BRE Bank SA Supervisory Board's Assessment of the Company's Situation in 2006

It is with great satisfaction than the Supervisory Board evaluates the performance of BRE Bank in the past year 2006. It was the Bank's 20^{th} anniversary and a second full year under the leadership of CEO Sławomir Lachowski. The Supervisory Board's conviction that the Bank would continue to grow dynamically, expressed a year ago in our evaluation of the Bank's performance in 2005, proved correct.

BRE Bank reported a consolidated profit before tax of PLN 576.4 million in 2006 (PLN 421.3 million net), compared to the profit target of PLN 380 million set in 2005 and the updated target of PLN 490 million published after Q3 2006. It was the highest profit this decade, and the second highest in the Bank's history. With the exception of 1999, when the profit before tax was more than PLN 1 billion thanks to one-off transactions, it was the best year in the Bank's history in terms of results generated by the core business and reiterative transactions.

BRE Bank's individual profit before tax was PLN 406.4 million, up 62.5% year on year. The net profit was PLN 324.2 million.

The key performance indicators (ROE before tax of 26.9%, cost/income ratio of 63.7%) were above the targets (23% and 66%, respectively). The Bank's individual ratios were: ROE before tax at 20.3%, cost/income ratio at 65.8%; both showed year-on-year improvement. This was another proof of the continuation of the positive trends initiated two years ago when the Bank's Management was replaced.

The Bank's profitability and effectiveness increased while all customers' assets remained safe: the consolidated capital adequacy ratio was 10.4% at the end of 2006, compared to a target of approximately 10%.

The Supervisory Board appreciates the fact that the Bank's universal business profile has a growing impact on its results as the Bank's sources of income are increasingly diversified. The retail banking business contributed 20% to the BRE Bank Group's annual profit before tax in 2006, compared to 5.6% in 2005, representing significant growth.

The retail banking line was the fastest growing business in 2006. Its profit before tax was PLN 114.7 million, up year on year by a factor of 6. Many of the 2006 targets were significantly exceeded. The customer base grew 25%, deposits were up 39%, and loans increased 105% driven by a two-fold growth in the mortgage portfolio. BRE Bank's retail banking business grew its market share in 2006. Its market share in housing loans was up from 6.5% to 9%, placing BRE Bank among the market leaders. Its market share in deposits was up from 2.1% in 2005 to 2.5% in 2006, and in investment funds from 1.2% to 1.6%.

The corporate banking business grew according to plan in 2006. The business line's profit before tax was PLN 233.0 million, up 33% year on year. The Bank acquired 2,552 new corporate customers, up 33% year on year. Corporate lending and corporate deposits grew. It should be noted that the K3 segment (SMEs) grew its share both in the total customer base and in the profit of the line. The business results prove clearly that the BREactivation strategy produced the expected results. It must also be noted that the BRE Bank Group's subsidiaries contributed 41% of the business line's profit.

The annual profit before tax of the investment banking line was PLN 215.9 million, up 8.4% year on year. It was another record-high profit of the line. The Bank pursued its policy, initiated several years ago, and continued to exit high-risk proprietary investments in stocks held for sale. The proprietary investments portfolio at cost was down 26.1% year on year. Additional measures were taken to strengthen the stability of profits, resulting in a growing share of reiterative transactions, mostly made on behalf of clients. It should be noted that DI BRE Banku took advantage of the bull stock market to grow its profit before tax to PLN 26.9 million (compared to a profit before tax of PLN 15 million in 2005) and to expand its market share in equities trading from 4.1% in 2005 to 6.1% in 2006. The growth in the market share was also driven by synergies generated within the BRE Bank Group as the trading was partly generated by retail customers (eBroker and the Brokerage Service).

The Supervisory Board made a positive assessment of the direction of changes within the BRE Bank Group: withdrawal from the asset management business through the disposal of the subsidiary Skarbiec Asset Management Holding (including its subsidiary Skarbiec TFI) and initiatives aimed at the disposal of PTE Skarbiec Emerytura. At the same time, the Bank continues to offer its retail customers a range of investment and pension fund products through its open architecture. The Supervisory Board approved the Bank's plan of entry to the insurance market as an important addition to the product offer and a stable source of income in near future.

In view of the phase of fast growth currently enjoyed by the Bank, as attested by the above mentioned facts, the Supervisory Board recommends that the General Shareholders' Meeting pay no dividend from the 2006 profit which should be retained by the Bank in order to strengthen its equity. This will help the Bank to continue on the fast growth track in order to pursue the objective of growing its shareholder value. The strengthened equity will help to keep the capital adequacy ratio at a safe level of at least 10%.

Last year's performance was appreciated by investors; as a result, the Bank's share price grew 97.1% in 2006, much above the market average (the WIG index was up 39.9%) and the sector (the WIG-Banks index was up 49.3%). Investment in BRE Bank stocks provided the highest return of all banks listed on the Warsaw Stock Exchange.

The changes at the Bank were also appreciated by rating agencies. In February 2006, Fitch Ratings raised BRE's long-term rating from BBB+ to A- (the highest in the history of the Bank), the individual rating from D/E to D, and the support rating to the top level of 1. In June 2006, Moody's Investors Service changed BRE Bank's outlook of financial strength D- from stable to positive. In October 2006, Standard & Poor's raised BRE Bank's rating based on public information from BBpi to BBBpi.

The Supervisory Board made a very positive assessment of continued efforts of the Bank's Management Board and staff aimed at further growth of the Bank and its financial results. The strategy pursued consistently over the past two years supports a good outlook of further growth of the BRE Bank Group and its shareholder value in 2007 and onwards. The Supervisory Board also believes and trusts that the strategic initiatives undertaken at present, including mBank's expansion to the consumer finance market, launch of the insurance business, trans-border expansion to the Czech and Slovak market, will help to achieve this objective.

Maciej Leśny

Chairman of the Supervisory Board