

Letter of the President of the Management Board of BRE Bank SA to the Shareholders

Dear Shareholders,

We closed the year 2007 with the best financial result this decade. The consolidated profit before tax was PLN 954.5 million, up by 65.6% year on year.

The good results of 2007 were possible thanks to a significant, fast growing contribution of the retail banking business, which doubled its profit year on year, and the corporate and investment banking business, combined as of 2007 in one business line, Corporations and Financial Markets. The latter line made the greatest contribution to the profit of the Group, at 60.4% (PLN 576.7 million). The line comprises two business areas: Corporates and Institutions, and Trading and Investments.

Corporates and Institutions generated a profit before tax of PLN 444.8 million in 2007. This was possible thanks to dynamically growing corporate loans and deposits. BRE Bank's market share in corporate loans grew from 5.9% to 6.5% year on year while its market share in corporate deposits grew from 8.6% at the end of 2006 to 9.3% at the end of 2007. BRE Bank served 12,285 companies, including 7,631 SMEs at the end of 2007. We acquired 2.5 thousand new customers in 2007, of which 73% in the dynamically growing SME sector. Last year's results confirm that the restructuring initiative BREactivation and the new corporate banking business and operating model make real sense. Our strategy adopted at the turn of 2004 provided that corporate banking would remain the key business area and the main contributor of the Bank's income while SMEs, largest capital groups, corporations and large companies would be other targets group in this market segment.

The area of Trading and Investments generated a profit before tax of PLN 131.9 million in 2007, up by 7.9% year on year. The profit was mainly driven by fx transactions and issues of trading debt securities, as well as risk and liquidity management operations. It must be stressed that the strong result was achieved despite the postponement of planned one-off transactions. It should be remembered that the 2006 results included large one-off gains: dividends from PZU and Vectra, and the sale of Novitus shares.

The year 2007 was particularly successful for the Retail Banking and Private Banking Line. The profit before tax of mBank, MultiBank and Private Banking was PLN 227.5 million, contributing 24% to the profit of the Group. mBank and MultiBank had over 2 million customers, retail loans were PLN 13.1 billion, up by 59.6%. Retail customers' deposits were PLN 10.4 billion, up by 46.8%. mBank made the greatest contribution to the results of the Line: it generated a profit before tax of PLN 134.5 million in 2007. MultiBank, which crossed the break-even only 2 years ago, today contributes 36% of the Line's profit. In 2007, we were dynamically growing the branch network and introduced a new approach to organisation and management of sales. This means that BRE Bank Retail Banking generates high profits and uses them to finance dynamic growth.

On 26 November 2007, seven years after mBank's launch in Poland, we started operations in the Czech Republic and Slovakia. Our offer has been successful in both markets, as reflected in the fast growing number of customers (between the launch of the business and the end of February 2008, we acquired close to 750 customers per day in the Czech Republic and around 300 customers per day in Slovakia) and deposits. We are faced with another great challenge as we consider further expansion of mBank's business model to other markets of the European Union. I must emphasise that this is currently our key strategic initiative supported by BRE's strategic shareholder Commerzbank.

The Group's consolidated subsidiaries made an important contribution to BRE Bank's results in 2007. They generated a profit before tax of PLN 268.1 million in 2007, up by 30% year on year, although SAMH was no longer in the Group. The subsidiaries contributed 28% of the Group's profit. DI BRE generated the highest profit among all BRE Bank Group subsidiaries in 2007. It reported a profit before tax of PLN 53.9 million, which doubled year on year. The record performance was possible thanks to close co-operation with mBank and MultiBank and the institutional investors' growing confidence and increasingly active trading. Very good performance was also reported by BRE Leasing (profit before tax over PLN 49.9 million, up by 68.6% YoY), BRE Bank Hipoteczny (PLN 42.4 million, up by 5.5%), BRE.locum (profit before tax more than doubled YoY: PLN 47.4 million in 2007 v. PLN 18 million in 2006), and the Intermarket Group, joined in 2007 by S-Factoring d.d., Ljubljana. The Intermarket Group had a presence in 7 countries and operated from over 20 locations. It should be remembered that Polfactor is one of the Group's key companies. Polfactor generated a profit before tax of PLN 12.6 million in 2007, compared to PLN 11.5 million in 2006 (up by 9.6%). The retail banking offer is supported and complemented by the subsidiaries BRE Wealth Management (which is closing its first year in business), emFinanse and BRE Ubezpieczenia. BRE Wealth Management reported growth in assets under management by 92.3% to PLN 634.5 million at the end of 2007. BRE Ubezpieczenia should also be mentioned as it actively co-operates with mBank and MultiBank, as demonstrated by its improving sales results (490.7 thousand insurance policies with premiums written at PLN 313.2 million at the end of 2007).

Thanks to the achievements and financial results of the business areas, including the subsidiaries of the Group, the performance indicators of the Bank and the BRE Group improved significantly:

- The consolidated return on equity (ROE, before tax) was 35.9% compared to 26.9% in 2006, and the individual ROE was 32.8% compared to 20.3%;
- The consolidated cost/income ratio (C/I) was reduced to 55.5% compared to 63.7% in 2006, and the individual C/I was 54.3% compared to 65.8% in 2006.

Thanks to fast market expansion, the consolidated capital adequacy ratio was 10.16% at the end of 2007 compared to 10.39% in 2006 (Bank's individual ratio at 10.65% compared to 11.07 % in 2006). The ratio ensures safety of the business of the Bank and the Group and attests to effective use of the Shareholders' equity. In order to enable further dynamic market expansion of the Bank and the Group, taking account of our additional equity needs following the implementation of Basel 2, the Management Board of BRE Bank recommends to the Shareholders no dividend payment from last year's profit. The retention of the Bank's entire profit generated in 2007 will ensure fast and safe growth.

The year 2007 was another record period for BRE Bank's stock price on the Warsaw Stock Exchange. The stock price of BRE Bank rose by 47.2% in 2007, providing investors with the highest returns among all banks listed on the WSE. Meanwhile, the Warsaw Stock Exchange Index WIG gained 8.7%, the large-cap index WIG20 gained 3.2%, and the sector index WIG-Banks gained 10.8%. BRE Bank's stock price was the highest (PLN 600) on 17 October and the lowest (PLN 323) on 9 January.

The record performance of 2007 is another step in continuous improvement of our market position. Despite the currently more difficult situation on global markets and the expected slow-down in the USA and Western Europe, I expect that the BRE Bank Group will continue growing faster than the market. In 2008, we are planning further fast growth of the loans portfolio (by 34%), deposits (by 18.5%) and assets of the Group (by 21%). We are planning to acquire 400 thousand customers in the retail banking business and 1.1 thousand companies with a high income potential in corporate banking. The priority strategic initiatives in 2008 are related to mBank's expansion to new foreign markets and continued strengthening of the position in the Czech Republic and Slovakia. The 2008 plan provides for the development of savings products, including structured products, and continued expansion to the consumer finance market together with related expansion of the sales network. By the end of 2008, BRE Bank plans to open another 20 Corporate Offices. Network expansion is a part of the strategy providing for dynamic growth of the corporate customer base by 2009, especially SMEs.

Dear Shareholders,

In conclusion of the BRE Bank Group's achievements in 2007, I would like to thank our Shareholders for their trust and support for the company's organic growth through profit retention. I hope that you share my opinion that this serves further growth of the company's value.

I thank our Clients for their loyalty. I hope that you appreciate our mission and perceive BRE Bank as the best financial institution for demanding customers. We always use best efforts to pursue this mission.

On behalf of the Management Board, I would like to thank the Members of the Supervisory Board of the last term for their close co-operation and readiness to share their extensive business experience with us.

The term of the BRE Bank Management Board ends on the day of the General Meeting held to approve the 2007 results. We hope that we have fulfilled your expectations and that you make a positive assessment of our efforts over the past years.

Finally, I want to thank the Employees of the Bank and the subsidiaries for their efforts, dedication and commitment over this past year: without you, we would not have achieved these great results. Now we look forward to another year and the challenges of the coming months. We have demonstrated in the past years that we can work as a team and cross the limits, unafraid of many a challenge.

In 2008, once again, we will do our best to meet the challenges.

Yours faithfully,

Sławomir Lachowski

President of the BRE Bank Management Board