BRE BANK SA

MANAGEMENT BOARD REPORT

ON THE BUSINESS OF THE BRE BANK SA

in 2006

Warsaw, 28 February, 2007

CONTENTS

External Environment of the BRE Bank 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 11.8% in January-November 2006.

Despite fast growing domestic demand and the steadily strong zloty, exports continued to grow sharply. According to NBP statistics, exports in EUR grew by 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. 2.2% 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

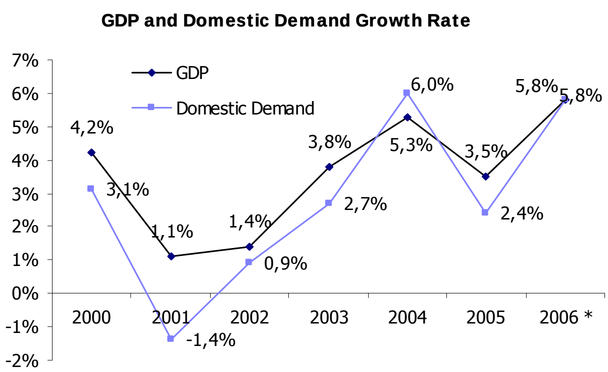
At the end of December 2006, year-on-year inflation was 1.4%, below the floor of the NBP inflation target deviation band. The average growth in prices was only 1% higher than in 2005. PPI grew significantly in 2006 and was 2.8% at the end of the year, compared to only 0.2% at the end of 2005. This was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

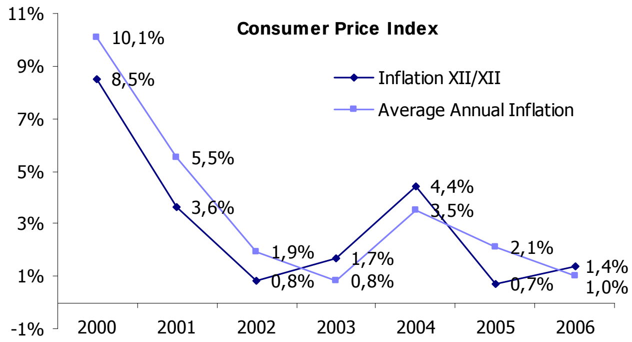
In view of low inflation, the Monetary Policy Council twice cut the NBP interest rates (in Q1) by a total of 0.5 percentage points for the main reference rate which remained stable at 4.00% after 1 March 2006. The other interest rates after 1 March were as follows: Lombard rate 5.50%, rediscounting rate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

The MPC bias did not change after the October publication of the inflation projection warning of a high risk of permanent growth in prices and a CPI approaching the ceiling of the NBP deviation band in late 2008.

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 320.2 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 impaired loans 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 (KNF) 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 BRE Bank in 2006

I. Factors Affecting the Results of BRE Bank in 2006

The profit before tax of BRE Bank was PLN 406.4 million in 2006, up 62.5% year on year (PLN 250.1 million in 2005). Profitability grew thanks to an above-average growth in income, in particular income on the core business: the net interest and commission income and trading income. As a result, BRE Bank's performance indicators improved:

- The profit before tax to the average annual equity (ROE) was 20.3% at the end of 2006, compared to 13.6% at the end of 2005;
- The Bank's cost/income ratio (C/I) was 65.8% at the end of 2006, compared to 71.3% in 2005.

The main drivers of the financial results 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 5 percentage points in 2006 and reached 48%. As a large part of new loans granted in 2006 were in the Swiss franc, where the interest rate margin is relatively lower than for PLN loans, the fx income grew (fx margins on fx loans);
2. Significant improvement of the quality of the loans portfolio (the share of impaired loans was down from 7.1% of all loans in 2005 to 4.5% in 2006), resulting in relatively low credit impairment provisions;
3. Continued positive trends in the financial and fx markets, resulting in high profitability of trading, especially a particularly high share of the fx income in the Bank's income;
4. Strict cost discipline at the Bank;
5. Significant dividend income at PLN 36.8 million, including in particular the dividend of Dom Inwestycyjny at PLN 11.1 million, PZU at PLN 10.2 million, BRE Leasing at PLN 3.8 million, Vectra at PLN 2.0 million, KIR at PLN 1.6 million, and Polfactor at PLN 1.5 million;
6. Sale of shares of SAMH at PLN 18.4 million, sale of shares of Novitus at PLN 11.7 million, released provisions for BRE-LIM at over PLN 6.2 million; the total income from investment securities was PLN 40.1 million.

The BRE Bank Group's financial results reported at 2006 YE considerably exceeded the financial targets set for 2006, i.e. consolidated pre-tax profit of PLN 380 million and ROE (pre-tax) 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 (ultimately by 100 outlets) located not only in shopping malls, as previously, but also 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.

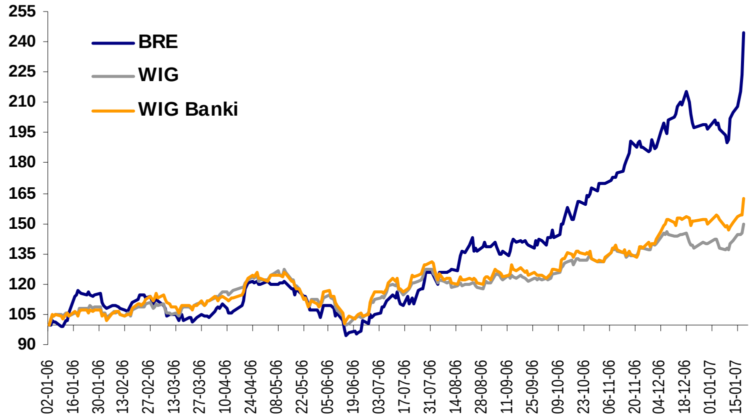
II. Shareholders and BRE Bank Share Price on WSE

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 2006.

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)



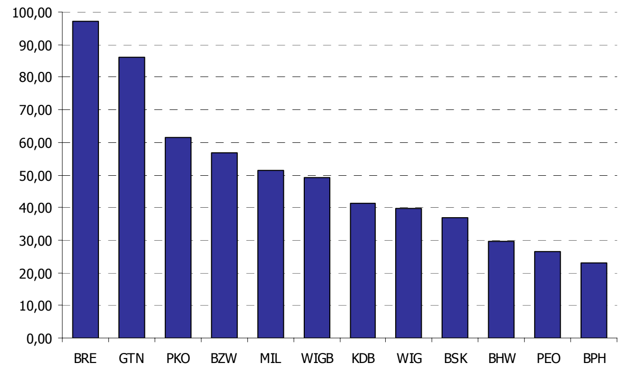
The price/book value ratio (P/BV) was 3.92 at the end of 2006 (compared to 2.4 at the end of 2005); the average P/BV of the 10 largest listed banks was 3.59.

BRE Bank's P/E ratio was 23.5. The peer group average was 21.9. 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.

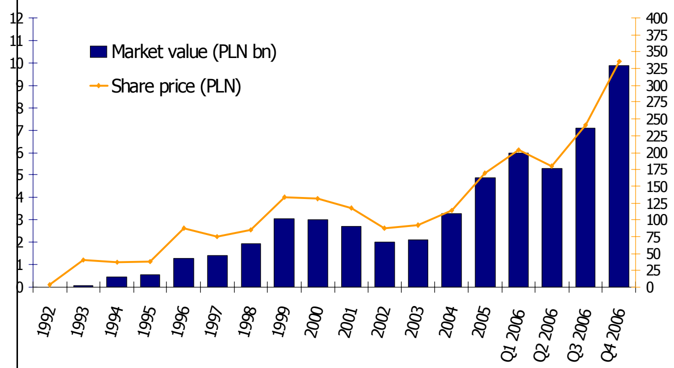
BRE Bank's share price on WSE in 2006 was driven by the following factors:

- 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 of banks in 2006



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



III. The Profile of the BRE Bank

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.

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

BRE Bank		
Corporate Banking	**Investment Banking**	**Retail Banking**
▪ Corporations (Capital Groups) ▪ Large Companies ▪ SMEs ▪ Foreign trade finance	▪ Financial markets ▪ Treasury ▪ Project finance ▪ Financial institutions ▪ Proprietary investments	▪ mBank (mass retail customers and microenterprises) ▪ MultiBank (affluent and promising retail customers) ▪ Private Banking (high net work individuals)

IV. Growth of the 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.

IV.1. Customers and Dedicated Offer

Corporate Banking customers were assigned to three segments:

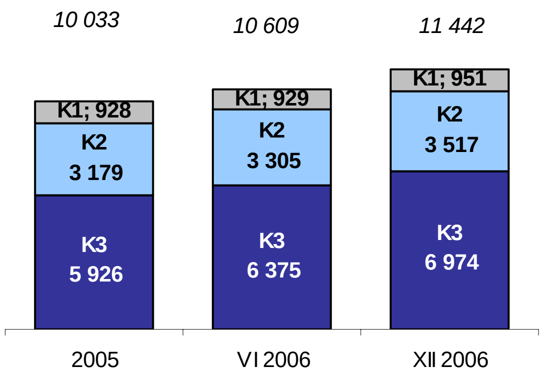
- K1 segment covers capital groups and large enterprises with sales over PLN 1 billion per year; it is assumed that the number of active customers in this segments will remain stable. K1 customers require professional advisory focused on structured finance, capital markets, and innovative products. BRE 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



IV.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).

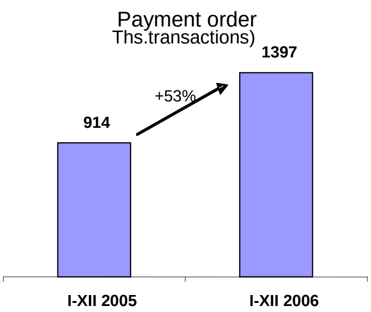
IV.3. Expansion of the Corporate Banking Product Offer

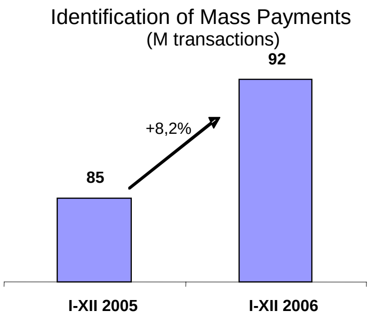
The Bank's product offer was further tailored to customers' needs in 2006. Changes were introduced with regard to settlements, cash management product, finance, risk management, and dedicated SME products. The main changes in the offer in 2006 included the launch of the following:

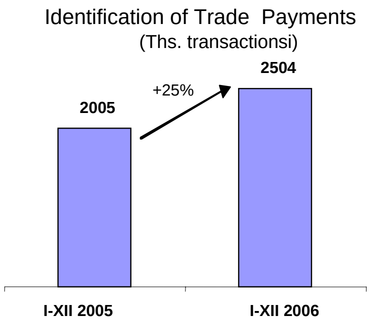
- Credit products – Multi-currency Line, Current Business Finance Line, Mortgage Credit and Loan, Multi-currency Overdraft;
- Bank accounts and settlements – Integrated Bank Account Agreement, Post Deposits in Envelopes;

- 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.

IV.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. Such a good performance was possible thanks to high skills of BRE Bank's employees – EU Funds Consultants as well as their close cooperation with BRE Bank's 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.

IV.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. Retail Banking and Private Banking

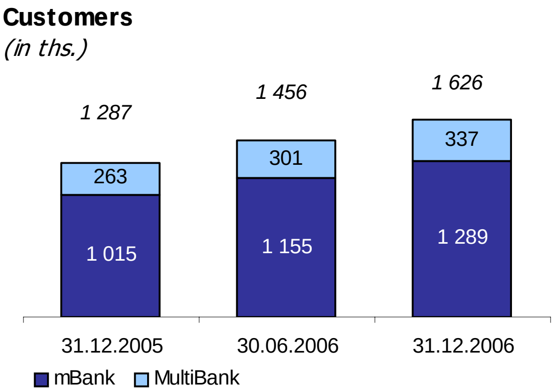
V.1. Dynamic Growth of mBank and MultiBank

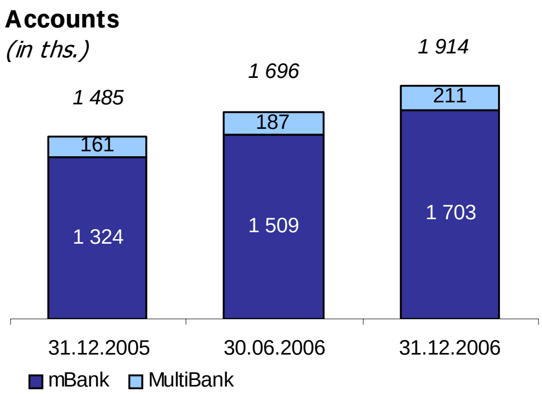
V.1.1. Growth in the Number of Customers

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 (31.3 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).





V.1.2. Fast Growth in Customer Deposits and Investments

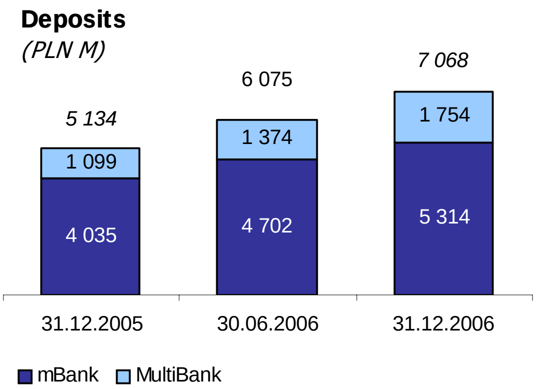
Deposits

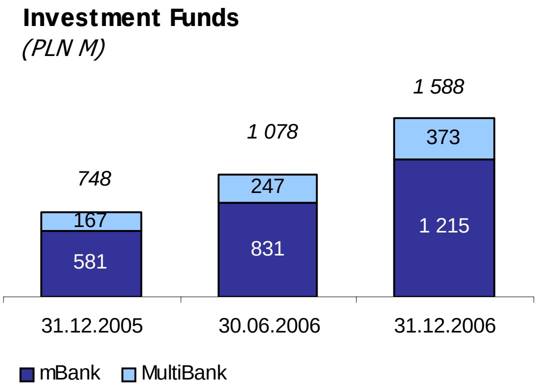
Deposits grew by PLN 1,934.4 million in 2006 (by PLN 1,278.7 million at mBank and by PLN 655.7 million at MultiBank), up **37.7%** (31.7% at mBank, 59.7% at MultiBank). Deposits were **PLN 7,068.0** million at the end of December (PLN 5,314 million at mBank, PLN 1,754 million at MultiBank). According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





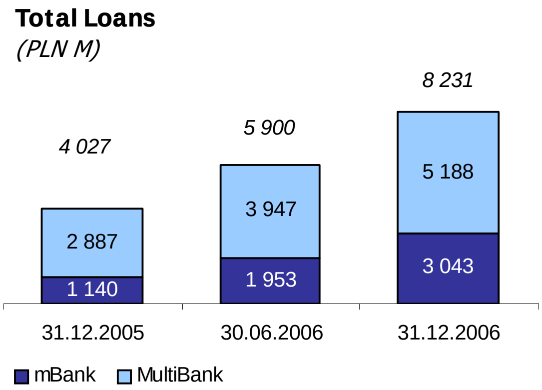
V.1.3. Loans Portfolio Doubled

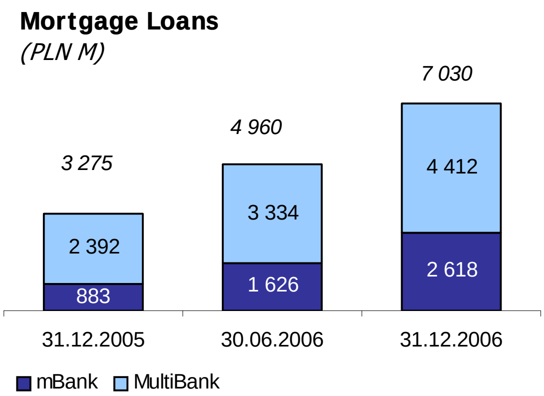
Retail Banking loans were up PLN 4,203.3 million or 104.4% in 2006 (PLN 1,902.5 million or 166.9% at mBank, PLN 2,300.8 million or 79.7% at MultiBank). Balance-sheet loans were PLN 8,230.7 million at the end of 2006 (PLN 3,043.2 million at mBank, PLN 5,187.5 million at MultiBank). According to NBP statistics,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

V.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 37.3% 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).

V.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.

V.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).

V.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.

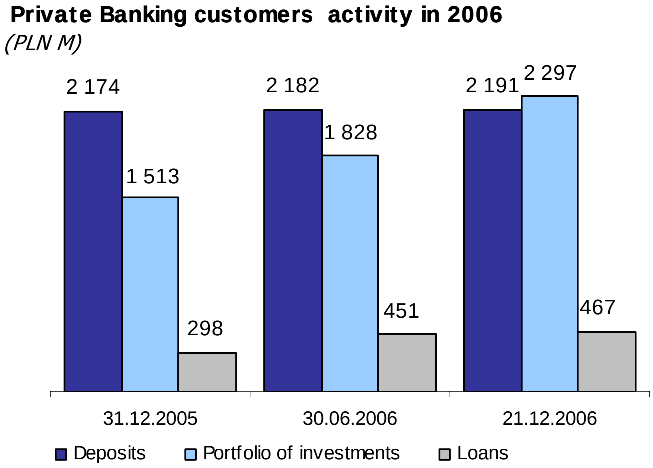
Deposits were PLN 2,191.1 million at the end of 2006, up PLN 16.7 million (up 0.8%) year on year.

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 Management, 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. Investment Banking

VI.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.

VI.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.

VI.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. The syndicated loans and project finance portfolio totalled PLN 1.66 billion at the end of 2006.

VI.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, adjusted for the costs 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. Financial Results of BRE Bank in 2006

The comparative data at the end of 2005 shown below take account of the changes in presentation, discussed in section 2.25 of Explanatory Note to the 2006 Financial Statement of BRE Bank SA.

VII.1. Changes in the Balance Sheet of BRE Bank in 2006

The balance sheet total of BRE Bank was PLN 36.9 billion at 31 December 2006, up 22.3% year on year. The individual balance sheet as at 31 December 2006 compared to 31 December 2005 is shown below.

ASSETS	31.12.2006		31.12.2005		Change
	PLN thou.	%	PLN thou.	%	%
Cash and transactions with the central bank	3 710 737	10.1%	1 776 340	5.9%	108.9%
Bills eligible for rediscounting at the central bank	26 725	0.1%	37 464	0.1%	-28.7%
Amounts due from banks	3 003 226	8.1%	4 689 765	15.6%	-36.0%
Trading securities	3 519 954	9.5%	5 014 653	16.6%	-29.8%
Derivative financial instruments	1 411 030	3.8%	1 264 500	4.2%	11.6%
Loans and advances to customers	17 689 756	48.0%	12 979 559	43.1%	36.3%
Investment securities	2 957 221	8.0%	1 055 174	3.5%	180.3%
- Available for sale	2 957 221	8.0%	1 055 174	3.5%	180.3%
Fixed assets for sale	361 855	1.0%	310 510	1.0%	16.5%
Assets under pledge	2 701 491	7.3%	1 516 212	5.0%	78.2%
Investment in subsidiaries	433 343	1.2%	285 251	1.0%	51.9%
Investment in affiliates	-	0.0%	5 649	0.0%	-100.0%
Intangible fixed assets	356 136	1.0%	368 504	1.2%	-3.4%
Fixed assets	470 926	1.3%	484 071	1.6%	-2.7%
Deferred income tax assets	9 720	0.0%	83 950	0.3%	-88.4%
Other assets	210 110	0.6%	264 543	0.9%	-20.6%
Total assets	**36 862 230**	100.0%	**30 136 145**	100.0%	**22.3%**

Credits and loans grew the fastest, by PLN 4.7 billion. Their share in total assets grew from 43.1% at the end of 2005 to 48.0% at the end of 2006. The high growth in the loans portfolio was mainly driven by the expansion of retail loans.

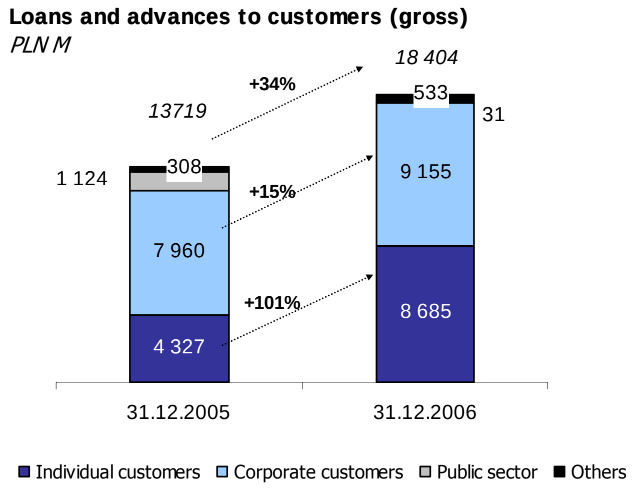
Amounts due from banks were down by ca. PLN 1.7 billion. On the other hand, cash with the central bank grew more than two-fold. The portfolio of trading securities was down by ca. PLN 1.5 billion. The portfolio of securities available for sale grew by PLN 1.9 billion. Assets under pledge were up sharply by ca. PLN 1.2 billion due to a growing portfolio of sell-buy-back securities.

VII.1.1. Description of the Loan Portfolio

The largest item of BRE Bank's loans portfolio is the corporate loans portfolio accounting for nearly 50% of the total.

The share decreased to the advantage of retail loans which were 47.2% of the portfolio at the end of 2006, compared to 31.5% at the end of December 2005.

The growing retail debt (up PLN 4.4 billion or 101%) was the main driver of growth in the loans portfolio in 2006. The public sector debt was down from PLN 1.1 billion to PLN 31 million following the repayment of a loan by a public institution.



VII.1.2. Liabilities

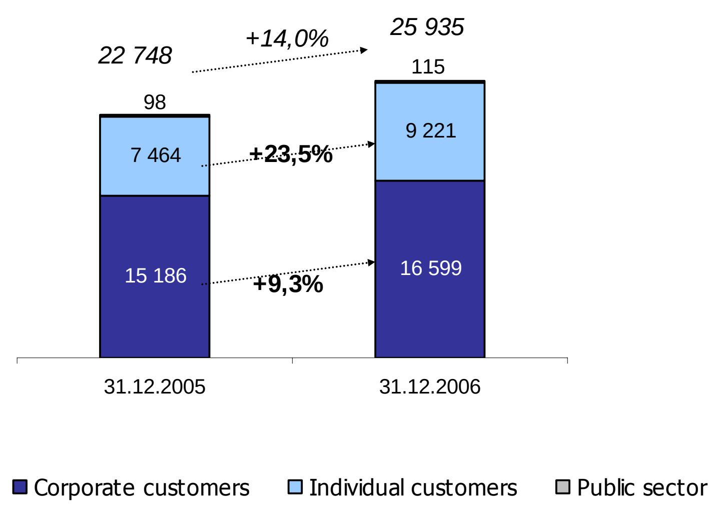
Changes in BRE Bank's liabilities in 2006 are shown in the table below.

LIABILITIES AND EQUITY	31.12.2006		31.12.2005		Change
	PLN thou.	%	PLN thou.	%	%
Liabilities to other banks	5 186 286	14.1%	2 265 853	7.5%	128.9%
Derivative financial instruments and other trading liabilities	1 267 825	3.4%	1 270 414	4.2%	-0.2%
Liabilities to customers	25 934 634	70.4%	22 747 932	75.5%	14.0%
Liabilities under issued debt securities	36 215	0.1%	91 545	0.3%	-60.4%
Subordinated liabilities	1 547 354	4.2%	1 362 528	4.5%	13.6%
Other liabilities	457 926	1.2%	364 893	1.2%	25.5%
Current income tax liability	11 543	0.0%	-	-	-
Provisions	67 374	0.2%	78 109	0.3%	-13.7%
Total liabilities	**34 509 157**	93.6%	**28 181 274**	93.5%	**22.5%**
Total equity	**2 353 073**	6.4%	**1 954 871**	6.5%	**20.4%**
Total liabilities and equity	**36 862 230**	100.0%	**30 136 145**	100.0%	**22.3%**

Liabilities grew in 2006 mainly as a result of growing liabilities to customers which were up PLN 3.2 billion or 14.0% year on year, while their share in total liabilities was down from 75.5% at the end of 2005 to 70.4% at the end of 2006. Due to the fast growing loans portfolio and other assets, liabilities to other banks grew sharply by PLN 2.9 billion (up 128.9%). 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 14.1% of total liabilities, compared to 7.5% 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 23.5% (PLN 1.8 billion) and represented nearly 36% of total liabilities to customers at 31 December 2006. Importantly, this occurred in parallel to growth of customer investments in fund shares. Liabilities to corporate customers were up 9.3% (PLN 1.4 billion) and had the highest share in total liabilities to customers (64%). Deposits of the public sector were PLN 115 million at the end of 2006, up PLN 17 million year on year.

Amounts due to customers
(PLN M)



Debt securities in issue were down PLN 55.3 million while subordinated liabilities were up PLN 184.8 million as the General Inspectorate of Banking Supervision (GINB) approved the inclusion in supplementary capital of CHF 80 million raised through an issue of subordinated debt at a variable interest rate and of indeterminate maturity, run in December 2006.

VII.1.3. Changes in the Equity of the Bank

The equity of the Bank grew by 20.4% 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 under "Changes in Equity" in the 2006 Financial Statements under the International Financial Reporting Standards.

Equity (PLN thou.)	**31.12.2006**	**31.12.2005**	**Change** (*%)*
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	**3 959**	**-2 637**	**.**
Retained profits:	**852 168**	**533 665**	59.7%
Profits of previous years	527 974	326 355	61.8%
This year's profit	**324 194**	**207 310**	**56.4%**
Total equity	**2 353 073**	**1 954 871**	**20.4%**

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.

VII.2. Profit and Loss Account of BRE Bank

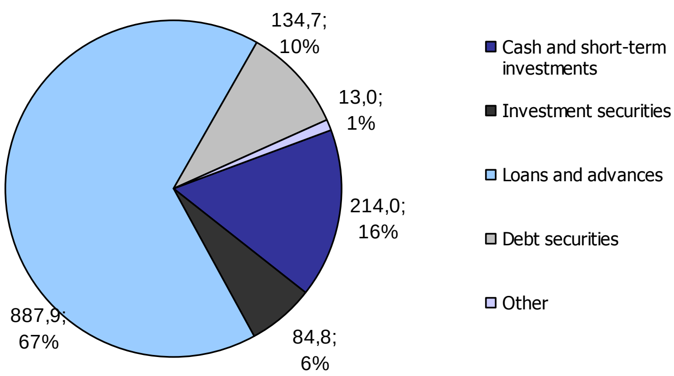
BRE Bank generated a profit before tax of PLN 406.4 million in 2006, up 62.5% year on year. The Profit and Loss Account is shown in the table below.

Profit and Loss Account	**2006**	**2005**	**Change**
	PLN thousand	PLN thousand	%
Interest income	1 334 383	1 313 622	1.6%
Interest cost	(795 011)	(774 976)	2.6%
Net interest income	**539 372**	**538 646**	**0.1%**
Commission income	415 391	335 594	23.8%
Commission cost	(135 774)	(98 488)	37.9%
Net commission income	**279 617**	**237 106**	**17.9%**
Dividend income	36 797	61 997	-40.6%
Trading income, including:	379 957	225 476	68.5%
FX income	*343 265*	*251 293*	36.6%
Other trading income	*36 692*	*(25 817)*	
Income from investment securities	40 115	374	10625.9%
Other operating income	63 244	38 849	62.8%
Net credit impairment provisions	(26 149)	(53 392)	-51.0%
Overhead costs	(697 527)	(635 990)	9.7%

Amortisation and depreciation	(135 779)	(119 490)	13.6%
Other operating costs	(73 276)	(43 429)	68.7%
Operating profit	**406 371**	**250 147**	**62.5%**
Profit (loss) before tax	**406 371**	**250 147**	**62.5%**
Income tax	(82 177)	(42 837)	91.8%
Net profit (loss)	**324 194**	**207 310**	**56.4%**

The net interest income remained the major P&L item. It was PLN 539.4 million at the end of 2006, up modestly year on year. The interest income was mainly generated by credits and loans, followed by amounts due banks, and trading securities. The structure of the interest revenues is shown in the chart below.

Structure of the interest revenue
(PLN m / %)

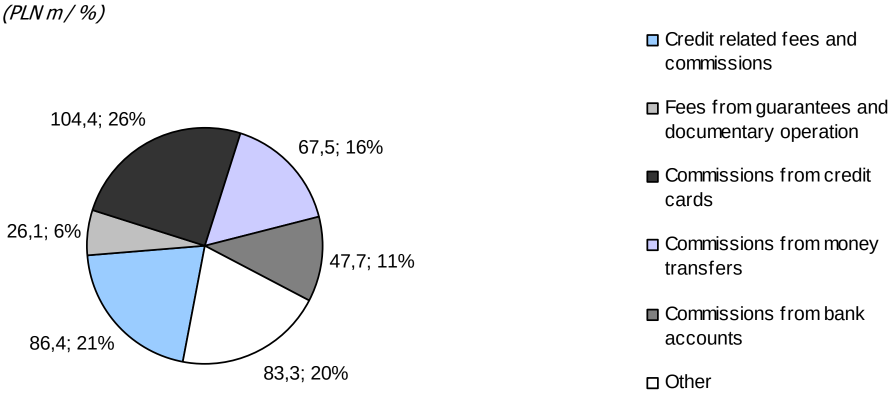


Trading income at PLN 380 million (up 68.5% year on year) was the Bank's second largest income item. Trading income mainly included fx income at PLN 343.3 million (partly coming from conversion of fx loans into PLN).

The net commission income, the Bank's third largest income item, was PLN 279.6 million, up by a relatively high 17.9% year on year (PLN 237.1 million in 2005).

The chart below show the structure of the fees and commission income by product.

Fees and commission income structure
(PLN m / %)



The net credit impairment provisions were PLN 26.1 million at the end of 2006. The credit risk charge was down year on year (PLN 53.4 million in 2005).

Overhead costs shown in the individual accounts were up by approximately PLN 61.5 million or 9.7% year on year in 2006. The highest growth occurred in payroll costs item, up by PLN 37.9 million or 12.1% 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 of the Bank in 2006. Maintenance costs grew 7.0% or ca. PLN 22.0 million year on year mainly as a result of the expanding branch network and the expansion of business operations of the Bank.

VII.3. Key Performance Indicators

BRE Bank's key performance indicators at the end of 2006 and at the end of 2005 (according to average balance sheet values) were as follows:

	Actual 2006	Actual 2005
ROA	0.9%	0.7%
ROE before tax	20.3%	13.6%
ROE net	16.2%	11.2%
CIR	65.8%	71.3%
Capital adequacy ratio	11.1%	12.9%
Net interest margin	2.0%	1.7%

ROA= Net profit / Balance sheet total

ROE before tax = Profit before tax / Equity, excluding this year's profit)

ROE net = Net profit / Equity (excluding this year's profit)

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

VIII. Headcount of BRE Bank

The headcount of the Bank was 4,001 employees or 3,319.7 FTEs at the end of 2006, up 430 employees year on year. The growth only concerned the Retail Banking Line due to its dynamic expansion. The Bank recruited 483 new employees; the headcount was down by 53 employees in the other Business Lines, including support staff.

BRE Bank's staff are young people: 67.5% are younger than 36 years; 20.9% are in the age group 35-45 years; 11.6% are over 45 years old. 73.7% of employees have university education; 26.2% have secondary education.

IX. 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.

X. 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 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 Bank strives to mitigate credit risk through diversification of its loan portfolio. This is based, among others, on analyses of the structure of the risk portfolio including conclusions and recommendations regarding the Bank's exposure per sector.

A new methodology of customer rating as well as new Lending Instructions and accompanying Regulations were in the drafting in 2006. The relevant solutions apply as of 2006. Work is continued to modify the principles of BRE Bank's lending policy. The modifications will apply as of 2007.

XI. Main Risks of the BRE Bank '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.

XI.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.

XI.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.

XI.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 USD 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.

XI.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.

BRE Bank is currently implementing a monitoring process of market risk, liquidity risk, and interest rate risk of the banking portfolio across the BRE Bank Group based on risk measures used by BRE Bank and taking account of differences due to the business profile and scale of operation of the Group subsidiaries. Concerning operating risk, the process of reporting on operating risk of Group subsidiaries is being implemented, and work is underway to implement additional controlling tools of operating risk based on the Commerzbank experience.

XII. Financial Rating of BRE Bank

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**.**

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).

XIII. 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 not only with the statutory obligation to publish periodic and current reports but also 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.

XIV. 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).

<u>Major projects financed by the Foundation in 2006:</u>

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 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.

In 2006 total expenses of Foundation, mBank and MultiBank for above mentioned purposes amounted to PLN 3.4 million, including PLN 1.4 million for education, PLN 1,1 million for culture, PLN 0.6 million for health care and social protection and PLN 0.3 million for other purposes.

XV. 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".

XVI. Goals of the BRE Bank for 2007

In 2007, all business lines of the BRE Bank Group will continue 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

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%.

XVII. 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 PricewaterhouseCoopers Sp. z o.o.'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.

XVIII. Changes on the Authorities of BRE Bank

XVIII.1. The Supervisory Board

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

XVIII.2. The Management Board

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 of BRE Bank SA for 2006 under the International Financial Reporting Standards.

XIX. 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 SA 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 SA, 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 was appointed in compliance with legal regulations. The entity and the auditors have met the prerequisites for giving an impartial and independent opinion on the audit in accordance with the applicable provisions of the national 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	