

The share is slowly but steadily decreasing to the advantage of retail loans which were 36.9% of the portfolio at the end of 2006, compared to 26.6% at the end of December 2005.

The growing retail debt (up PLN 4.5 billion or 103%) was the main driver of growth in the Group's loans portfolio in 2006. Corporate loans grew PLN 3.5 billion, including PLN 1.76 billion in the BBH portfolio, not consolidated in 2005. The public sector debt was down by approximately PLN 700 million to approximately PLN 0.5 billion at the end of 2006.

Loans and advances to customers (gross)
(PLN M)

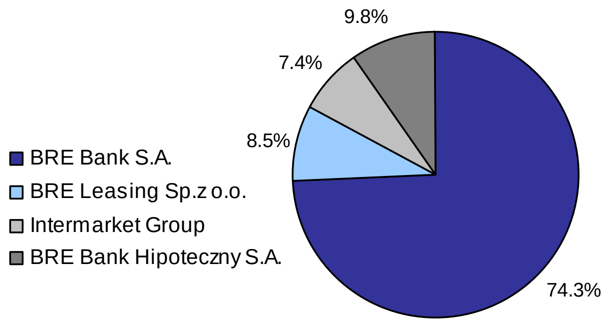


Changes in the structure of the loan portfolio and its component parts are shown in the chart above.

The structure of the BRE Bank Group's loan and credit portfolio by creditor is shown in the following chart.

Nearly ¾ of all loans are granted by BRE Bank, the other ¼ includes the BBH portfolio and the factoring and leasing portfolios.

Loans and advances to customers (net)
(% of consolidated portfolio)



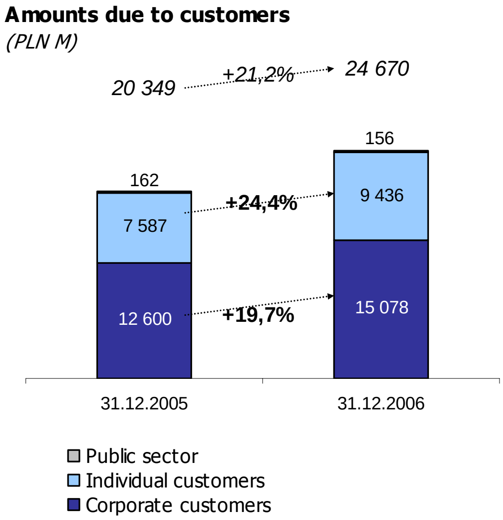
X.1.3. Liabilities

Changes in the Group's liabilities in 2006 are shown in the table below.

LIABILITIES AND EQUITY	31.12.2006		31.12.2005		Change
	PLN thou.	%	PLN thou.	%	%
Liabilities to other banks	7 972 386	18.8%	4 256 749	13.0%	87.3%
Derivative financial instruments and other trading liabilities	1 253 900	3.0%	1 271 206	3.9%	-1.4%
Liabilities to customers	24 669 856	58.3%	20 349 402	62.2%	21.2%
Liabilities under issued debt securities	3 389 559	8.0%	2 731 157	8.3%	24.1%
Subordinated liabilities	1 547 354	3.6%	1 362 528	4.2%	13.6%
Other liabilities	759 799	1.8%	562 907	1.7%	35.0%
Current income tax liability	20 047	0.0%	3 529	0.0%	468.1%
Deferred income tax liability	312	0.0%	161	0.0%	93.8%
Provisions	70 168	0.2%	86 135	0.3%	-18.5%
Liabilities for sale	25 001	0.1%	6 839	0.0%	265.6%
Total liabilities	**39 708 382**	93.8%	**30 630 613**	93.6%	29.6%
Total equity	**2 622 199**	6.2%	**2 108 470**	6.4%	24.4%
Total liabilities and equity	**42 330 581**	100.0%	**32 739 083**	100.0%	29.3%

Liabilities grew in 2006 mainly as a result of growing liabilities to customers which were up PLN 4.3 billion or 21.1% year on year, while their share in total liabilities was down from 62.2% at the end of 2005 to 58.3% at the end of 2006. Due to the fast growing loans portfolio and other assets, liabilities to other banks grew sharply by PLN 3.7 billion (up 87.3%). This was mainly due to 6 Swiss franc loans taken by BRE Bank totalling PLN 3.9 billion used to finance the growing portfolio of Swiss franc housing loans.
The share of liabilities to other banks was 18.8% of total liabilities, compared to 13% at the end of 2005.

This chart presents changes in the structure of liabilities to customers and their component parts. Retail customers' funds grew at the highest rate of 24.4% (PLN 1.8 billion). Importantly, this occurred in parallel to growth of customer investments in fund shares. Liabilities to corporate customers grew at a lower rate (up 19.7%) but the growth by value was ca. PLN 2.5 billion. Deposits of the public sector, representing less than 1% of liabilities to customers, were down PLN 6 million.



Debt securities in issue grew sharply (up PLN 0.7 billion) thanks to the consolidation of the balance sheet of BBH which mainly uses debt securities to finance its business.

X.1.4. Changes in the Equity of the Group

The equity of the Group grew by 24.4% and accounted for 6.2% of the liabilities and equity at the end of 2006. Changes in equity are shown in the table below and presented in more detail in the Consolidated Financial Statements for 2006 under IFRS.

Equity (PLN thou.)	**31.12.2006**	**31.12.2005**	**Change %**
Equity excluding minority interests	**2 530 766**	**2 035 239**	24.3%
First-tier equity:	**1 496 946**	**1 423 843**	5.1%
- Registered share capital	118 064	115 936	1.8%
- Supplementary capital	1 378 882	1 307 907	5.4%
Revaluation reserve	**5 110**	**(2 975)**	
Retained profits:	**1 028 710**	**614 371**	67.4%
Profits of previous years	607 452	366 828	65.6%
This year's profit	**421 258**	**247 543**	70.2%
Minority interests	91 433	73 231	24.9%
Total equity	**2 622 199**	**2 108 470**	24.4%

Changes in equity in 2006 following the maturity of management stock options programmes are described below.

BRE Bank operated two programmes in 2006:

The First Management Stock Options Programme opened in May 2000 (amended in May 2003) allocated 479,500 options to Bank Managers. The options gave the right to acquire 479,500 newly issued shares of the Bank. The Programme ended on 30 June 2006. 358,123 shares were acquired under the Programme in 2006. 477,007 shares were acquired in 2005 and 2006 under the Programme.

The Second Management Stock Options Programme opened in May 2003 will allocate 500,000 options to Bank Managers, exercisable gradually between 1 June 2005 and 30 June 2008. The options give the right to acquire 500,000 newly issued shares of the Bank. 173,940 shares were acquired in 2006 under the Programme. 325,903 shares were acquired in 2005 and 2006. Another 174,097 shares can be acquired under the Programme.

532,063 new shares were acquired in 2006 (each at PLN 4 at par), resulting in an increase of the registered share capital by PLN 2,128,252 thousand in 2006.

There were 29,516,035 BRE Bank shares at the end of 2006.

X.2. Profit and Loss Account of the BRE Bank Group

The BRE Bank Group generated a profit before tax of PLN 576.4 million in 2006, up 70.5% year on year. The profit before tax of the continued operations was PLN 534.5 million and that of the discontinued operations PLN 41.9 million.

As the discontinued operations are shown separately under the profit before tax, the individual profit and loss account items are discussed below for the continued operations.

Profit and Loss Account	2006	2005	Change
	PLN thou.	PLN thou.	%
Continued Operations			
Interest income	1 700 551	1 533 139	10.9%
Interest cost	(976 373)	(882 275)	10.7%
Net interest income	**724 178**	**650 864**	**11.3%**
Commission income	582 771	458 709	27.0%
Commission cost	(166 361)	(120 510)	38.0%
Net commission income	**416 410**	**338 199**	23.1%
Dividend income	16 865	47 033	-64.1%
Trading income, including:	399 585	233 061	71.5%
FX income	*354 140*	*257 897*	37.3%
Other trading income	*45 445*	*(24 836)*	
Income from investment securities	22 522	42 053	-46.4%
Other operating income	229 039	134 997	69.7%
Net credit impairment provisions	(45 961)	(78 841)	-41.7%
Overhead costs	(879 492)	(768 450)	14.5%
Amortisation and depreciation	(164 885)	(137 706)	19.7%
Other operating costs	(183 668)	(113 167)	62.3%
Operating profit	**534 593**	**348 043**	53.6%
Share in profits (losses) of affiliates	(112)	(469)	-76.1%
Profit (loss) before tax	**534 481**	**347 574**	53.8%
Income tax	(124 232)	(65 172)	90.6%
Net profit (loss) of the continued operations, including the profit (loss) of minority shareholders	**410 249**	**282 402**	45.3%
Discontinued Operations			
Profit (loss) before tax of discontinued operations	**41 879**	**(9 610)**	

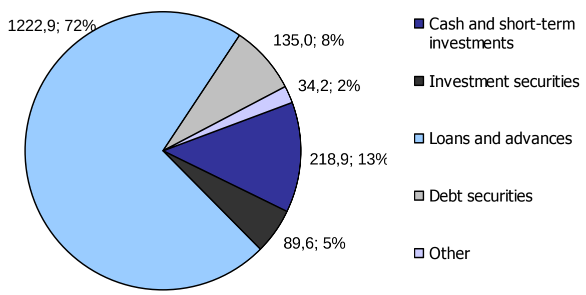
Income tax	(5 734)	(4 887)	17.3%
<u>Continued and Discontinued Operations</u>			
Net profit (loss) of the discontinued operations, including the profit (loss) of minority shareholders	**36 145**	**(14 497)**	
Net profit (loss) of the continued and discontinued operations, including the profit (loss) of minority shareholders, including:	**446 394**	**267 905**	66.6%
Profit (loss) of minority shareholders	25 136	20 362	23.4%
Net profit (loss)	**421 258**	**247 543**	70.2%

The net interest income remained the major P&L item. It was PLN 724.2 million at the end of 2006, compared to PLN 650.9 million in 2005. The higher net interest income was mainly helped by the income earned in H2 2006 by the Bank and the subsidiaries. The BRE Bank Group's interest margin (net interest income to average interest-earning assets) was stable at 2.1-2.2% in 2006 (2.1% at the end of 2006).

The net interest income in 2006 was helped by changes in the BRE Bank Group balance sheet structure. A more effective balance sheet structure was possible through a higher contribution of the Retail Banking Line to the Bank's assets and liabilities, as well as a growing portfolio of mortgage loans (including the BBH portfolio) and corporate loans. The growing income from lending and a positive change in the structure of financing offset the negative trends of lower profitability of securities compared to 2005.

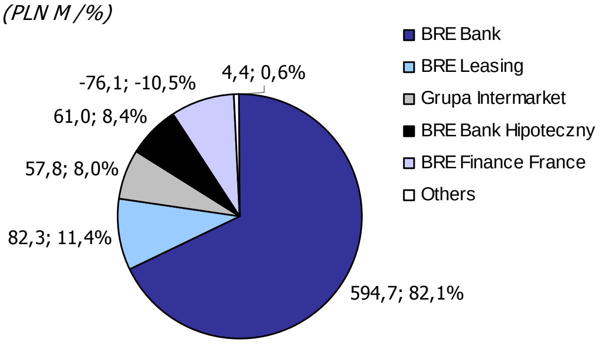
The chart below presents the structure of interest income (both for continued and discontinued operations, the latter generated PLN 3.6 million of interest income) by product. 72% of interest income is generated by loans and advances to customers, 13% comes from amounts placed in other banks and 8% from investments securities available for sale.

Structure of interest revenues
(PLN M / %)



The chart below shows the contribution of the subsidiaries to the Group's net interest income (both for continued and discontinued operations, the latter generated PLN 3.6 million of net interest income). It should be remembered that the value attributed to BRE Finance France is negative, as the company bears the costs of issued Eurobonds.

Structure of the interest revenue by companies
(PLN M /%)

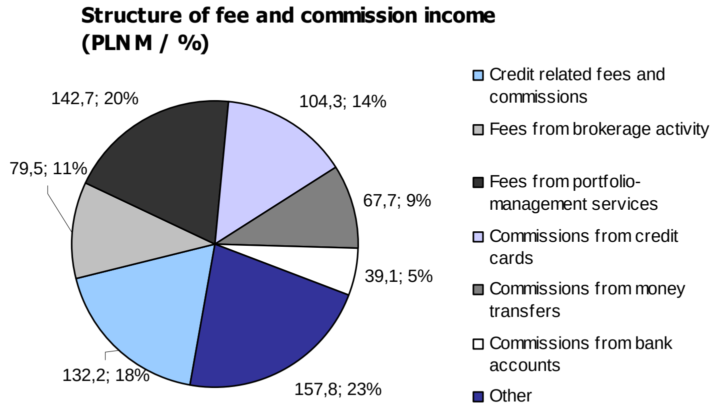


The net commission income grew relatively fast by 23.1%. The item provided the second largest contribution to the Group's income. It stood at PLN 416.4 million, compared to PLN 338.2 million in 2005. The Retail Banking Line and the Investment Banking Line reported the highest growth in the net commission income thanks to active investor trading on the Warsaw Stock Exchange, which boosted the income of DI BRE.

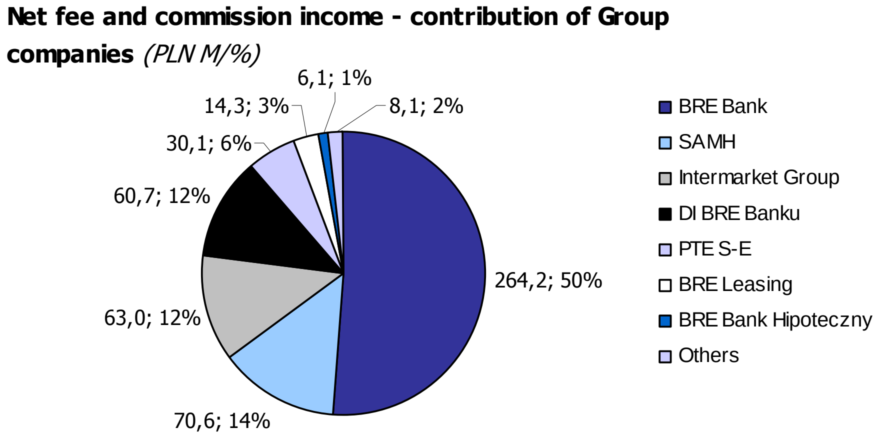
Despite a lower growth rate, the Corporate Banking Line again made the largest contribution to the net commission income (53%). Thanks to a high growth at almost 211% year on year, the contribution of the Retail Banking Line to the Group's net commission income grew steadily to over 20% at the end of 2006.

Net fees and commissions include PLN 100.7 million generated by discontinued operations, i.e. by PTE Skarbiec Emerytura and a sold part of SAMH, which is presented in P&L statement like an income from discontinued operations. The combined net fee and commission income from continued and discontinued operations in 2006 reached PLN 517.1 million, up 31.4% compared to 2005.

The two following charts concern fee and commission revenues and net income for continued and discontinued operations. The chart below presents structure of the net commission income by product.



The chart below shows the contribution of the subsidiaries to the Group's net commission income (jointly for continued and discontinued operations).



The subsidiaries have a large contribution to the Group's net commission income; the two subsidiaries shown under the discontinued operations (SAMH /excluding SIM/ and PTE) contributed 20% of the Group's net commission income. The Intermarket Group companies and DI BRE also made a significant contribution.

Trading income was the fastest-growing item of the BRE Bank Group's P&L in 2006, up 71.5% year on year. This growth in trading income was reported by the subsidiaries as well as the Bank whose contribution to the Group's trading income was at a high 95%.

Trading income mainly included fx income at PLN 354.1 million. It was the Group's third largest income item following net interest income and net commission income.

The Investment Banking Line made the highest contribution to trading income (73%); most of its income originates from trading in financial markets. The Retail Banking Line has a growing share in trading income (18%), mainly thanks to fx margins.

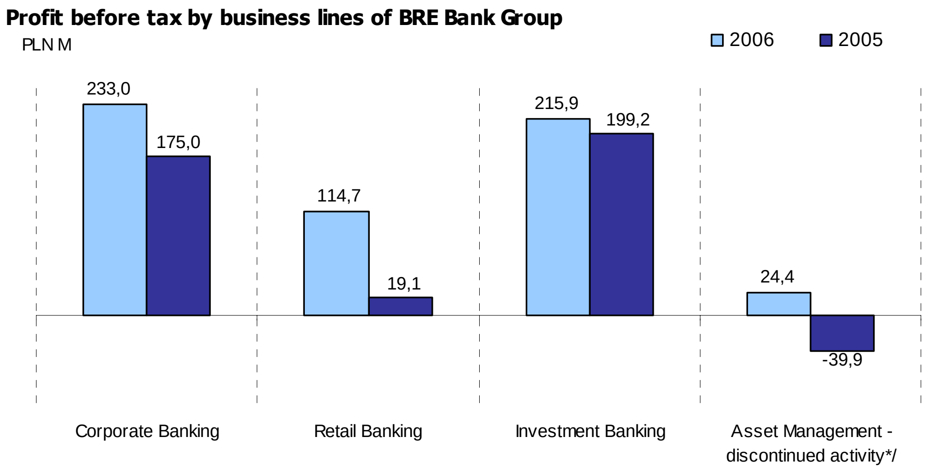
Net credit impairment provisions were PLN 46 million at the end of 2006, including PLN 26.1 million at BRE Bank and PLN 19.9 million at the subsidiaries. The cost of credit risk was lower than in 2005 both at the Bank and the subsidiaries.

Consolidated overhead costs were up by approximately PLN 111 million or 14.5% year on year in 2006 (including costs of discontinued operations the costs were up PLN 123.4 million). The highest growth occurred in payroll costs, up by PLN 72.6 million or 18% year on year due to business expansion and headcount growth as well as bonus provisions set up in result of performance significantly exceeding financial targets. Maintenance costs grew 14.3% or ca. PLN 47.9 million year on year mainly as a result of the expanding branch network and the expansion of business operations of the Bank and the subsidiaries (growing lending, especially mortgage loans, growing leasing and brokerage business).

The high growth in costs was also a result of the consolidation of BRE Bank Hipoteczny, not yet consolidated in 2005. BBH's overhead costs were PLN 29.8 million in 2006. Net of BBH's overheads, the Group's overhead costs grew 10.6% in 2006.

X.3. Financial Results by Business Segment

The chart below shows the profits of the BRE Bank Group's main businesses in 2006 compared to 2005. All the businesses reported significant improvement of profitability; the Retail Banking profit grew by a factor of 6.



* including profit of BRE Wealth Management (previously SIM), which remains in the Group

Corporate Banking

The profit before tax was PLN 233 million at the end of 2006, up by approximately PLN 58 million year on year, mainly due to a higher net interest income following expansion of lending. The assets of the Line grew by ca. 37% or PLN 3.9 billion year on year.

The Line's financial results in 2006 were also helped by the consolidation of BRE Bank Hipoteczny with its high contribution to the Group's balance sheet and income items. The contribution of the subsidiaries to the profitability of the Business Line, including the cost of finance and consolidation adjustments, was 41% at the level of profit before tax. The largest contribution was that of BRE Bank Hipoteczny S.A., BRE Leasing Sp. z o.o., and Intermarket Bank AG.

Retail Banking

The Retail Banking Line, which was growing the fastest, reported a profit before tax of PLN 114.7 million at the end of 2006, compared to PLN 19.1 million in 2005. The contribution of the Business Line to the Group's profit before tax was up from 6% in 2005 to more than 20% in 2006. Both its net interest income (up 30.5%) and net commission income (up 111.4%) grew faster than the Group average.

The Business Line's contribution to the Group's total net interest and commission income grew from 25.9% in 2005 to 31.5% in 2006.

Thanks to dynamic expansion of the branch network, the Retail Banking Business reported a significant increase in overhead costs, up by approximately 33%, more than the Group's average but less than the growth rate of income (almost 65%).

Profitability grew particularly sharply in H2 2006 when the profit before tax was PLN 90.9 million, almost 80% of the annual profit, of which PLN 47.3 million was generated in Q4 2006.

The significant growth in profit was greatly helped by the dynamic growth in the loans portfolio, mainly the portfolio of mortgage loans carrying low credit risk (up by over 99.2% or PLN 4.5 billion year on year), which boosted a sharp growth in net interest and commission income offsetting the ongoing interest margin squeeze.

Investment Banking

The Investment Banking Line generated a profit before tax of PLN 215.9 million at the end of 2006, up by approximately PLN 17 million (8.4%) year on year. The increase in the profitability was largely possible thanks to the Bank's growing trading income; the Line's net interest income was, however, lower than in 2005. The decrease in the net interest income was caused by a lower profitability of debt securities.

Favourable conditions in fx markets in 2006 allowed for above-average profits on fx transactions and on fx financial instruments. In addition, the Line's profit was helped by the release of credit provisions in the Project Finance segment, mainly in Q2 2006, following the repayment of overdue debt.

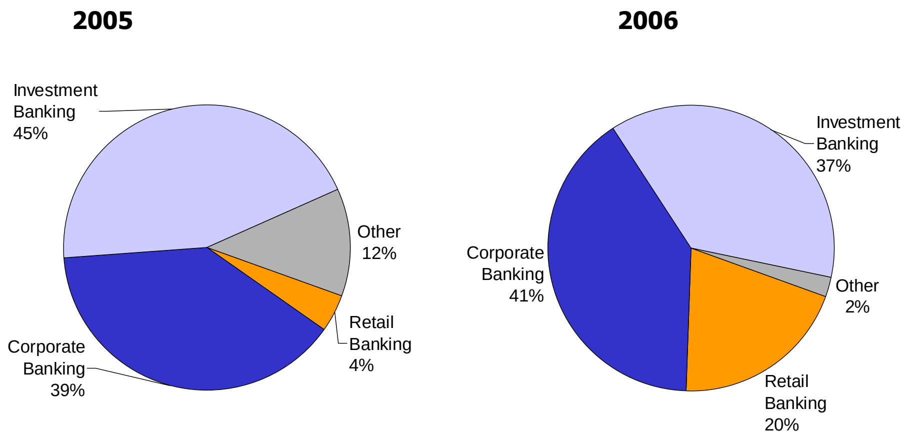
DI BRE reported an over 70% year-on-year growth in the net commission income, which the most dynamic factor of the Investment Banking Line's income. The main contribution to the Line's profit once again came from the Bank (close to 90%).

Asset Management

In the presentation of the consolidated profit and loss account, the financial results of the traditional Asset Management segment are now shown as discontinued operations at the level of profit before tax and include the results of the sold in January 2007 subsidiary SAMH and of the subsidiary PTE held for sale. In segment reporting, this business is shown under individual P&L items including the Group's internal transactions. It includes also the financial results of BRE Wealth Management (which was named SIM on 29 December 2006) and which will remain in the BRE Bank Group.

The business reported a profit before tax of PLN 24.4 million in 2006, compared to a PLN 39.9 million loss in 2005. The fast-growing net commission income was decisive to the year-on-year increase in the Line's operating profit.

Structure of the Group's Profit Before Tax, 2005 v. 2006

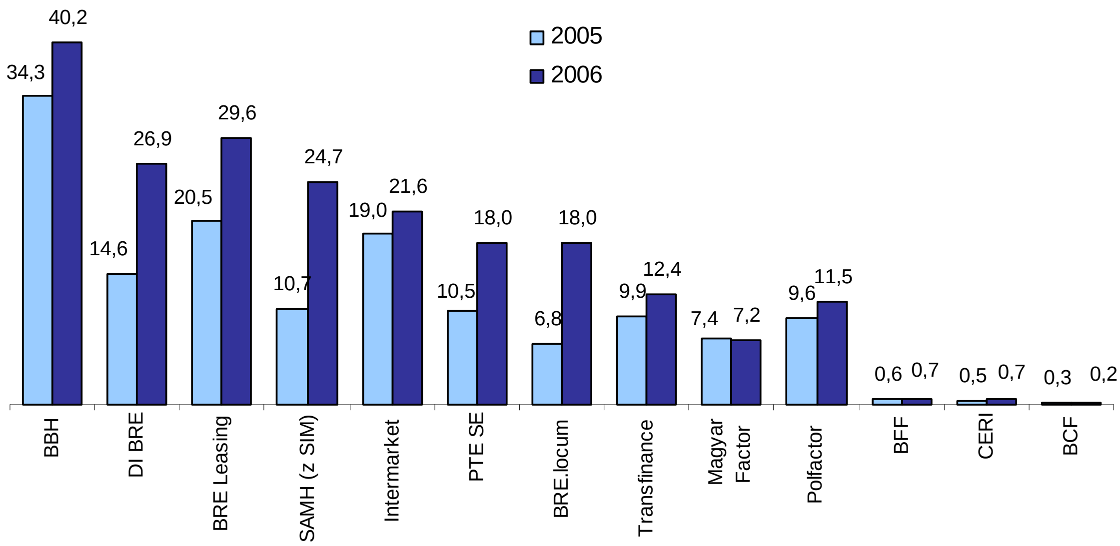


As shown above, the structure of the generated profit before tax changed significantly in 2006: the contribution of the Retail Banking Line grew sharply, from 4% in 2005 to 20% in 2006.

X.4. Financial Results of Consolidated Companies

The growth in the BRE Bank Group's profit in 2006 was largely driven by rising profits of the consolidated subsidiaries, as shown in the chart below.

Profit before tax of consolidated companies
(from induvidual P&L accounts, in PLN M)



The factors driving the strong profits of the subsidiaries were discussed above in the sections on the business lines. The high PLN 18 million profit of the subsidiary BRE.locum, a property developer not assigned to any of the business lines, was helped by the booming housing market. Such excellent financial results are unlikely to continue in 2007. Only two subsidiaries reported decreased profitability: Magyar Factor, due to growing competition in the Hungarian market, and BCF.

The consolidated subsidiaries reported a total profit before tax at PLN 206 mllion in 2006, up 50% year on year. Their contribution to the profit before tax of the BRE Bank Group was 36% (calculated as sum of accounting results in relation to the consolidated profit before tax of Group).

X.5. Key Performance Indicators

The BRE Bank Group's key performance indicators at the end of 2006 were as follows:

	Actual 2006	Target 2006 *
ROA	1.0%	.
ROE before tax	26.9%	18.0%
ROE net	20.8%	.
CIR	63.7%	66.5%
Capital adequacy	10.4%	10.4%

** on the basis of targeted profit before tax of PLN 380 million*

ROA= Net profit (including minority shareholders) / Balance sheet total

ROE before tax = Profit before tax / Equity (including minority shareholders, excluding this year's profit)

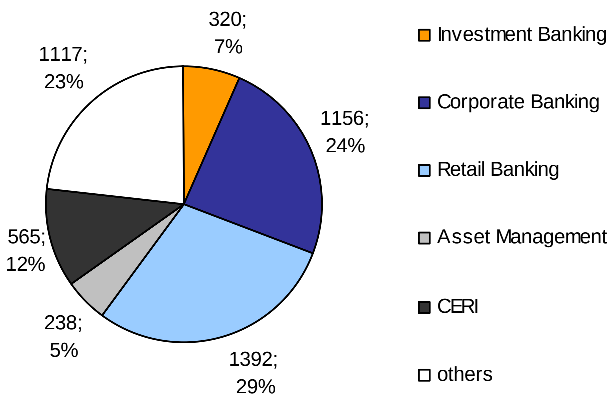
ROE net = Net profit (including minority shareholders) / Equity (including minority shareholders, excluding this year's profit)

CIR = Overhead costs + amortisation and depreciation / Income (including net other income and cost)

XI. Headcount of the BRE Bank Group

The headcount of the Bank and the Group subsidiaries was 4,788 FTEs at the end of 2006, including 3,320 FTEs at the Bank. The chart below presents the FTEs by business line, including the Asset Management Line shown as discontinued operations. In addition, the subsidiary CERI is shown separately due to its relatively high headcount (565 staff) and the fact that its settlement operations cover both retail and corporate customers of BRE Bank.

Headcount in BRE Bank Group at the end of 2006 (in FTE's)



XII. Investments

The Bank paid PLN 137.5 million for investments in 2006. The largest amount was invested in IT (PLN 88.9 million). Investments in logistics and security totalled PLN 48.6 million.

In IT, the Bank implemented several projects in 2006 aimed to replace and upgrade key IT infrastructure. The projects were part of a larger programme aimed to develop a new architecture of IT solutions, mainly in the Investment Banking Line and the Corporate Banking Line. The major IT projects completed successfully included:

- Finalised implementation of the Globus system. The system provides full support for corporate banking and private banking products as well as the investment banking back office. It is the second central system of the Bank in addition to Altamira. As a result of the completed implementation of Globus, the system IBS'90 operational at the Bank since January 1992 was discontinued. New functionalities were developed in 2006 under regular software releases. Those included product support enhancing the Bank's competitive edge and automation of back office processes in order to reduce operating risks and to improve the cost effectiveness of support functions. The Globus implementation process also covered hardware development as server configuration was adjusted to the steadily increasing volume of the Bank's business.
- Migration of system Kondor+ version 1.6 to 2.6 combined with the expansion of functionality to include support of new financial instruments, implementation of a limit module, and replacement of a hardware platform supporting the application.

Development in the mBank and MultiBank business line focused on expansion of the functionality of the core system in order to improve the competitive advantage in the fast growing market of retail banking services. Major developments in this area included:

- Launch of MultiBank's Brokerage Service which expanded the MultiBank offer to include on-line broker accounts;
- mBank account and transfer functionality expanded to include fx accounts and foreign transfers;
- Expansion of the functionality of the credit module: both retail banks can now translate credit currencies in Altamira, open restructuring loans in Altamira, and insure taken loans;
- Launch of mBank microchip cards with relevant functionality.

The investments in logistics and security in 2006 mainly covered the implementation of a new corporate branch model and the related repair and refurbishment, modernisation of Private Banking customer service areas as well as the expansion of retail branch network. In addition, investments were made in the expansion and modernisation of the BCP system (Business Continuity Plan) in line with Commerzbank standards and Banking Supervision Commission requirements.

XIII. BRE Bank's Lending and Guarantee Policy

The main objective of BRE Bank's lending and guarantee policy is top-quality comprehensive customer service including credit-risk products. In pursuing its lending and guarantee policy, the Bank strives to maximise profits by expanding its lending business while actively mitigating credit risk. The guiding principles of the policy derive from the Bank's By-laws and the Banking Law.

The Bank's offer of credit-risk products is addressed to corporate customers, local governments, financial institutions, and retail clients.

The Bank grants PLN and fx corporate loans:
- to finance current business;
- to finance investments.

Investment loans should not, as a rule, be more than 60% of the total planned investment. In the case of projects with exceptional returns and appropriate collateral, loans may account for up to 75% of total investment. Any exposure beyond that level must be approved unanimously by a higher decision-making body.

The corporate product offer also includes the products of the BRE Bank Group strategic subsidiaries:
- Operating and financial leases (vehicles, plant and machinery, etc.);
- Vehicle fleet management;
- Domestic and international factoring, with and without recourse;
- Mortgage loans (acquisition of real property, investment finance, etc.).

The Bank's retail loans include:
- retail consumer loans (overdraft, credit cards, cash loans, car loans, mortgage loans, etc.);
- retail housing loans (backed by mortgage);
- microenterprise loans (working capital loans, investment loans, cash loans);
- retail loans to finance investments by private individuals (purchase of real estate, loans to finance equity investment, etc.).

The Bank buys cash receivables from companies and financial institutions under leasing transactions, trade contracts (domestic and international), and other. In addition, the Bank:
- issues PLN and FX guarantees and carries out other documentary transactions;
- opens letters of credit carrying credit risk;
- offers forward instruments hedging against fx and interest rate risk;
- arranges and participates in syndications to finance large investment projects;
- issues debt securities and offers other money market and capital market instruments;
- offers credit-risk products to other banks;
- offers credit-risk products via special external companies and through modern distribution channels (internet, telephone, etc.).

Credit decisions involving risk products are made by decision-making bodies whose composition, tasks and regulations, including limits of authority, are set by the President of the Management Board in a Regulation notified to the Executive Committee of the Supervisory Board. Decisions of special importance to the quality of the Bank's credit risk portfolio take into account opinions of a Senior Lender, a credit risk assessment specialist. The amount of exposure and risks of the customer or the transaction are those parameters which escalate the case to the competent decision-making body.

The decision-making process at the BRE Bank Group's strategic subsidiaries is organised in a way similar to the solutions adopted at the Bank. Decision-making bodies located at the level of the owner (Bank officers, Supervisory Board Members) are competent to grant credit risk products. The limits of decision-making authority are determined by the company's Supervisory Board. In some companies, decisions concerning the largest exposures, impacting the quality of portfolios, require the opinion of a Senior Lender, a Bank officer delegated to support the company's portfolio. Like in the case of the Bank, the criteria escalating the case to the relevant decision-making body include total exposure to the customer or group of associated customers, and risks of the customer and the transaction.

The Bank strives to mitigate the credit risk of the BRE Bank Group by diversifying the loans portfolio. This is supported, among others, by analysis of the risk portfolio structure, and its output concerning exposure to individual sectors.

In 2006, the factor subsidiaries implemented a coherent system of customer and transaction risk rating in compliance with the Basel II requirements, as well as coherent risk procedures approved by the Bank's Head Office. The other subsidiaries initiated harmonisation of their risk rating solutions with the BRE Bank Group's risk management concept. The implementation of the new solutions is scheduled for the turn of 2007.

At BBH, the lending procedures are laid down in the Risk Management Policy for the Portfolio of Mortgage-backed and Local Government Credit Exposure – General Rules. The document entered into force in December 2006. It takes account of Recommendation S of the Banking Supervision Commission. It lays down:

- General rules of financing investment projects and real property developers;
- Refinancing and financing of commercial real property;
- Financing of housing developers;
- Financing of land purchase;
- Financing of local and regional governments;
- Financing of public and non-public health care institutions;
- Borrower's fx risk and interest rate risk;
- Collateral;
- Decision-making;
- Customer relationships.

As a rule, the Bank grants no housing loans to private individuals. The negative list of financed projects includes, among others, strictly industrial projects, petrol stations, agro-tourism, individual recreation projects, housing co-operatives, social housing associations, projects with an adverse impact on the natural environment.

XIV. Main Risks of the BRE Bank Group's Business

BRE Bank attaches major importance to mitigation and monitoring of the risks in its business. This is dealt with on a current basis by the respective organisational units of the Bank, including the Financial Risk Department, the Corporate Loans Department, the Retail Loans Department, the Credit Administration Department, the Financial Transactions Controlling Bureau. For the same purpose, respective committees have been established, including representatives of the Management Board and top management staff. In 2006, the particular risk areas were dealt with by the following Credit Committees: Credit Committee of the Management Board, Credit Committee of the Bank, Credit Committee of the Credit Department, Credit Committee of Retail Banking, Credit Committee of Private Banking, the Capital, Assets and Liabilities Management Committee of the BRE Bank Group, as well as the Financial Risk Committee. There is also a Risk Committee at the Supervisory Board level. In addition, relevant units of the Investment Banking Line and the Corporate Banking Line participate in operational management of credit risk, market risk, interest rate risk of the banking portfolio, and liquidity risk.

In preparation for the implementation of the New Capital Accord (Basel II) and within BRE Bank's consolidated supervision, the subsidiaries of the BRE Bank Group regularly report to BRE Bank with information enabling the assessment and monitoring of the risks of their business and the calculation of the consolidated capital adequacy ratio under Basel II.

Detailed descriptions of the risks in the business of BRE Bank as well as their measurement are contained in Section 3 "Financial Risk Management" of the 2006 Consolidated Financial Statements under the International Financial Reporting Standards.
These include the following risks: credit risk, liquidity risk, market risk of the trading portfolio, interest rate risk of the banking portfolio. Operating risk is also monitored.

XIV.1. Credit Risk

One of the methods of credit risk mitigation consists of a system of credit related decision-making by the competent decision-making bodies. The criterion qualifying any given case to be considered by the appropriate decision-making body is the amount of exposure and the level of risk assigned to the customer and to the realised transaction. In addition, BRE Bank controls credit risk through diversification of the loan portfolio. This is supported, among others, by the analysis of the structure of the Bank's portfolio and the resulting conclusions, guidelines and recommendations concerning the Bank's exposure to selected sectors and markets.

The Bank applies credit portfolio risk measurement methods based on estimation of Expected Loss and Credit Value at Risk based on the CreditRisk+ model widely used in banking both in Poland and abroad. Daily monitoring of credit risk involves the verification of internal ratings and events of default as defined by the Basel II accord and the IFRS.

Work is in progress under the BREactivation Credit System Project, concerning, among others, the improvement of credit management effectiveness, also in the context of full conformity with the New Capital Accord. The work is carried out in collaboration with Commerzbank. A new rating system for corporations was put into operational use as of the beginning of 2006. The implemented new rating system is a state-of-the-art solution in terms of both the concept and the methodology, based on statistical modelling of financial ratios and qualitative variables. The implementation of the new rating system has enabled a significant improvement in predictability (discrimination power) of ratings as confirmed by tests on the Bank's empirical data.

In parallel, a rating system for the retail customers segment was under development. In H2 2006, a new scoring system based on the Bank's historical data was developed in co-operation with Commerzbank. It has a high predictive power and fulfils the requirements of the New Capital Accord.

In 2006, the development of credit risk rating tools continued at the Bank, including among others a wider use of alert ratios and a higher granularity of quantitative assessment.

BRE Bank also monitors the credit risk of the Group subsidiaries which generate credit risk. The monitoring involves two areas: direct personal supervision, and procedures and reports. Direct personal supervision of risk consists in representation of the risk services on the supervisory boards of the relevant subsidiaries.

The other area of controls relies on safe credit risk procedures and on controlling of existing credit risk through a system of reports and analyses. Credit risk procedures applied by the subsidiaries of the Group are based on the Bank's solutions and always consulted with the Head Office of the Bank.

XIV.2. Liquidity Risk

The purpose of liquidity risk management is to assure and maintain the capacity of the Bank to honour both its current and future liabilities, taking into the account the costs of achieving liquidity. BRE Bank monitors financial liquidity on a daily basis, using cash flow analysis methods. Liquidity risk measurement is based on an in-house model developed on the basis of analysis of the Bank's specificity, deposit base volatility, concentration of financing, and planned developments of particular positions. Daily monitoring covers the following items: the value of cash flow gaps in specific time intervals (mismatch), the level of liquidity reserves of the Bank, the concentration of the sources of financing, and the degree of utilisation of internal liquidity limits. The Bank assesses potential liquidity risks and their impact based on scenario methodologies, including stress-testing. The Bank has put in place contingency procedures, both in case of a sharp and a gradual deterioration of the liquidity position of the Bank.

BRE Bank performs regular analysis of the liquidity of Group subsidiaries. In 2006, the liquidity of BRE Bank and the Group's subsidiaries remained at a safe and stable level.

XIV.3. Market Risk

In its business, the Bank is exposed to market risk, consisting of interest rate risk, fx risk and risk attached to changing prices of securities held by the Bank, as well as other risks resulting from variations of market parameters. Market risk is quantified by means of measurement of Value at Risk (VaR) and by applying stress tests assuming extreme scenarios. In order to limit the level of exposure to market risk, the Financial Risk Committee sets binding VaR limits and stress test limits.

In 2006, the market risk of the trading portfolio measured by VaR remained at a safe low level in relation to the market risk limits and control figures. According to the regularly conducted stress tests, the level of market risk remained within a safe range of values below the limit. The market risk measured as VaR of the Group's subsidiaries which held positions sensitive to market risk factors was at an acceptable level compared to their business.

For the estimation of interest rate risk of the banking portfolio, i.e., its vulnerability to interest rate volatility, the Bank applies methods based on maturity gap analysis of instruments contained in the banking book. One of the aggregate measures used is the Earnings at Risk method (EaR). The EaR indicator determines the potential loss (decrease of interest income) which might result from adverse changes of interest rates, assuming that the portfolio is held unchanged for a period of one year. The rate of utilisation of internal interest rate risk limits (gap limits and VaR limits) of the banking portfolio is monitored on a daily basis.

In 2006, the level of the interest rate risk of BRE Bank's banking portfolio was moderate for the positions held in PLN and low for positions in US$ and EUR owing to the relatively small gaps in interest rate positions maintained in these currencies.

BRE Bank performs regular analysis of the interest rate risk of non-trading positions of the Group's subsidiaries on the basis of maturity gap methodology. The analysis indicated a low risk level.

XIV.4. Operating Risk

As of July 2003, every organisational unit of the Bank is required to identify and record operating losses in a central database created and supervised by the Financial Risk Department. The main purpose is to develop a sufficiently extensive set of historical data concerning loss events occurring at the Bank in order to be able to identify, analyse, monitor, and control operating events and losses which occur in particular business areas of the Bank. This approach is consistent with the requirements of the New Capital Accord (Basel II).

Depending on the value of losses relating to the respective loss event, the organisational units of the Bank which were involved in the generation of the loss-related event are required to determine actions to be taken in order to prevent the occurrence of similar losses in the future. Such actions comprise, depending on the magnitude of the loss arisen, the definition of control mechanisms intended to prevent the emergence of similar events in the future, development of new operating procedures, and independent process audits conducted at the respective organisational units by the Internal Audit Department.

BRE Bank has implemented the process of self-assessment of operating risk, which is carried out in all organisational units of the Bank once or twice a year. The soonest self-assessment of operating risk will be carried in the first quarter of 2007.

Risk factors, which are already regularly reported by the units of the Bank crucial for operating risk management, will be an important factor in monitoring and control of operating risk. Starting from the second quarter of 2007 the figures concerning key risk factors will be reported to the Financial Risk Committee of BRE Bank and their level will be monitored.

All consolidated companies of the BRE Bank Group are already embraced in the process of reporting data concerning events and operating losses and appointed employees responsible for control and operating risk management. The companies will also take part in the process of self-assessment of operating risk mentioned above in order to verify operating risk profile in all areas of the BRE Bank Group operations. In future the companies will be included in program of monitoring of key risk factors.

XV. Financial Rating of BRE Bank and Group Subsidiaries

Fitch Ratings

On 27 February 2006, Fitch raised BRE Bank's ratings as follows:

- long-term rating A- (third best grade on a scale of 12, raised from BBB+, fourth best grade on a scale of 12);
- short-term rating F2 (second best grade on a scale o 6, unchanged);
- individual rating D (seventh grade on a scale of 9, raised from D/E, eighth grade on a scale of 9);
- support rating 1 (top grade on a scale of 5, changed from 2, second best grade on a scale of 5);
- long-term rating outlook for BRE Bank – stable.

Fitch also raised the rating of BRE Leasing to: long-term rating A-, short-term rating F2, support rating 1, outlook stable.

Moody's Investors Service Rating

At the end of June 2006, BRE Bank was rated by the agency as follows:

- long-term rating of deposits and debt A3 (seventh grade on a scale of 21);
- debt rating (short-term deposits) P-2 (second best grade on a scale of 4), outlook stable;
- financial strength rating D- (on a scale from A to E), outlook positive (changed from stable on 6 June 2006).

The following subsidiaries of BRE Bank are also rated by Moody's:

- BRE Bank Hipoteczny SA: long-term and short-term deposits rating A3 and P-2, financial strength ratting D-, rating A2 for mortgage bonds in the local currency and in foreign currencies already issued by the Bank, A2 for the Programme of Mortgage Bonds publicly traded worth PLN 500 million at par;
- BRE Finance France SA: A3 rating of euronotes issued by the BRE Finance;
- Intermarket Bank AG: A3 rating of long-term deposits, P-2 rating of short-term deposits, C rating of financial strength.

XVI. Compliance with Corporate Governance Rules

In its business, the Bank complies with all applicable legislation, including the Banking Law, regulations of supervisory authorities, internal regulations. As a public company, the Bank observes the information requirements of the National Depositary for Securities (KDPW) and strives to inform investors about its performance as well as short-term and long-term plans.

In addition, the Bank undertook to comply with the rules of corporate governance. As a listed company, the Bank works towards full transparency of its operation by observing the rules of the "Good Practices in Public Companies 2005" ("Good Practices") and implementing compliance procedures for both external and internal regulations.

Corporate governance is a range of measures and regulations aimed to ensure a balance between the interests of all stakeholders of the company (investors, managers, employees, suppliers) in order to support its growth.
Polish corporate governance rules compiled in the "Good Practices in Public Companies" were first incorporated by the authorities of the Warsaw Stock Exchange in September 2002. The Good Practices comprise the core rules of a business code of ethics to be followed by listed companies in day-to-day business. The new version of the rules, "Good Practices in Public Companies 2005", took effect on 1 January 2005. A new update of the "Good Practices", now in the drafting, will apply as of January 2007.

The Good Practices contain 53 rules under several headings:

- General Rules;
- Good Practices of General Meetings;
- Good Practices of Supervisory Boards;
- Good Practices of Management Boards;
- Good Practices in Relations with Third Parties.

Companies could declare partial compliance with the rules until 2005 but are now required to declare compliance or non-compliance with each rule. BRE Bank declared compliance with 52 out of 53 rules of corporate governance (under relevant Resolutions of the Management Board, the Supervisory Board, and the Ordinary General Meeting). The Bank did not declare compliance with rule 20 concerning the independence of Supervisory Board Members. The By-laws of BRE Bank do not require the Chair of the Audit Committee of the Supervisory Board to be an Independent Member of the Supervisory Board. This is the Bank's only non-compliance with rule 20. According to the Warsaw Stock Exchange, about ¾ of companies declared non-compliance with the rule in 2006.
BRE Bank's declaration of strict compliance with the rules of corporate governance substantiates its traditional policy of transparency in business, including the commitment to respect the rights of all shareholders and to follow a universal code of ethics.

Polish corporate governance ratings are published by the Institute for Market Economy Research (IBnGR) and the Polish Directors Board (PRD) based on slightly different methodologies. The IBnGR ranking generally gives a positive assessment of the banking sector and its individual rates are fairly similar. In subsequent editions of the ranking in 2001, 2003 and 2005, BRE Bank always ranked fourth or fifth in a group of 9-10 rated banks. The PRD ranking (based on institutional investor surveys) includes several categories of review and the rate assigned to BRE Bank rate improves steadily.

Corporate transparency is enhanced by maintaining close relationships with investors, analysts, and the media. Conferences are held at the time of publication of quarterly reports or on the occasion of spectacular events at the Bank or Group subsidiaries; Management Board Members participate in meetings organised domestically and during road shows abroad; queries transmitted to the Bank are consistently answered.

This is combined with regular information activities, performed in compliance with the statutory obligation to publish periodic and current reports and by means of the Bank's updated and expanding web portal.

The Bank's activities in this area over the past two years are summarised in the table below.

Relation	Target Group	2006	2005
Annual General Meeting	Institutional and private investors	1	1
Meetings with rating agencies	Rating agencies	4	4
Meetings at the publication of quarterly reports	Analysts, media	4	4
Teleconferences	Analysts	4	4
Road shows	Investors	4	2
Conferences	Investors, analysts	12	7
WSE presentations	Investors, analysts	1	1
One-on-one meetings	Investors, analysts	370	190
Response to queries	Investors, analysts	1388	480

As a result, the Bank's image steadily improves. This is confirmed by the high price of BRE shares on the Warsaw Stock Exchange. The Stock Exchange paper *Parkiet* named BRE Bank one of the Top 5 Corporate Governance Performers (*Parkiet*, 6 February 2007), a sign of recognition of its successful implementation of corporate governance rules, transparent information policies, and professional investor relations.

XVII. BRE Bank and Charity

BRE Bank has for years worked on non-commercial initiatives guided by the understanding of growing importance and impact of sponsorship and charity work. In 2006, the Bank focused on support for entrepreneurship, the competitiveness and quality of the business environment, and promotion of innovative business solutions. The key project was the ranking of 500 top innovators in business, compiled for the second time in co-operation with the Institute of Economics of the Polish Academy of Sciences and the newspaper *Gazeta Prawna*.

The ranking was presented at regional Innovation Galas held in Katowice, Gdańsk, Poznań, Wrocław and Łódź. Dedicated seminars on innovation brought together more than a thousand participants who discussed barriers to innovation, patent law, and financing of innovative projects.

BRE Bank actively supports local companies in their day-to-day business, investments, and modification of the business profile and status to match changing market conditions. BRE Bank focuses on providing know-how and finance to companies aspiring to compete with other European companies in the EU single market. The Bank disseminates expertise in law, markets, and finance. BRE Bank co-organised the Third Euroforum of EU Fund Consultants "Development through Innovation: Best European Practices" in 2006. This is the region's largest forum for the exchange of experiences of independent EU Fund Consultants working for social and economic growth in the European Union.

In addition to its support for entrepreneurship and education, BRE Bank assists those in need through charity initiatives. These are co-ordinated by the BRE Bank Foundation, a charity organisation active mainly in the field of education and science. The Foundation also supports initiatives in the health care and social protection sector, as well as in culture and the arts.

The Foundation mainly finances the following types of projects:

- Education (aiding schools and scientific institutes, sponsoring research and publications, funding awards);
- Health care and social protection (aiding sick and disabled children, health care and social protection institutions);
- Culture (funding cultural events, publications, artists, erection and repair of monuments and churches).

Health care and social protection projects accounted for the major part of the Foundation's expenses in previous years. According to the 2006 financial plan, educational and scientific projects became the Foundation's main focus. Its expenses totalled PLN 1.4 million in 2006, mainly including education and entrepreneurship (59%).

Major projects financed by the Foundation in 2006:

1. Foundation for Education in Entrepreneurship (FEP) – support of a Bridge Scholarship Programme 2006/2007 (assistance to freshmen students from unprivileged backgrounds). The BRE Bank Foundation funded 40 scholarships and participated in the FEP Scholarship Board;
2. University Entrepreneurship Incubators Foundation – BRE Bank Foundation funded a business plan competition for students organised by University Entrepreneurship Incubators;
3. The BRE Bank Foundation organised a "Modern Banking in United Europe" MA theses competition on the 20th anniversary of BRE Bank in 2006.
4. The BRE Bank Foundation and the CASE Foundation continued their co-operation under an agreement of 16 December 2005; they jointly organised seminars and conferences for researchers, experts and practitioners of management concerning the transition of the Polish economy, in particular the banking sector, and publications on economics and finance;
5. Foundation in Support of Polish Language Teaching – assistance for the School Partnership Programme: funding student exchange for Polish and Lithuanian schools.
6. The Foundation donated PLN 40 thousand to the Polish Fund for Children to assist gifted students;
7. Under an agreement with the German-Polish-Ukrainian Association, the Foundation donated the construction of an orphanage for "street children" in Kiev.

The BRE Bank Foundation received the Summa Bonitas ("Superior Good") award for benefactors supporting the Timely Help programme.

mBank and MultiBank each undertake separate sponsorship and charity initiatives.

The main projects of mBank in 2006 included:

- Co-operation with the ABCXXI Foundation (fifth consecutive year), organiser of a major social campaign "All Poles Read Books to Children";
- Support for student initiatives: AdverTeaser III conference organised by the Warsaw University Science Club "Target", Issues in Business and Academy of Marketing projects;
- Co-financing of the Sixth School Olympics on Regional Issues and Entrepreneurship;
- Two own-initiative projects promoting a healthy lifestyle: the mBank Łódź Marathon (since 2004) and the mBank eXtreme event in Sielpia (since 2001);
- Sponsorship of Himalayan climbing teams, starring Piotr Pustelnik;
- Sponsorship for many cultural institutions and events, including the Łódź Art Centre, the Alphabet of Literature, the Myslovitz rock band "Happiness Is Easy" CD and tour;
- Charity: collection of funds for selected foundations and for victims of natural disasters, auction for Poland's biggest annual charity event.

MultiBank supported the Aquarius Club for Culture Programme in 2006. The programme promoting the arts provided grants to cultural institutions for their ambitious projects.

- The Theatre Club co-operated with 9 theatres in Poland;
- Support for young artists: sponsorship of the Fashion Oscars, an event promoting young fashion designers, and a scholarship grant for Natalia Brzozowska, a student at the prestigious Royal Academy of Music in London;
- Sponsorship of cultural events and institutions, including the Christian Cultural Festival, the National Gallery of Art "Zachęta", publication of two photo albums of Łódź;
- Sponsorship of Alpinist climbing teams;
- Charity: funding holidays for orphans, sponsoring a charity Christmas Eve at the Łódź Expo Centre, sponsoring 2 charity concerts for the Łódź Catholic Ministry for the Deaf.

The total outlays of the Foundation, mBank and MultiBank for the initiatives described above reached PLN 3.4 million including PLN 1.4 million for education and training, PLN 1.1 million for culture, PLN 0.6 million for health and social welfare and PLN 0.3 million for other projects.

The Group subsidiaries were also involved in sponsoring and charity activities, including:

- BRE Leasing: as of May 2005, it operates the "BREL Ratownik" Programme where professional paramedics of the BREL Team provide first-aid and accident prevention training to drivers. Around 100 training, educational and sports events are organised annually;
- DI BRE Banku: strategic partner of the Stock Exchange Investors Championships, a competition for stock exchange investors promoting the understanding of Poland's capital market organised by the Stock Exchange Paper *Parkiet*;

- BRE Corporate Finance sponsored the seminars "The Road to Capital" and "Your Stock Exchange Partners";
- Polfactor provided grants to the Międzylesie Special School Centre: all Polfactor staff organise an annual fund-raising campaign and make individual donations.

XVIII. Main Awards and Distinctions

The major distinction to BRE Bank in 2006 was the title of The Bank of the Year 2006 in Poland awarded by the prestigious monthly *The Banker*.

The Banker jury assessed BRE Bank's performance in 2005-2006, including in particular:

- The best financial results in years and the sharply growing share price of the Bank (growth much above the market);
- Successful implementation of BRE Bank's new business model and BREactivation strategic measures;
- Close partnership with and quality of service for Polish companies;
- Successful retail banking business, including dynamic sales of mortgage loans and launch of new services (e.g., brokerage offered by mBank and MultiBank);
- Reduced risk profile of the financial investment business;
- Initiatives aimed to enhance corporate transparency and to improve BRE Bank's image among markets and investors, and other.

BRE Bank was the winner of the seventh edition of the prestigious "Entrepreneur-Friendly Bank" ranking of Polish corporate banks organised by the Polish Chamber of Commerce, the Polish-American SME Advisory Foundation, and the Warsaw Institute for Banking.

The Bielsko-Biała and Katowice Corporate Branches received a Special "Golden Branch" Distinction and Promotion Logo while the Gdynia Branch was awarded the Promotion Logo. BRE Bank's awards mean that the Bank subscribes to the top market standards of corporate banking in all areas: quality of products and services, modern IT solutions, professional advisory.

In addition, the Top 50 Largest Polish Banks ranking of the monthly Bank named BRE "The Best On-line Bank". The daily *Rzeczpospolita* and the portal Bankier.pl named the Dolphin Visa Electron debit card for mBank eKONTO accounts "The Most Customer-Friendly Card".

The awards and distinctions to the Group subsidiaries include:

- DI BRE Banku: awarded by the Warsaw Stock Exchange for the highest percentage growth in equities trading and the highest growth in the futures trading volume in 2006;
- BRE Leasing: awarded in the 12th Edition of the European Medal; BREL-48 awarded by the Business Centre Club and the Committee for European Integration as a product up to the European standard;
- Polfactor: named "Business Gazelle" for a second time, thus ranked among the most dynamically growing companies in Poland.

XIX. Goals of the BRE Bank Group for 2007

In 2007, all business lines of the BRE Bank Group will continua expansion of their core business and launch several strategic initiatives. These include: expansion into consumer finance, branch network expansion, launch of business of BREubezpieczenia, expansion of the private banking offer under the Wealth Management umbrella, mBank's trans-border expansion to the Czech and Slovak market.

The initiatives of the Corporate Banking Line in 2007 will aim:

- To grow the base of customers with a high profit potential to 12.4 thousand customers, including the target number of 7,800 SME customers;
- To grow the volume of corporate loans by PLN 1.1 billion, including SME loans by 84%
- To grow the share of profit from serving SME customers in Corporate Banking profit to 23%.

The initiatives of the Investment Banking Line in 2007 will include:

- To keep up the profitability of the trading activity by remaining the leader in the PLN derivative instruments market and by restoring the leading position in the fx option market;
- To increase the profitability of the sales activity, including:
    - to launch new products, mainly interest rate and commodity price risk management products;

    - to grow the share of the derivative products margin, in particular in segments K3 and financial institutions;
    - to improve the fx instrument transaction infrastructure for sales dealers (Murex, Autodealing upgrade);
    - to focus on short-term securities in the arrangement of debt issues for customers;
    - to grow the sales of structured investment instruments (investment deposits, structured bonds) to retail customers via external distribution channels;
- To introduce mezzanine finance services and products and to take an important position in this local market.

The goals of the Retail Banking Line for 2007 include:

- To grow the customer base by 23% to 2 million;
- To grow the loans portfolio by 49% to PLN 12.2 billion, including the mortgage loans portfolio by 34% to PLN 9.4 billion;
- To grow deposits by 33% to PLN 9.4 billion.

One of the areas of mBank's expansion in 2007 will be the consumer finance market.
The business case of expansion into this market, including internal and external factors:

- Projections of further dynamic growth in the consumer credit market in 2007-2009;
- High margins realised on consumer finance products;
- mBank's very large customer base (1.29 million customers at the year-end) with a familiar financial profile and significant needs for credit products;
- Effective, efficient, automated process support systems enabling the provision of 'over the counter' loans, very positive experience with mKiosk sales of such credit;
- The BRE Bank Group subsidiary emFinanse can serve as a new physical distribution channel of credit products.

mBank will introduce new types of cash loans:

- MiniCredit – more accessible as only an ID will be required;
- Consolidation Credit;
- On-click / signature credit – active cross-selling in the customer base.

In addition, by 2009 the Bank plans to issue several new co-branded cards together with partners whose sales potential is close to that of G+J and Orange, as well as launch several smaller co-branding projects.
mBank's market position in consumer credit is expected by 2009 to copy mBank's success with deposits and checking accounts, including: 2.0% market share, PLN 1.8 billion of balance-sheet consumer credit, and over 420 thousand issued credit cards.

The sales of mBank credit cards and co-branded cards are expected to grow significantly thanks to the growing customer base and improved cross-selling techniques. It is key to the expansion of this business to grow the physical distribution network. The mKiosk network will expand fast outside shopping malls in cities below 150 thousand to reach 100 mKiosks by the end of 2008. The sales network will include by 2008 nearly 200 points of sale and over 400 intermediaries co-operating with emFinanse.

BRE Wealth Management, a company formed on the basis of Skarbiec Investment Management S.A., will provide new wealth management services to Private Banking customers. In addition to asset management, the company will launch the following service in H1 2007:

- Asset allocation management;
- Tax planning;
- Real property investments;
- Private equity.

The business goals presented above for the business lines of the BRE Bank Group will have a positive impact on the financial results in the coming years. The mid-term financial targets include:

- ROE (before tax) consistently above 20%;
- Cost/income ratio reduced to 60% by 2009;
- Capital adequacy ratio kept above 10%.

In order to sustain a consolidated capital adequacy ratio of at least 10% in 2007, the Management Board of BRE Bank recommends that the entire profit generated in 2006 be retained. This is required in view of the expected further dynamic expansion of the business lines, which will grow risk-weighted assets and consequently raise the capital requirement. The capital requirement will also increase due to the implementation of Basel II. As a result, the Management Board proposes no dividend payment; instead, all the profit will be used to grow the business with a focus on the areas providing long-term return on equity of at least 20%.

XX. Appointment of the Auditor

On 15 March 2006, the Bank's Ordinary General Meeting, acting pursuant to § 11(n) of the Bank's By-laws, appointed PricewaterhouseCoopers Sp. z o.o. (PwC) as Auditor to audit the financial statements of the Bank and the consolidated financial statements of the BRE Bank SA Group for 2006. The relevant agreement was signed on 17 July 2006. The audit of the financial statements under the agreement covers the period starting 1 January 2006 and ending 31 December 2006. In addition, subject to a condition precedent consisting in the appointment of PwC as Auditor of the Bank and the BRE Bank Group for 2007 by the Bank's Ordinary General Meeting, the agreement also provides for the audit of the Bank's financial statements for the period starting 1 January 2007 and ending 31 December 2007 and the review of the Bank's financial statements for the period starting 1 January 2007 and ending 30 June 2007.

PwC (with its seat at 14, Al. Armii Ludowej, 00-638 Warsaw), is a registered auditor no. 144 authorised to audit financial statements. The Bank has used PwC's audit services in the past years.

PwC audits the financial statements of the Bank's strategic shareholder. According to BRE Bank's commentary to rule 42 of the "Good Practices in Public Companies," the existing auditor of the Bank's financial statements may be replaced depending on the change of auditor of the financial statements of the Bank's strategic shareholder.

XXI. Changes on the Authorities of BRE Bank

The Nineteenth Ordinary General Meeting of BRE Bank SA on 15 March 2006 elected nine members of the Supervisory Board of a new term. The composition of the Supervisory Board and the functions of its Members remained unchanged since the previous term. The composition was as follows:

1. Maciej Leśny – Chairman of the Supervisory Board, Chairman of the Executive Committee
2. Martin Blessing – Deputy Chairman of the Supervisory Board, Deputy Chairman of the Executive Committee
3. Nicholas Teller – Member of the Supervisory Board, Member of the Executive Committee
4. Jan Szomburg – Member of the Supervisory Board, Member of the Executive Committee
5. Gromosław Czempiński – Member of the Supervisory Board
6. Renate Krümmer – Member of the Supervisory Board
7. Teresa Mokrysz – Member of the Supervisory Board
8. Michael Schmid – Member of the Supervisory Board
9. Krzysztof Szwarc– Member of the Supervisory Board.

The composition of the Supervisory Board changed in 2006. The Resolution of the Supervisory Board of BRE Bank dated 17 October 2006 appointed Achim Kassow, Member of the Management Board of Commerzbank AG, to replace the outgoing Supervisory Board Member Renate Krümmer until the expiry of her term of office. Achim Kassow was also appointed Member of the Audit Committee of the Supervisory Board of BRE Bank.

The following are Independent Members of the Supervisory Board: Maciej Leśny, Jan Szomburg, Gromosław Czempiński, Teresa Mokrysz, Krzysztof Szwarc. The strategic shareholder Commerzbank is represented by: Martin Blessing, Nicolas Teller, Achim Kassow, Michael Schmid.

There are 3 committees in the framework of the Supervisory Board: Executive Committee, Risk Committee and Audit Committee. They embrace the following persons:

Executive Committee	Maciej Leśny - Chairman Martin Blessing – Deputy Chairman Jan Szomburg - Member Nicholas Teller - Member
Risk Committee	Michael Schmid - Chairman Maciej Leśny - Member Krzysztof Szwarc - Member Nicholas Teller - Member

Audit Committee	Martin Blessing - Member Achim Kassow - Member Maciej Leśny - Member Jan Szomburg - Member

There were no changes on the Management Board of BRE Bank in 2006, however the responsibilities of the Management Board Members changed as of 15 June 2006. They are now as follows:

1. Sławomir Lachowski – President of the Management Board, General Director, acting Managing Director for Retail Banking
2. Jerzy Jóźkowiak – Management Board Member, Managing Director for Finance
3. Bernd Loewen – Management Board Member, Managing Director for Investment Banking
4. Rainer Ottenstein – Management Board Member, Managing Director for Operations and IT
5. Wiesław Thor – Management Board Member, Managing Director for Risk Management
6. Janusz Wojtas – Management Board Member, Managing Director for Corporate Banking.

The remuneration of the Management Board and the Supervisory Board is presented in Note 43 to the Financial Statements for 2006 under the International Financial Reporting Standards.

XXII. Statements of the Management Board of the Bank

True and Fair Picture in the Presented Reports

The Management Board of BRE Bank SA declares that according to its best knowledge:

- The annual financial statements and the comparative figures were prepared in compliance with the binding accounting principles and present a true, fair and clear picture of the financial position and the condition of the assets of the BRE Bank Group as well as its financial performance;
- The report of the Management Board concerning the business activities in 2006 presents a true picture of the developments, achievements, and situation of the BRE Bank Group, including a description of the main risks and threats.

Appointment of the Auditor

The Auditor authorised to audit financial statements performing the review of the annual financial statements of the BRE Bank SA Group was appointed in compliance with legal regulations. The audit company and its auditors fulfilled the conditions necessary for the an impartial and independent opinion on the audit in compliance with respective provisions of Polish law.

Signatures of Members of the Management Board of BRE Bank SA

Date	Name	Position	Signature
28.02.2007	Sławomir Lachowski	President of the Management Board, General Director of the Bank	
28.02.2007	Jerzy Jóźkowiak	Member of the Management Board, Managing Director for Finance	
28.02.2007	Bernd Loewen	Member of the Management Board, Managing Director for Investment Banking	
28.02.2007	Rainer Ottenstein	Member of the Management Board, Managing Director for Operations and IT	
28.02.2007	Wiesław Thor	Member of the Management Board, Managing Director for Risk Management	
28.02.2007	Janusz Wojtas	Member of the Management Board, Managing Director for Corporate Banking	