

Letter by the Chairman of the Supervisory Board of BRE Bank

Dear Shareholders,

The past year of BRE Bank's operation was a good period despite the modest net profit. After the big loss incurred in 2002, the Bank has restored its profitability. The Bank's most sensitive areas of business, including the proprietary investments portfolio and loans, are now strictly monitored, and their risks have been mitigated, which has had a positive impact on the financial standing of the Bank. I am certain that BRE Bank will note a marked improvement in the results of its retail banking business and will once again report robust profitability in 2004.

The Supervisory Board and the Management Board have declared full compliance with the best practices of public companies. Our corporate governance resolution took effect on 30 June 2003. As a result, this year's annual report includes an independent opinion of the Supervisory Board on the situation of the Bank.

The Supervisory Board was actively involved in resolving problems that arose in the difficult year 2002. The Bank's lending policy was reviewed in late 2002; the Supervisory Board amended the Bank's investment policy guidelines in April 2003. The proprietary investments portfolio has been strongly reduced after 2002 and will be further restructured to ensure better diversification of sectors and lower concentration of investments in individual companies. Supervisory functions in this business have been reinforced.

In 2003, the Management Board consulted the Supervisory Board on the Restructuring Programme 2003–2005. Under the Banking Law, a bank which reports a loss is required to draft a restructuring programme and submit it to the banking regulator. The final draft of the Programme was approved by the Supervisory Board on 28 November 2003 and tabled to the Banking Supervision Commission on 1 December 2003.

The Programme provides for several major initiatives aimed to enhance the safety of the Bank's operation, including a raise of its equity to be decided by the General Shareholders' Meeting.

The composition of the Supervisory Board changed in 2003. The Sixteenth General Shareholders' Meeting held on 21 May 2003 increased the number of Supervisory Board Members from nine to ten. Following the resignation of Mr Alberto Crippa from the Supervisory Board, two new Members were elected: Mr Michael Schmidt and Mr György Suranyi. Mr György Suranyi resigned from the Supervisory Board as of January 2004.

On 21 May 2003, the Supervisory Board adopted a resolution appointing six members of the Management Board of the Bank for a new five-year term of office. The investment of Commerzbank which increased from 50% to 72.2% of BRE Bank's equity as of Q4 2003 implies a stronger representation of the strategic shareholder in management of the Bank. On 26 January 2004, the Supervisory Board adopted a resolution appointing Mr Rainer Ottenstein as Member of the Management Board of BRE Bank SA, Bank Director. The appointment is effective as of the date of the Ordinary General Meeting of BRE Bank until the end of the present term of office.

The Supervisory Board met three times in 2003 and held an additional meeting in January 2004. The Executive Committee of the Supervisory Board met four times in 2003. The Supervisory Board made some decisions by circular in accordance with its Rules.

The present term of office of the Supervisory Board will end upon the vote of discharge of duties to be given by this General Shareholders' Meeting.

I am certain that the undertaken restructuring efforts will prove most effective in 2004 and the years to come. The increased equity investment of Commerzbank will help BRE Bank to restore its above-average profitability.

Krzysztof Szwarc

Chairman of the Supervisory Board