

Letter by President of the Management Board of BRE Bank SA to shareholders

Dear Shareholders,

This past year 2006 was the 20th anniversary of the Bank's business. It was the best year this decade in terms of financial results. Except for 1999, when the profit before tax was more than PLN 1 billion thanks to two one-off capital transactions, 2006 was the most successful year in the history of BRE Bank. The BRE Bank Group's profit before tax was PLN 576.4 million in 2006 (the Bank's individual profit was PLN 406.4 million) and does not contain substantial one-off events.

I am glad to note that all of BRE Bank's business lines and all subsidiaries of the Group made an important contribution to the good results of 2006. We expanded our operations in the corporate, investment, and retail banking market.

Thanks to the successful BREactivation strategy, the corporate banking line made the largest contribution to the BRE Bank Group's annual results. The Bank's corporate banking business generated a profit before tax of PLN 233.0 million, 41% of the Group's annual profit. This was owed to growing corporate lending combined with improved quality of the loans portfolio which drove down the provisions, as well as good profits of the strategic subsidiaries. We acquired more than 2.5 thousand new customers in 2006; one half of that number were SMEs. We reported a growth in both corporate loans and deposits reaching a market share of 5.9% and 8.6%, respectively.

The investment banking business benefited from the steadily high share of reiterative transactions in financial markets on behalf of the Bank's clients. The investment banking line's profit grew in 2006 to reach PLN 215.9 million. Trade transactions and active sales of structured products drove the high profitability. We remained the leader in debt securities issues and ranked first in issues of bank debt securities, second in issues of corporate bonds, and third in short-term debt securities.

The retail banking business grew record fast as BRE Bank became the third largest provider of mortgage loans. The line's profit before tax was PLN 114.7 million, up year on year by a factor of 6, contributing 20% to the BRE Group's annual profit. mBank generated a profit before tax of PLN 72.6 million in 2006. It was also a breakthrough year for MultiBank which reported its first-ever annual profit of PLN 25.9 million before tax. The profit of the private banking business was PLN 16.2 million before tax, providing a good starting point for a new strategy and expansion in wealth management. We serve over PLN 1.6 million retail customers, up by 350 thousand year on year. We are planning to intensify our retail business, especially in consumer credits. We have decided to launch mBank's business model in the Czech and Slovak markets as of 2007.

According to our plan, we continued to reorganise the BRE Bank Group. We decided to discontinue the asset management business (one of four traditional business lines) operated by our investment fund and pension fund companies. This is not a core business under the BRE Bank Group's strategy. Consequently, in 2006, the Bank concluded an agreement to sell its subsidiary Skarbiec Asset Management Holding (SAMH); the transaction was finalised in January 2007. We also bought back SAMH's subsidiary Skarbiec Investment Management. It was renamed BRE Wealth Management and will service our top private banking customers. We are currently seeking a new investor for PTE Skarbiec-Emerytura.

The year 2006 was very successful for the Group's strategic subsidiaries which generated a total profit before tax of PLN 206 million, the highest in history. The highest profitability was reported by BRE Bank Hipoteczny (profit before tax of PLN 40.2 million), BRE Leasing (profit before tax of PLN 29.6 million), and the Intermarket Group companies (profit before tax of PLN 52.7 million). Polfactor's annual profit before tax was PLN 11.5 million, up 20% year on year. DI BRE Banku reported a two-fold growth in profit; its profit before tax was PLN 26.9 million and the company became Poland's leader of on-line brokerage accounts.

The performance and the financial results of the business lines and the Group subsidiaries contributed to a significant improvement of the performance indicators of the Bank and the Group:

- The consolidated return on equity (ROE, before tax) was 26.9%, as compared to 17.8% in 2005; individual ROE was 20.3%, compared to 13.6%;
- The consolidated cost/income ratio (C/I) was down to 63.7%, compared to 69.3% in 2005; individual C/I was 65.8%, compared to 71.3% in 2005.

Thanks to fast market expansion, the consolidated capital adequacy ratio was 10.4% at the end of 2006, compared to 11.1% in 2005 (the Bank's individual ratio was 11.1%, compared to 12.9% in 2005). This is a safe ratio for the business of the Bank and the Group, and an indicator of effective use of the Shareholders' equity. With a view to further dynamic market expansion of the Bank and the Group, the BRE Bank Management Board requested the Shareholders to pay no dividend from last year's profit.

BRE Bank's share price on the Warsaw Stock Exchange was again record high in 2006. The price was up 97.1% between the year's first and last trading day, providing investors with the highest return of all banks listed on the WSE. At the same time, the Warsaw Stock Exchange Index WIG was up 39.9%, the large-cap index WIG-20 was up 21.9%, and the sector index WIG-Banks was up 49.8%. The BRE Bank share price was the highest on 18 December (PLN 367) and the lowest on 14 June (PLN 161).

The results of the Bank and the BRE Group over the past two years prove that, following a period of weaker performance in 2002-2004, the Bank and the Group are back on track of stable high profitability. As we communicate our financial targets to the markets, we will be publishing our mid-term projections; it should be noted that the annual targets are only a means of reaching the key performance indicators. Our forecast of the key performance indicators in 2007-2009 is as follows: ROE before tax of at least 20%; capital adequacy ratio above 10%; the cost/income ratio at 60% (by 2009).

The results reported for 2006, while very satisfactory, are only a step ahead in our continued efforts to strengthen the BRE Group's market position. Thus we are launching new strategic initiatives. In the retail banking business, we will make a fast entry into the consumer credit market, expanding mBank's offering. We will continue with dynamic growth of the branch network: MultiBank's Financial Services Centres (CUF) and mBank's mKiosks. Our new subsidiary BRE Ubezpieczenia is now in business and offers a new quality and choice of car insurance to mBank customers. In the corporate market in 2007, the Bank plans to acquire a thousand new customers – companies with a large profitability potential. In investment banking, BRE will strengthen its market position in 2007 and expand sales of structured investment products, also to retail customers.

In summary to the BRE Bank Group's performance in 2006, I would like to thank our Shareholders for their continued trust.

I thank our customers for their loyalty, and I do believe that you are best proof that our mission is correct, and that you consider BRE Bank to be the best financial institution for demanding clients. On our part, we continue to use best efforts in order to implement this mission.

I thank the Supervisory Board Members for close and fruitful co-operation. We have relied on their invaluable advice and extensive business experience throughout the year.

I thank the employees of the Bank and of our subsidiaries for their daily work, commitment to our business, and all efforts to accommodate the increasing expectations of our customers. Without your contribution, the record-high results of 2006, the 70% year-on-year increase in profits, and the performance much above the year's targets would not have been possible.

I am certain that the achievement of our ambitious business targets for 2007 will continue to drive our profitability and effectiveness. Combined with our principles and values, which are appreciated and respected by our customers, competitors, and staff, this will further strengthen the market position of BRE Bank as an institution all stakeholders take price in. In 2007, we will do our best to once again live up to the ambitious challenges.

Yours faithfully,

Sławomir Lachowski

President of the Management Board

BRE Bank