

Letter by the Chairman of the Supervisory Board of BRE Bank SA

Dear Shareholders,

As I address you today for the sixteenth consecutive year, I have to admit for the first and, I hope, the last time, that the Bank's results in 2002 were disappointing. The net loss of the Bank was PLN 379.2 million. It was mainly caused by the unfavourable economic environment which forced the Bank to set up provisions for loans and equity investment. This coincided with amendment of the Accountancy Act which adversely affected the presentation of BRE Bank's results. Due to negative conditions in capital markets, several large disposals had to be postponed.

In this context, the Bank for the first time will pay out no dividend. Given the temporary deterioration of results, I hope this will meet with your understanding. The Supervisory Board and the Management Board will make best efforts to restore profitability in 2003 and to pay a traditional shareholder dividend of ca. 30% of generated profits.

The composition of the Supervisory Board changed in 2002. The General Shareholders' Meeting held on 25 April 2002 elected 9 Supervisory Board Members for a term of 2 years. There are three new Members on the Supervisory Board: Teresa Mokrysz, Alberto Crippa and Andrzej Księżny. The Supervisory Board elected an Executive Committee chaired by myself and comprised of Andreas de Maizière (Deputy Chairman), Jan Szomburg and Nicholas Teller (Members). The Supervisory Board met four times in 2002. Its Executive Committee also met four times. Taking account of special importance of risk management, the Supervisory Board appointed Mr Wiesław Thor to Management Board Member on 2 November 2002.

Deteriorating results of the Bank were of special concern to the Supervisory Board as of Q2 2002. At its September meeting, the Supervisory Board approved the programme of cost reductions and income growth tabled by the Management Board. Huge provisions which had to be set up in H2 and in particular in Q4 2002 wiped away the effect of those measures but far-reaching cost rationalisation is now part and parcel of the Bank's business.

Pursuant to its authority under the By-laws, the Supervisory Board approved amended credit policy guidelines, in particular relating to credit decision-making, and worked to modify the Bank's investment policy guidelines. The former were approved at the December meeting of the Supervisory Board; the latter are scheduled for approval in April 2003.

At its December meeting, the Supervisory Board together with the Management Board committed itself to comply with the rules of corporate governance set out in the Best Practices of Public Companies adopted by the Council of the Warsaw Stock Exchange. I shall inform the General Shareholders' Meeting of the common position of the Management Board and the Supervisory Board on the adoption of the Best Practices and ask the approval of documents tabled to the General Meeting.

I am certain that the review of the loan portfolio initiated by the Management Board and high provisioning against credit risk, as well as actions taken to reduce the portfolio of financial investment open good prospects of prompt recovery. As the economy picks up according to market expectations, the business of BRE Bank will also produce stronger results. I believe that the year 2003 will restore decent profitability and stock prices reflecting the real value of the Bank. After all, BRE Bank is still a big (in the Polish context), secure and modern bank with a strong, stable market position.

I want to thank you, as I did in all those past years, for your confidence. Together with the Management Board and the staff, we shall prove worth your trust and once again make BRE Bank one of the most profitable Polish banks

Chairman of the Supervisory Board