



**BRE BANK SA**

# **BRE Bank Group Results Q1-4 2006**

The best financial results  
of the decade

*BRE Bank SA Management Board*

*Presentation for Investors and Analysts  
31 January 2007*

[ THE BEST FINANCIAL INSTITUTION  
FOR DEMANDING CUSTOMERS ]



## ***Introduction***

Summary of Q1-4 2006 Results

## ***BRE Bank's Results, Q1-4 2006***

Business Line Results and Highlights

Analysis of Financial Results, Q1-4 2006

Management Board's 2006 Profit Distribution Recommendation

## ***Outlook for 2007***

Business Lines Growth Outlook

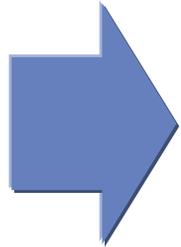
Financial Targets

## ***Appendix***

Detailed Results of Business Lines, Q4 2006

Additional Information: Selected Financial Data

Macroeconomics



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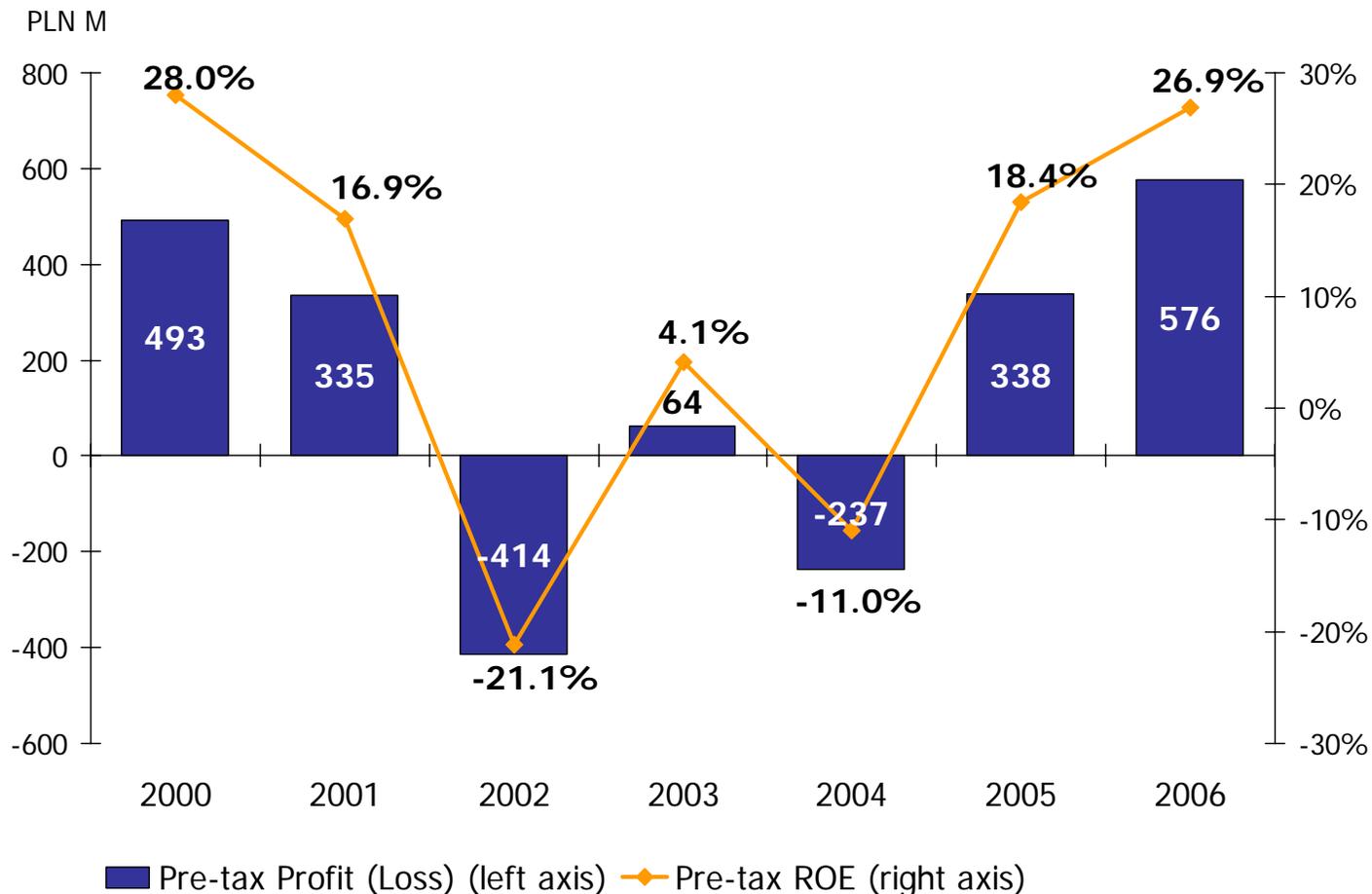
Macroeconomics

# Summary of Q1-4 2006 Results

The best financial results of the decade



## BRE Bank Group's Pre-tax Profit (Loss) and Pre-tax ROE



# Summary of Q1-4 2006 Results

Performance of BRE Bank Group's 2006 Financial Targets (1/2)



## *BRE Bank Group's Financial Targets Were Exceeded*

		<i>Targets 2006</i>		<i>Actual 2006</i>
<b>Pre-tax Profit</b>		<b>PLN 490 M</b>		<b>PLN 576.4 M</b>
<b>Pre-tax ROE</b>		<b>23%</b>		<b>26.9%</b>
<b>Capital Adequacy</b>		<b>ca. 10%</b>		<b>10.4%</b>
<b>C/I</b>		<b>66%</b>		<b>63.7%</b>

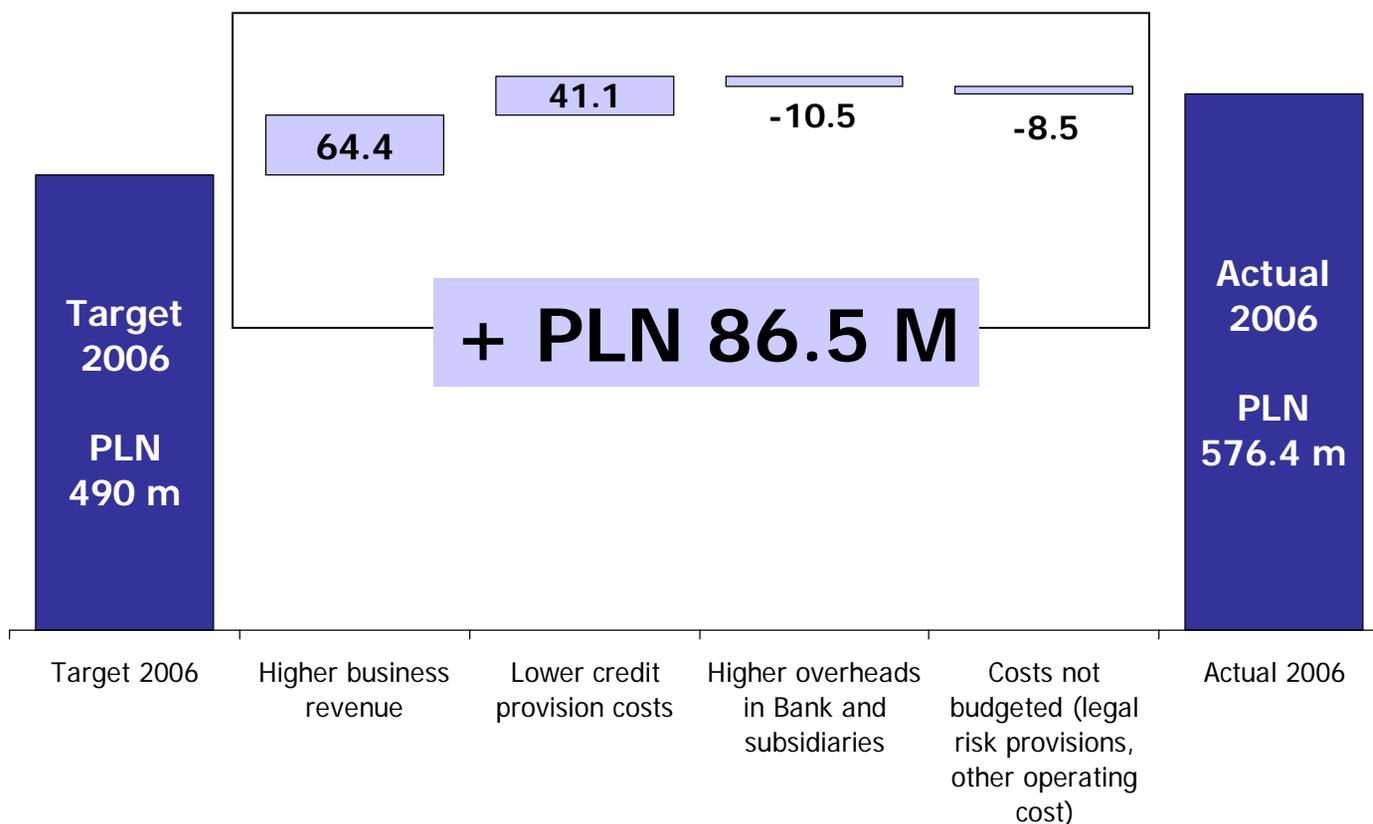
*All presented financial data for the BRE Bank Group, unless indicated otherwise  
They concern both continued and discontinued activity*

# Summary of Q1-4 2006 Results

Performance of BRE Bank Group's 2006 Financial Targets (2/2)

## *BRE Bank Group's Financial Targets Were Exceeded*

### Explanation of the Actual vs. Target Difference



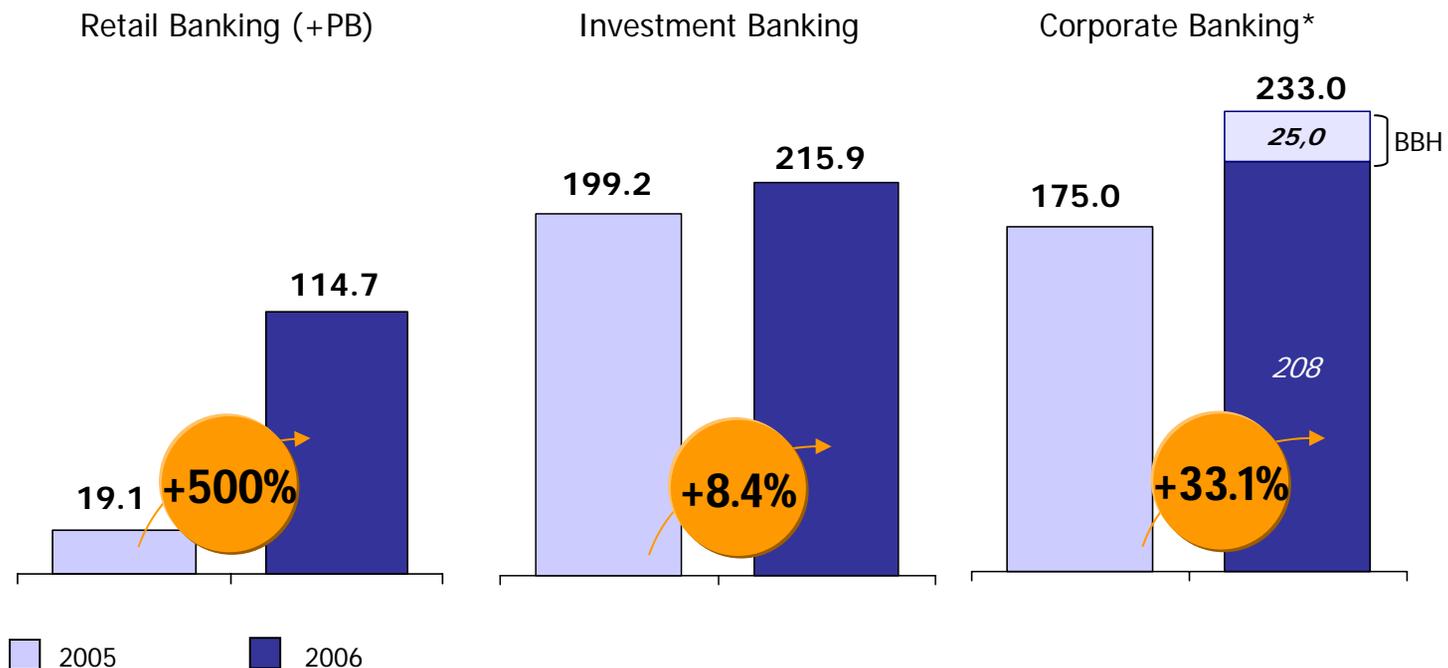
# Summary of Q1-4 2006 Results

Business Line Results and Highlights, Q1-4 2006:  
Pre-tax Profit by Business Line



## *All Business Lines Reported YoY Growth in Profits*

Pre-tax Profit by Business Line, Q1-4 2006 v. Q1-4 2005  
(PLN M)



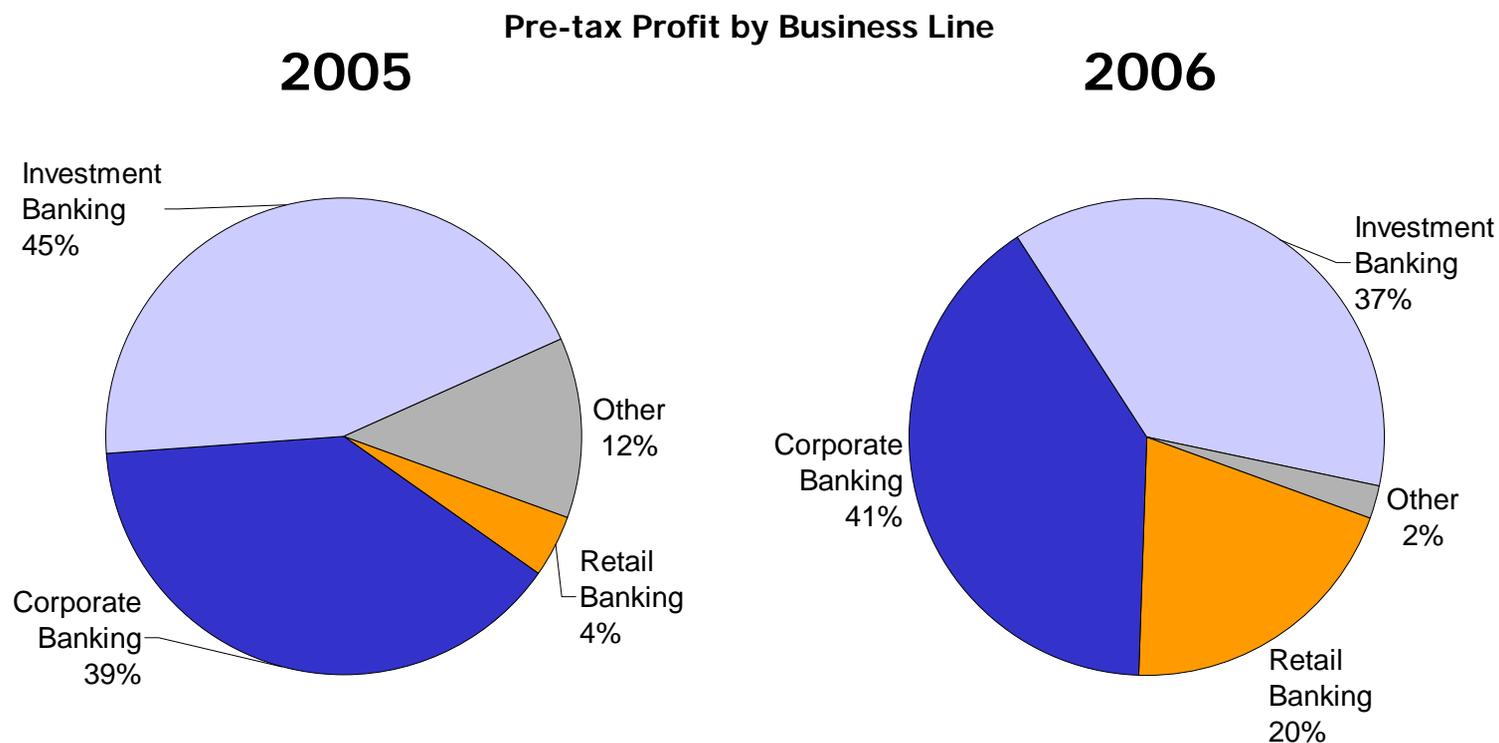
\* The pre-tax profit of the Corporate Banking Line was PLN 233 M (up 33% YoY) including BBH's profit and internal costs, and PLN 208 M (up 18.7% YoY) net of BBH's profit

# Summary of Q1-4 2006 Results

Business Line Results and Highlights, Q1-4 2006:  
Pre-tax Profit by Business Line



***BREactivation brings in expected results in Corporate Banking  
Growing Contribution of Retail Banking to the Group's Profits***

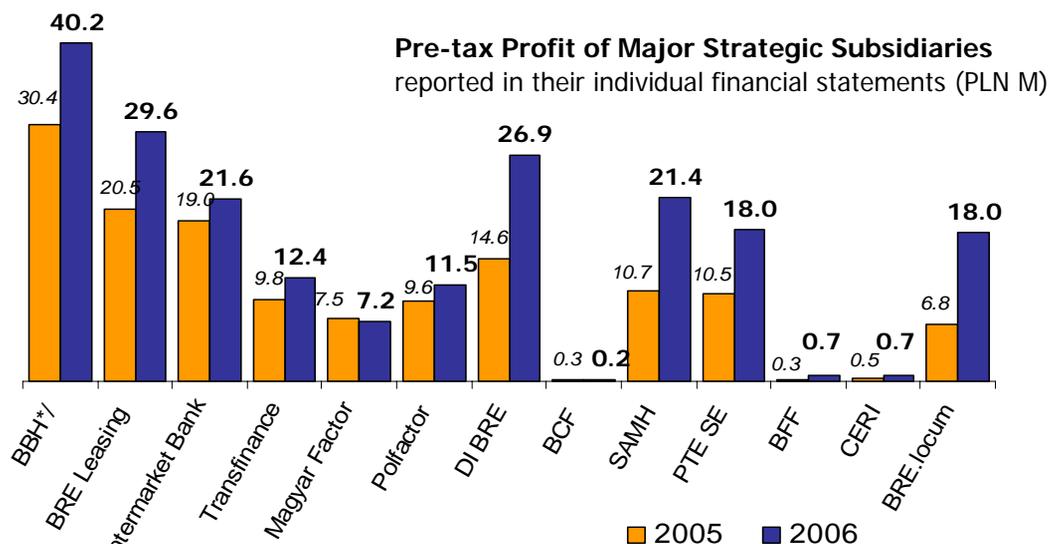


*'Other' includes discontinued activity*

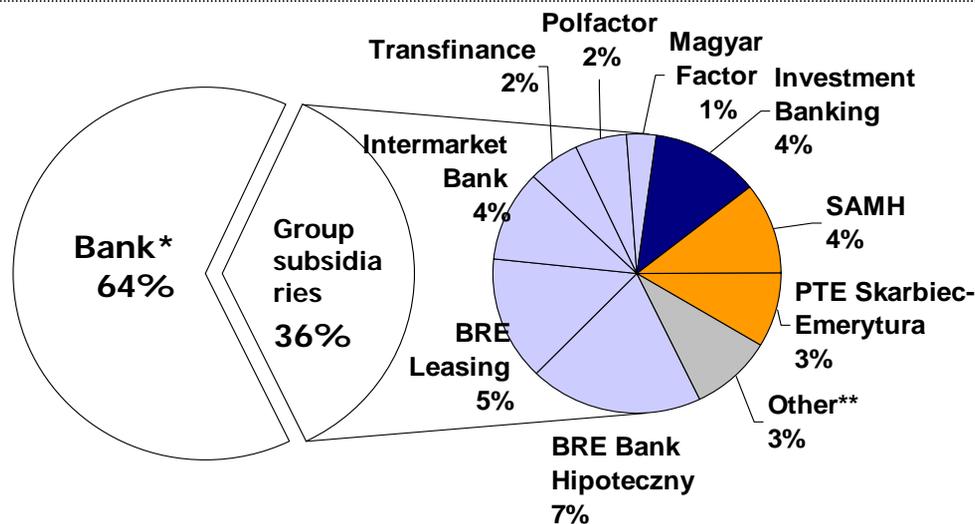
# Business Line Results and Highlights, Q1-4 2006

Good Profits of Strategic Subsidiaries

**Pre-tax profit of subsidiaries grew 50% year on year**



According to individual financial statements



## Contribution of the BRE Bank Group Subsidiaries to the Pre-tax Profit

\* The Bank's pre-tax profit net of consolidation adjustments

\*\* Other includes: BRE.locum, CERI

\*\*\* The Investment Banking Line includes: DI BRE, BRE Corporate Finance, BRE Finance France, Tele-Tech Investment, Garbary

Subsidiaries:

Corporate Banking

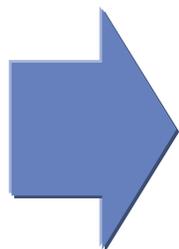
Investment Banking

Asset Management



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### **BREactivation generates expected results**

*Growing share  
of SME  
in the structure  
of deposit  
and credit action*



### **Growing customer base**

*The Bank acquired  
**2,552 new**  
corporate customers in 2006  
(up 33% YoY)\**

*K2 customer base up by  
338 companies net (up 11% YoY)*

*K3 customer base up by  
1,048 companies net  
(up 18% YoY)*

### **Growing profitability**

*Pre-tax profit PLN 233 M*

***2006 pre-tax profit up by a third YoY***

### **Good Performance of the Subsidiaries in 2006**

*Subsidiaries contributed 41%  
of the Corporate Banking's profit*

*Major contribution from BBH,  
BRE Leasing and Intermarket Bank*

*\*gross*

# Business Line Results and Highlights, Q1-4 2006

Corporate Banking:  
Customers



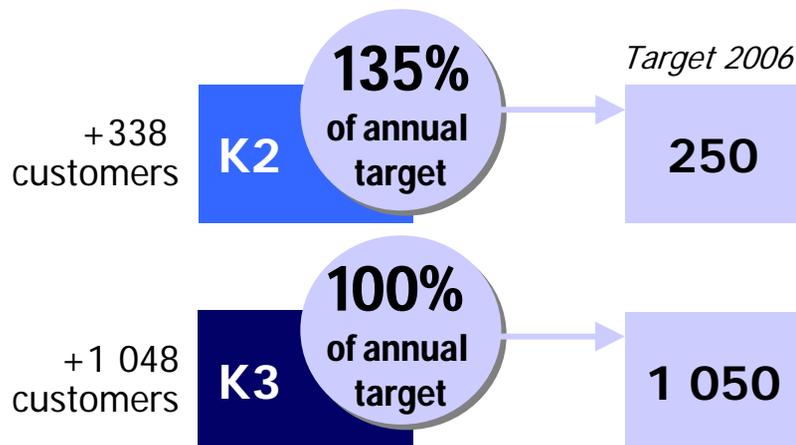
*To grow the base of corporate customers with a high profit potential by 1.3 thou.*

**Target 2006 achieved**

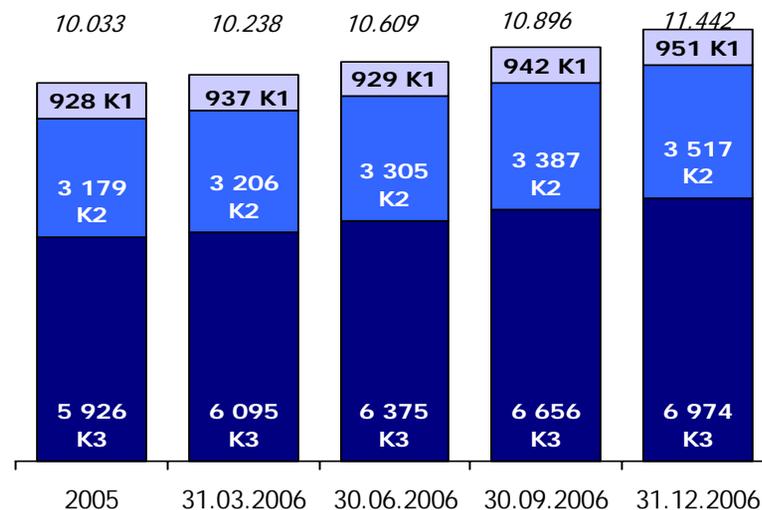
*To grow the contribution of the income realised in serving SME customers to the Corporate Banking income up to 20%*

**Target 2006 achieved**

2006 Customer Acquisition Target and Actual (Net\*)



Corporate Customers Number and Structure 2005 v Q1-4 2006



\* 1,409 new customers acquired year to date, including 546 corporate customers in Q4 alone

# Business Line Results and Highlights, Q1-4 2006

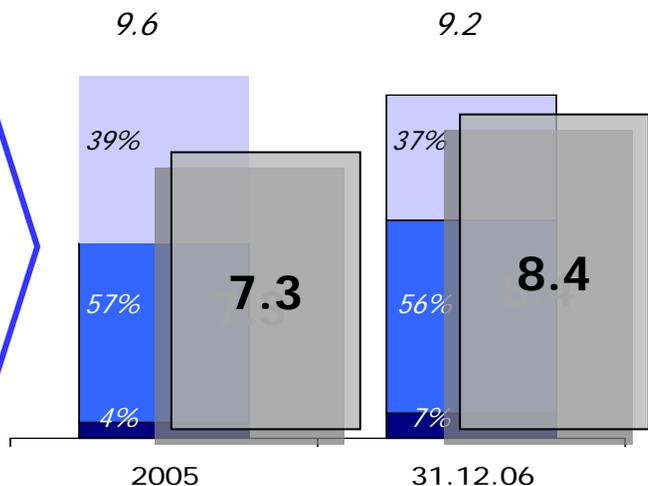
## Corporate Banking: Growth in Loans and Deposits



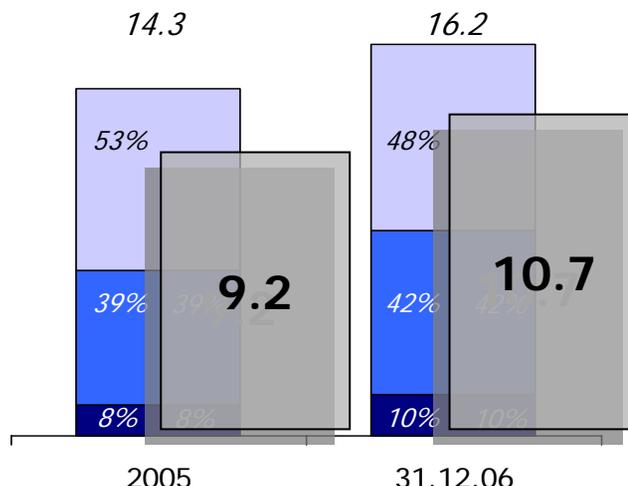
**BRE Bank Corporate Customers Loans (PLN B)**

**BRE Bank Corporate Customers Deposits (PLN B)**

**5.9%**  
share  
in loans to  
enterprises



**8.6%**  
Share  
in deposits  
of  
enterprises



- **Lending to companies\*\* up 15% in 2006**
- **Loans granted to corporate customers\* (including enterprises) at the end of December 2006 were PLN 9.2 B, down PLN 400 M YoY (repayment of PLN 1.1 B by a public entity)**
- **Deposits\*\*\* were up 13% YoY; deposits of enterprises\*\* were up 16.2%**

K1

K2

K3

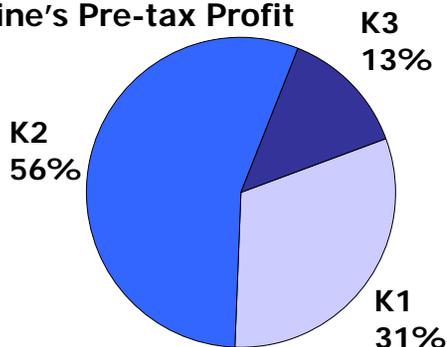
corporates

\* enterprises including the public sector, syndicated loans and project finance  
 \*\* receivables/amounts due to enterprises and State companies, private companies and co-operatives  
 \*\*\* enterprises and the public sector

# Business Line Results and Highlights, Q1-4 2006

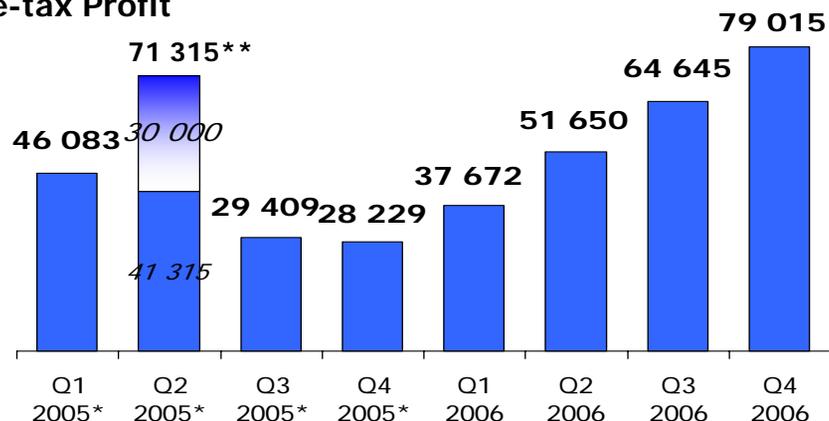
## Analysis: Net Interest Income and Pre-tax Profit of Corporate Banking

### Contribution of Corporate Customer Segments to the Line's Pre-tax Profit



assuming that  $K1+K2+K3=100\%$

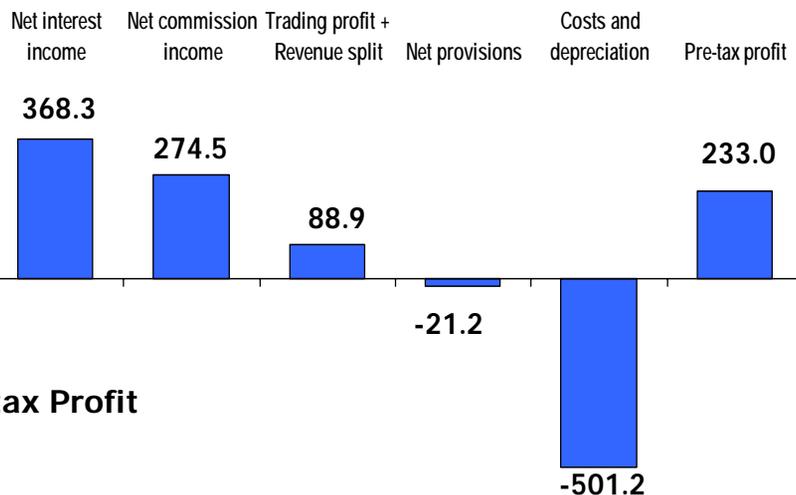
### Line's Pre-tax Profit (PLN'000)



\* Q1-4 2005 data based on Q1-4 2006 quarterly reports \*\* PLN 30 M of repaid loss loans

### The best quarter in 2006 by the Line's profitability

- PLN 233 M pre-tax profit in Q1-4 2006 (up 33% YoY and up 22% QoQ)
- 41% of the Line's pre-tax profit<sup>1)</sup> in Q1-4 2006 generated by subsidiaries, dominant contribution of BBH, BRE Leasing and Intermarket
- Corporate Banking subsidiaries in Q4 2006 reported further increase in the net interest income (PLN 42 M) and the net commission income (PLN 26 M)



### Line's Pre-tax Profit Structure (PLN M)

<sup>1)</sup> including cost of finance and consolidation adjustments



### Record high profitability

*Pre-tax profit  
PLN 115 M in 2006*

*80% of the line's profit  
generated in H2 2006*

### Successful launch of co-branded cards

*Promising results in the short period of sales:*

*3,742 issued Orange co-branded cards  
2,729 issued G+J co-branded cards*

### Market expansion

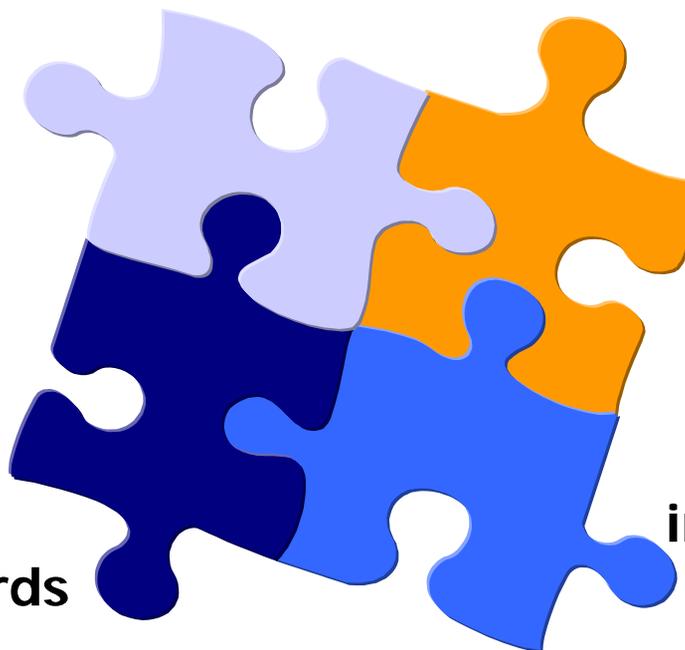
***YoY growth:***

- Customer base up 25%,*
- Deposits up 39%,*
- Loans up 105%*

### Leader in mortgage loans

***Third** largest provider  
of mortgage loans in 2006  
with a market share of ca. 11%*

*Mortgage loans portfolio  
doubled YoY*

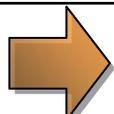
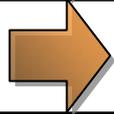
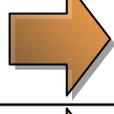
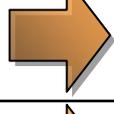
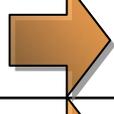


# Business Line Results and Highlights, Q1-4 2006

## Retail and Private Banking: Summary



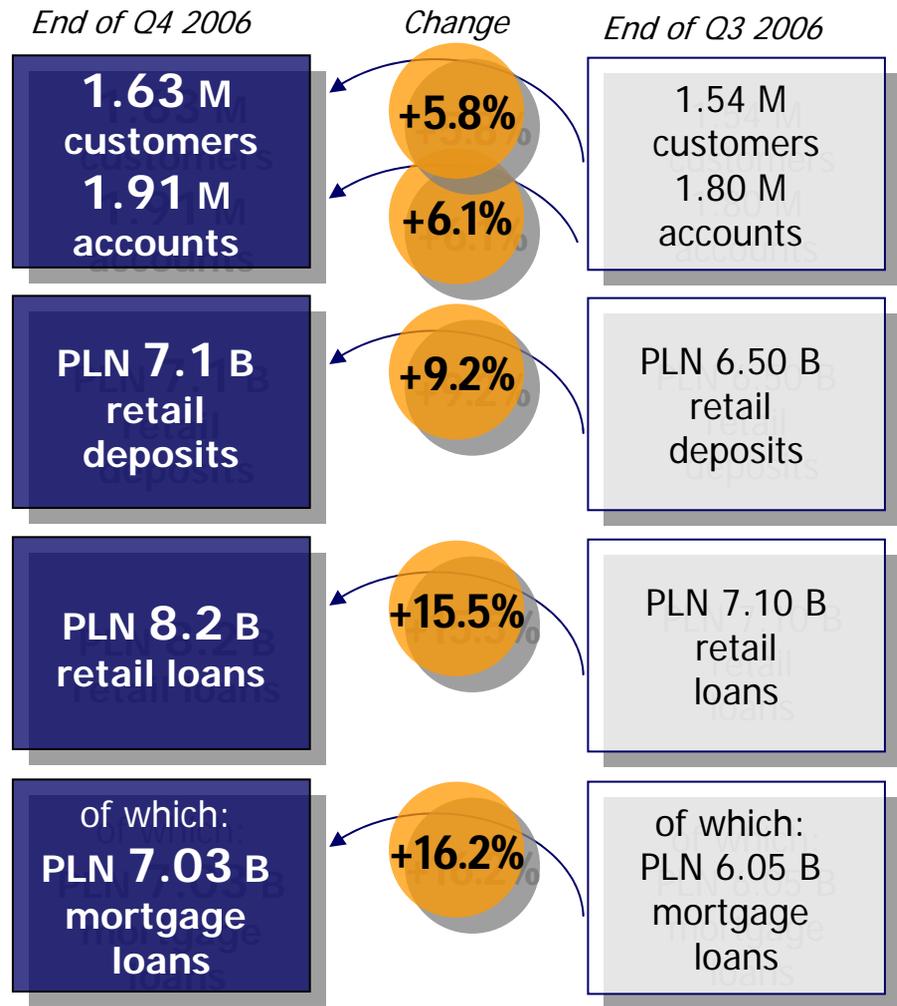
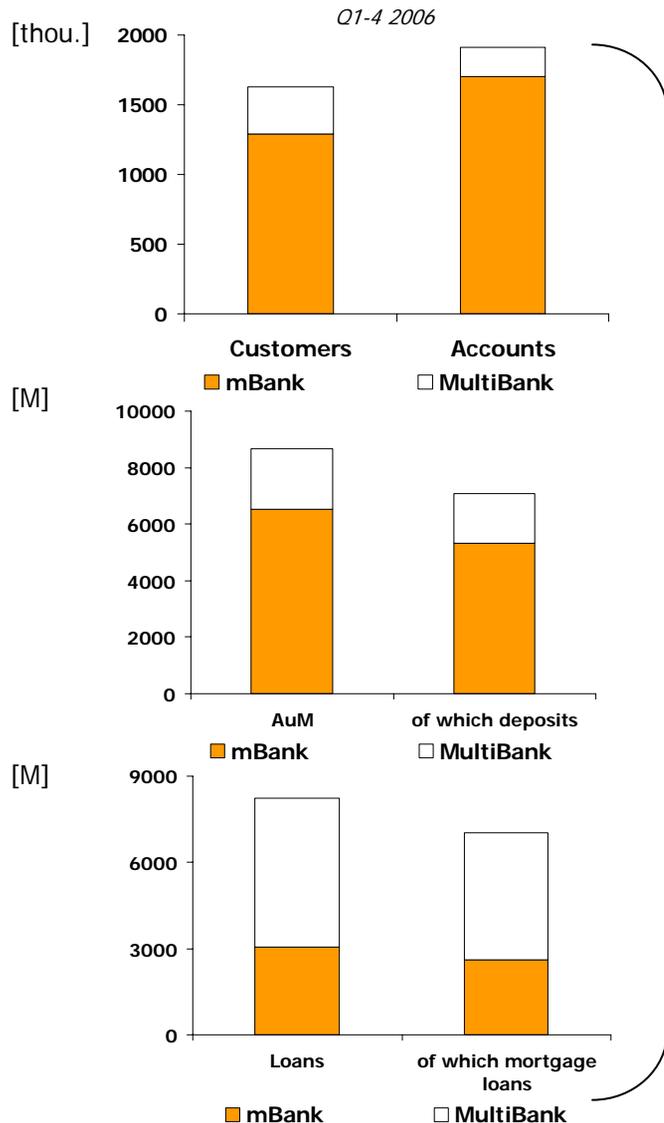
### Execution of the business targets in 2006

	2005	Target 2006		Actual 2006	
mBank + Multibank	<b>Customers</b>	1.3 M	>1.6 M		<b>1.63 M</b>
	<b>- microenterpr.</b>	143 thou.	+30 thou.		<b>+42.9 thou.</b>
	<b>Loans</b>	PLN 4.0 B	PLN 6.5 B		<b>PLN 8.2 B</b>
	<b>of which mortgage loans</b>	PLN 3.3 B	PLN 5.1 B		<b>PLN 7.03 B</b>
	<b>Deposits</b>	PLN 5.1 B	> PLN 6.7 B		<b>PLN 7.1 B</b>
Private Banking	<b>Assets under management*</b>	PLN 3.7 B	+12%		<b>+20.8%</b>
	<b>Loans</b>	PLN 298 M	+25%		<b>+56.3%</b>
	<b>Deposits</b>	PLN 2.2 B	+25%		<b>+0.4%</b>

\*including depositss, asset management and financial market products

# Business Line Results and Highlights, Q1-4 2006

## Retail Banking: Summary



# Business Line Results and Highlights, Q1-4 2006

## Retail Banking: Summary

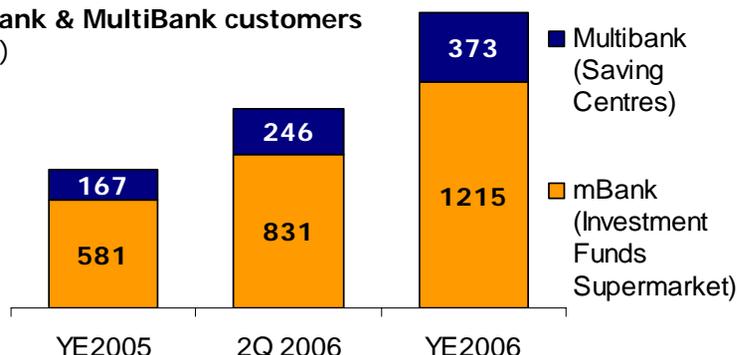


### A success of the open architecture in Retail and Private Banking

#### mBank & MultiBank

- *Assets invested in investment funds by mBank & MultiBank customers was up 112% in 2006, considerably higher than the growth of the entire market (62%)*
- *As a result the share of BRE Bank's Retail in the investment funds market grew from 1.2% in 2005 to 1.6% at the end of 2006*
- *Total income on the sales of funds was 9.7 M in 2006 (9.5% of the total fee and commission income)*

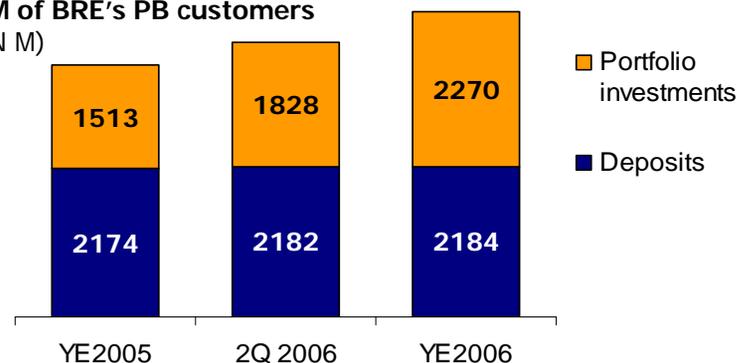
Assets invested in investment funds by mBank & MultiBank customers (PLN M)



#### Private Banking

- *Dynamic growth of portfolio investments of PB customers: 50% in 2006*
- *At the end of 2006, for the first time in BRE's history, the value of portfolio investments exceeded 50% of total AuM*

AuM of BRE's PB customers (PLN M)



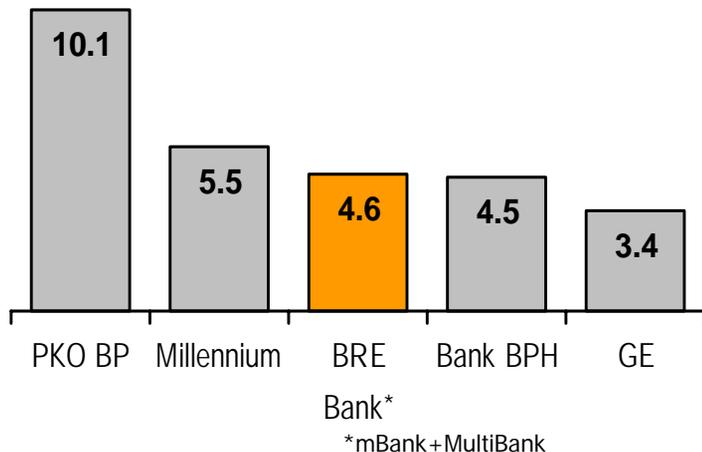
# Business Line Results and Highlights, Q1-4 2006

## Retail Banking: Summary

### Mortgage Loans



**Mortgage Loans: Market Leaders**  
by sales (PLN M)

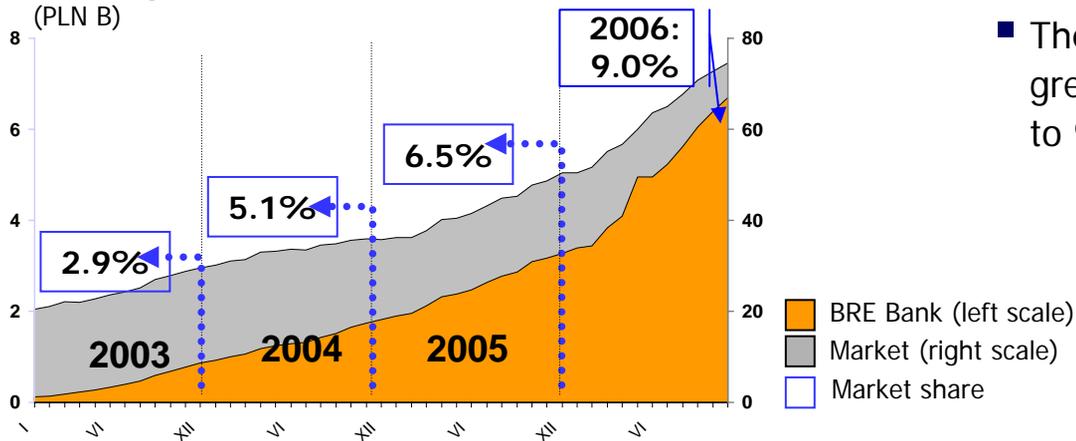


***BRE Bank:  
a top market leader  
in sales  
of mortgage loans***

- According to preliminary figures (*Rzeczpospolita*, 17.01.2007), BRE Bank ranked third by mortgage loans granted in 2006, with a market share of ca. 11%

### Housing Loans

(PLN B)

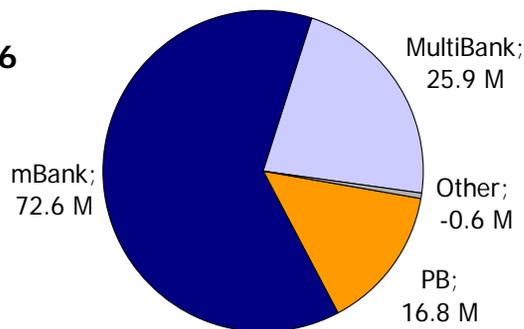


- The market share in housing loans grew from 6.5% in 2005 to 9.0% in 2006

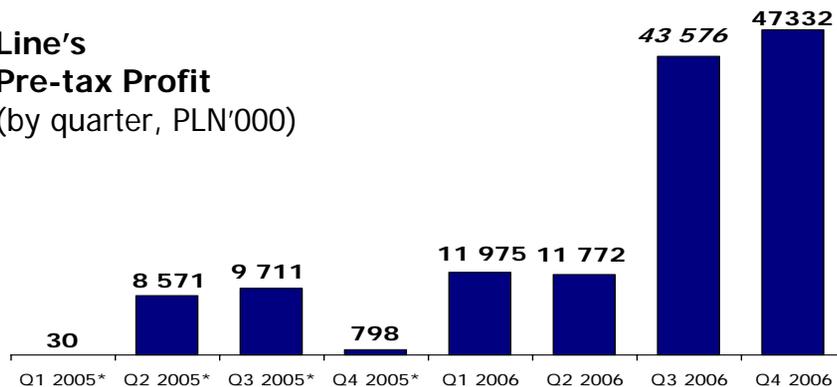
# Business Line Results and Highlights, Q1-4 2006

## Analysis: Financial Results of Retail Banking (+PB)

**Retail Banking  
Pre-Tax Profit  
Structure in 2006  
(PLN)**

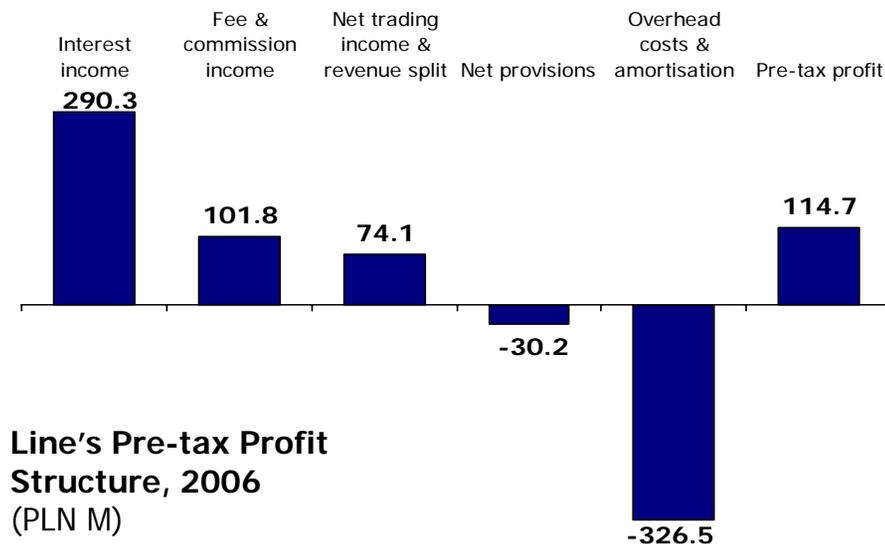


**Line's  
Pre-tax Profit  
(by quarter, PLN'000)**



\* Q1-4 2005 data based on Q1-4 2006 quarterly reports

- Profitability up sharply:**  
*pre-tax profit at PLN 114.7 M in Q1-4 2006*  
*v. PLN 19.1 M in Q1-4 2005*
- Profitability growing particularly fast in H2 2006**  
*(pre-tax profit at PLN 90.9 M)*  
*– nearly 80% of the annual profit*  
*(PLN 47.3 M in Q4 2006 alone)*
- The sharp growth was largely helped**  
*by a dynamic increase of the loans portfolio,*  
*mainly mortgage loans*  
*(up by more than 99.2% or PLN 4.5 B YoY)*
- Costs up (33% YoY) due to**  
*branch network expansion*





### Another record high result of the Line

*Investment Banking pre-tax profit was PLN 215.9 M in Q1-4 2006 (up 8.4% YoY)*

*Above-average fx result and profit on fx financial instruments*

*Good profit of DI BRE, up 84.1% YoY*

### Continued Reduction of the Proprietary Investments Portfolio

*Proprietary investments portfolio down by 26.1% (at cost) year on year*

### Growing share of recurring transactions

*57.4% of the Investment Banking trading profit originates from transactions with customers*

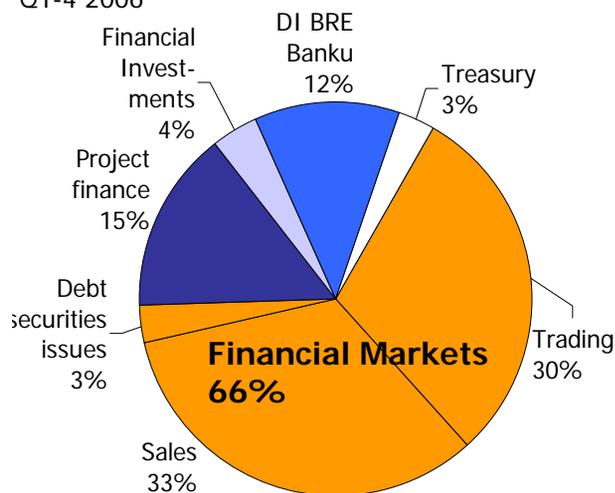




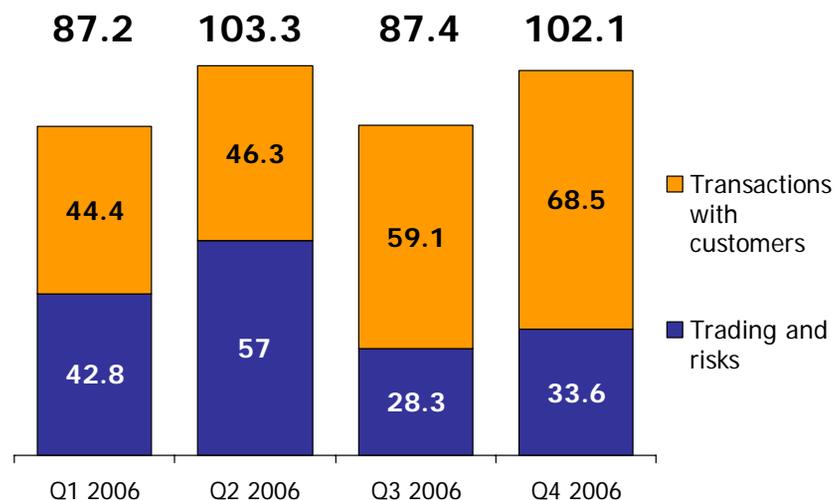
### High Share of Recurring Transactions

**Investment Banking Line's Pre-tax Profit Structure**

Q1-4 2006



**BRE Bank's Trading Profit Structure Customer v. Proprietary Transactions**  
(PLN M)



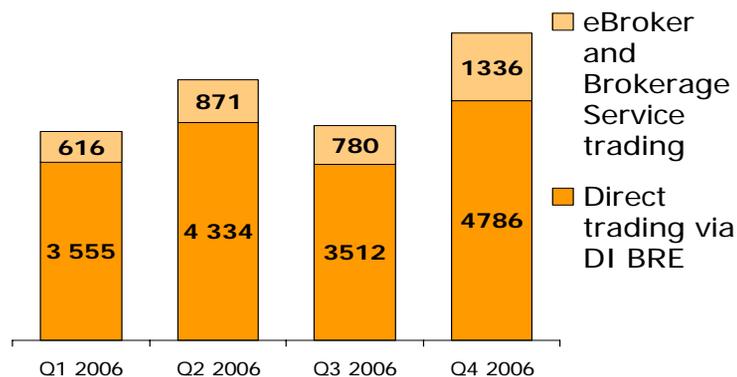
- *Growing share of recurring transactions: transactions with customers, debt securities issues, project finance, Treasury, and DI BRE*
- *2/3 of the Investment Banking profit contributed by the trading profit, mainly generated by BRE Bank; 57.4% of the trading profit in 2006 generated by transactions with customers*
- *A vast majority of the trading volume realised as a market maker*

# Business Line Results and Highlights, Q1-4 2006

## Investment Banking: Dom Inwestycyjny BRE Banku (DI BRE)

- *DI BRE pre-tax profit at PLN 26.9 M in 2006 (up 84.1% YoY)*
- *DI BRE equities trading at PLN 19.8 B in 2006*
- *DI BRE position in equities trading up from 4.1% in 2005 to 6.1% in 2006*
- *DI BRE customer base continued to grow: 59.5 thou. accounts*

**DI BRE Equities Trading in 2006**  
PLN M



### DI BRE Accounts (thou.)

DI BRE accounts	20.7
eBroker (mBank)	34.4
Brokerage Service (MultiBank)	4.4
<b>TOTAL</b>	<b>59.5</b>

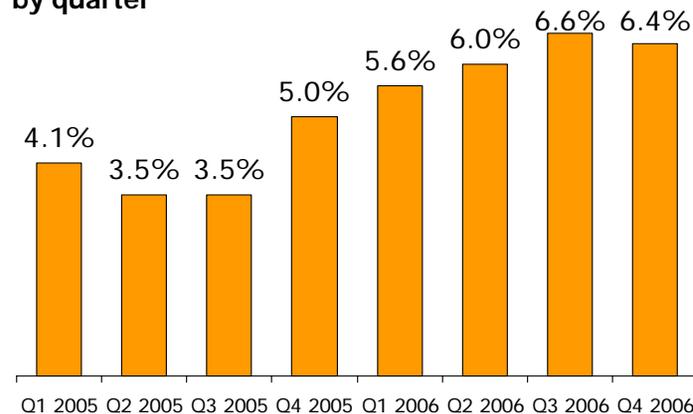
### DI BRE Market Share

Q1-4 2006, in trading \*

Equities	6.1 %	#7
Bonds	3.0 %	#6
Futures	13.4 %	#2
Options	35.9 %	#1

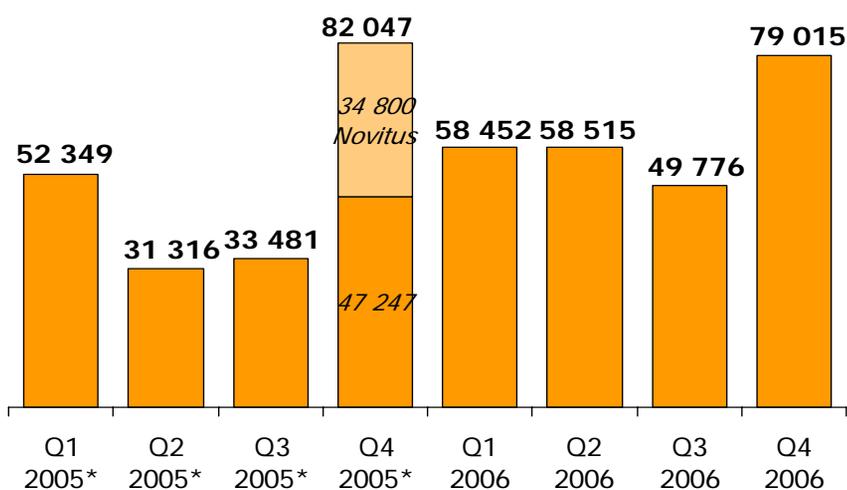
\* Calculations based on data from WSE, DI, PBD

### DI BRE Share in WSE Equities Trading by quarter



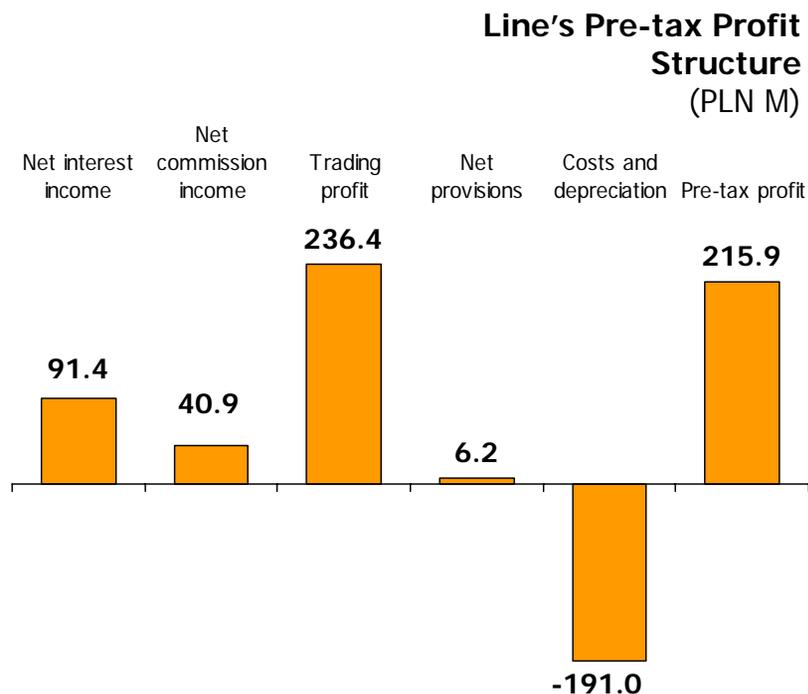
# Business Line Results and Highlights, Q1-4 2006

## Analysis: Financial Results of Investment Banking



**Line's Pre-tax Profit**  
(by quarter, PLN '000)

- **Line's pre-tax profit at PLN 215.9 M in Q1-4 2006** (up 8.4% YoY)
- Above-average fx profit and profit on fx financial instruments were realised in 2006 thanks to positive trends in the fx market
- **DI BRE net commission income up** by more than 70% YoY
- The lower net interest income was mainly due to a lower income from debt securities

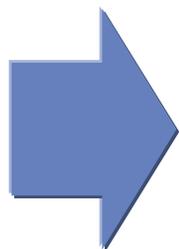


\* Q1-4 2005 data based on Q1-4 2006 quarterly reports



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# Analysis of Results, Q1-4 2006



Q1-4 2006 (PLN M)		YoY		QoQ ***	
Total income*	1 712.8	+26.2%	↑	+10.8%	↑
Total costs	(1 090.4)	+16.0%	↑	+10.9%	↑
Operating income**	622.4	+49.2%	↑	+10.6%	↑
Net provisions	(46.0)	-41.7%	↓	-22.2%	↓
Pre-tax profit	576.4	+70.5%	↑	+12.2%	↑
Net profit	421.3	+70.2%	↑	-8.3%	↓

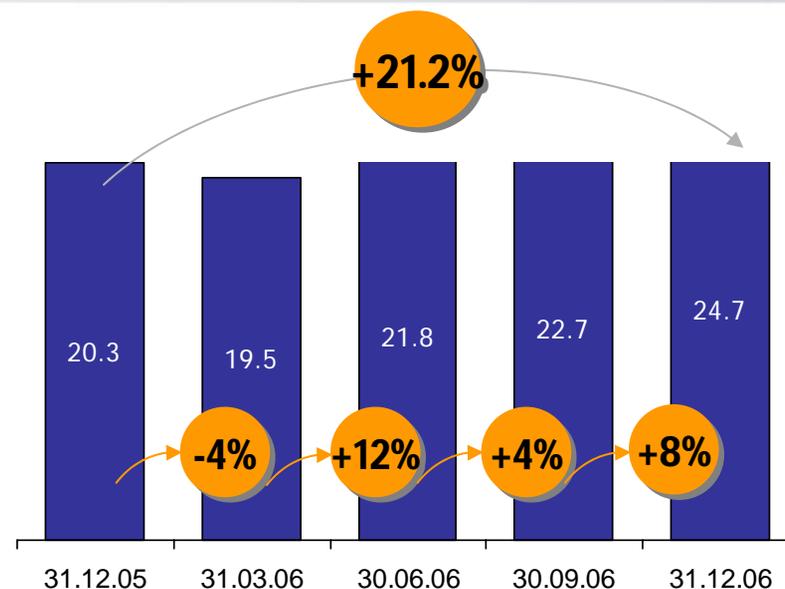
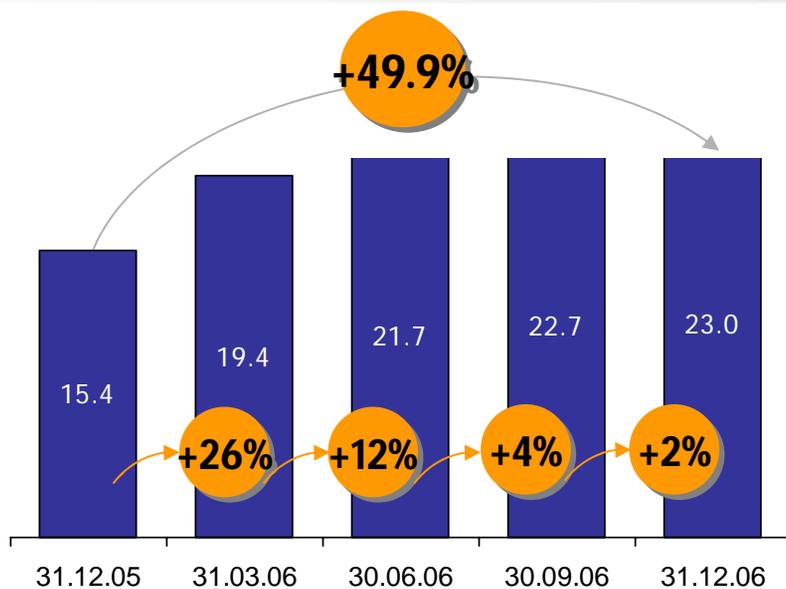
\* incl. net other operating income and costs

\*\* Before provisions

\*\* Q4 2006 v. Q3 2006

# Analysis of Results, Q1-4 2006

## Loans and Deposits



### Loans:

- Loans portfolio up 49.9% YoY (including the consolidation of BBH; up 34.3% YoY without BBH)
- Balance-sheet loans portfolio up modestly QoQ in Q4 2006 (several large loans repaid in Q4 2006)
- **Loans portfolio up YoY much more sharply than the market** (market up 23.4% YoY), mainly due to expansion of mortgage loans and upturn in corporate loans

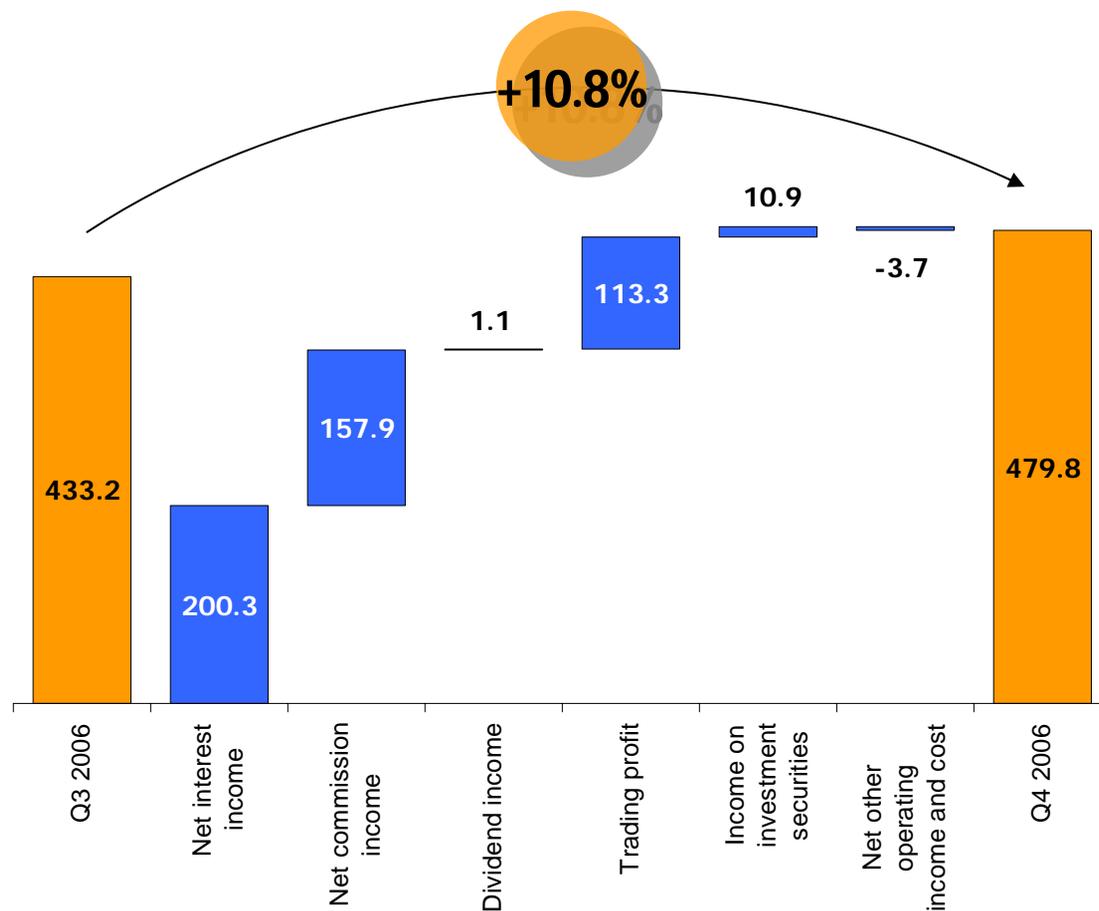
### Deposits:

- Deposits up more sharply than the market YoY (BRE Bank: up 21% v. sector up 15%), and QoQ (BRE Bank: up 8% v. sector up 6.2%)
- Retail deposits up 21% YoY and 9.2% QoQ

# Analysis of Results, Q1-4 2006

Income – still in the upward trend

**BRE Bank Group Income**  
Q4 2006 v. Q3 2006  
PLN M



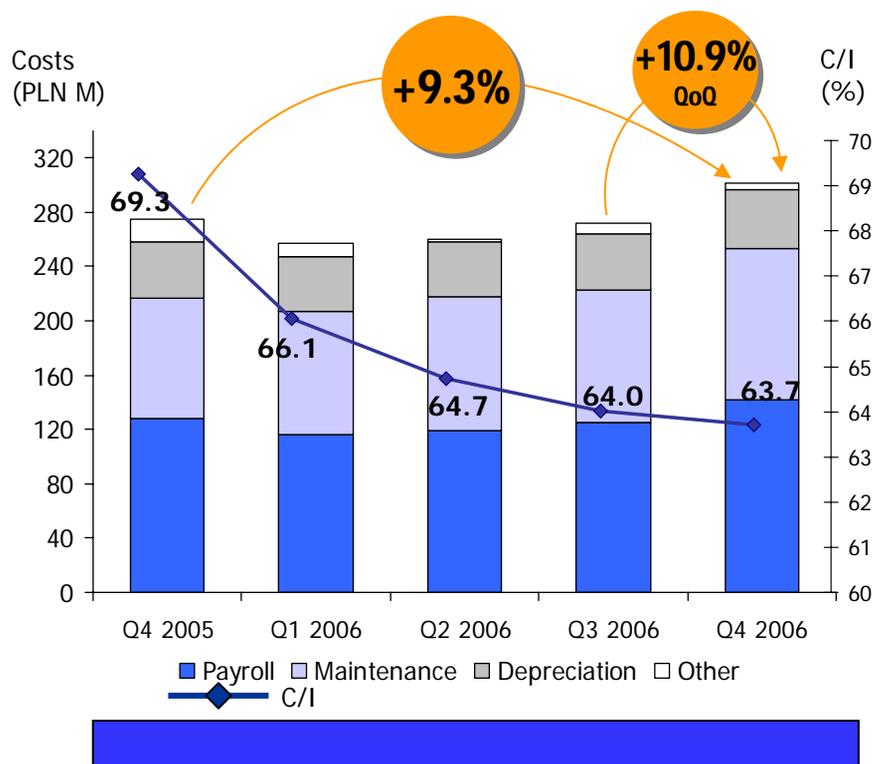
- *Net interest income remained the largest P&L item: PLN 200.3 M in Q4 2006 v. PLN 194.9 M in Q3 2006 (up 2.8% QoQ)*
- *Net commission income remained the second largest P&L item, up 21.4% QoQ*
- *Trading profit remained the third largest P&L item, up 24.7% QoQ*

# Analysis of Results, Q1-4 2006

## Costs under control



**BRE Bank Group Overhead Cost  
(+Amortisation/Depreciation)  
by Quarter**



2005 costs based on 2006 quarterly reports

**C/I down to 63.7%  
in Q4 2006,  
below the 2006 target (66%)**

- Overheads up 12% QoQ to PLN 257.4 M in Q4 2006
- Depreciation stable, up 4.7% QoQ
- YoY growth in costs in Q1-4 2006 due to:
  - Consolidation of BRE Bank Hipoteczny
  - Expansion of retail banking and the branch network
  - Growing lending, leasing, and brokerage business
  - Bonus provisions (Bank): PLN 91.01 M in Q1-4 2006, of which PLN 26.76 M in Q4 2006
  - Amortisation/depreciation up 19.3% YoY due to the implementation of IT systems, both at the Bank and the Group subsidiaries

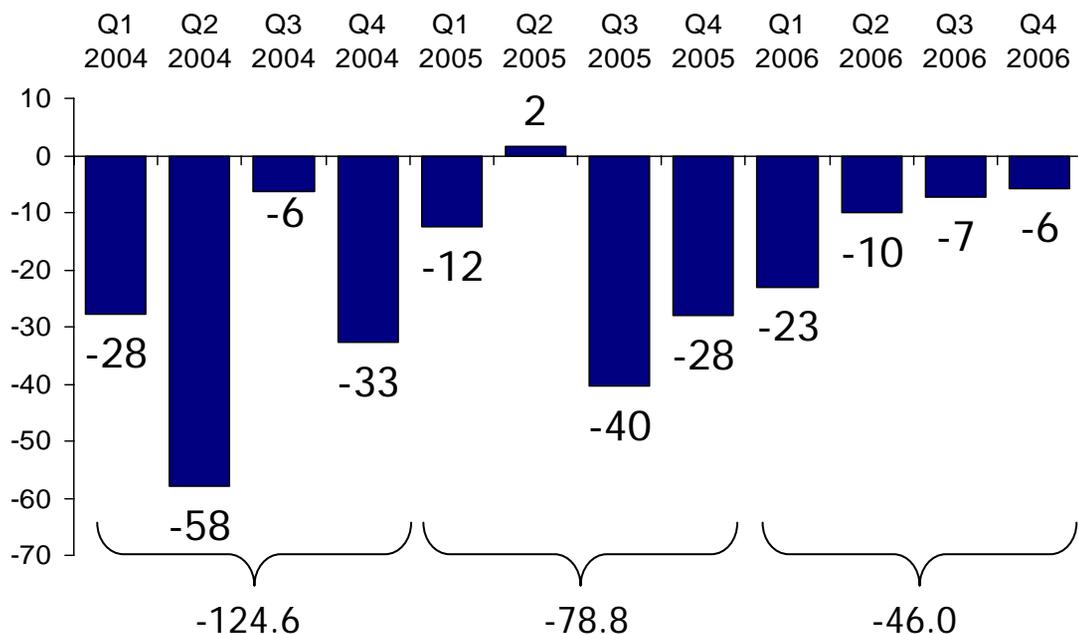
# Analysis of Results, Q1-4 2006

## Credit Provisions

***Sustained high quality of the risk portfolio, resulting in relatively low costs of loan impairment charged to the Group's P&L***

### Net\* Impairment of Credits and Loans

(consolidated figures, PLN M)



BRE's NPLs by quarter (individual figures, %)

2004				2005				2006			
15.7	15.0	13.3	11.7	11.8	10.8	9.2	8.5	7.2	5.9	5.6	5.5

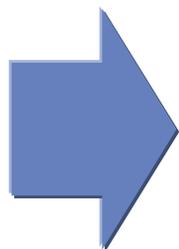
\*2004 data based on 2005 quarterly reports

- *Net impairment of credits and loans at PLN 5.8 M in Q4 2006 (including PLN 0.5 M at BRE Bank)*
- *Major factors improving credit provisions:*
  - *On-going improving financial standing of Bank customers*
  - *Repayment of default loans*
  - *Lower probability of default (PD) throughout the year*



## *Introduction*

Summary of Q1-4 2006 Results



## ***BRE Bank's Results, Q1-4 2006***

Business Line Results and Highlights

Analysis of Financial Results, Q1-4 2006

**Management Board's 2006 Profit Distribution Recommendation**

## *Outlook for 2007*

Business Lines Growth Outlook

Financial Targets

## *Appendix*

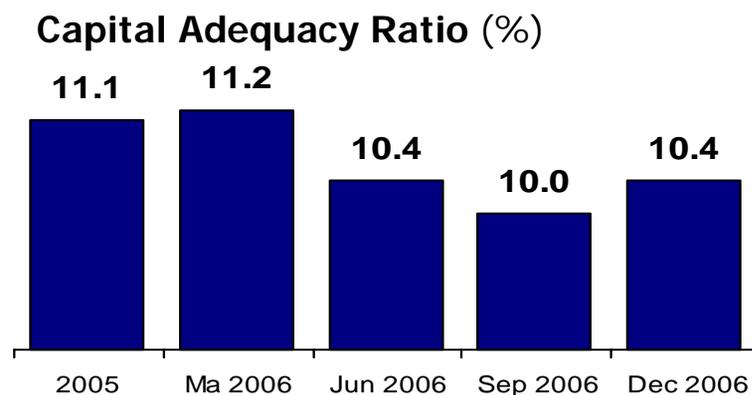
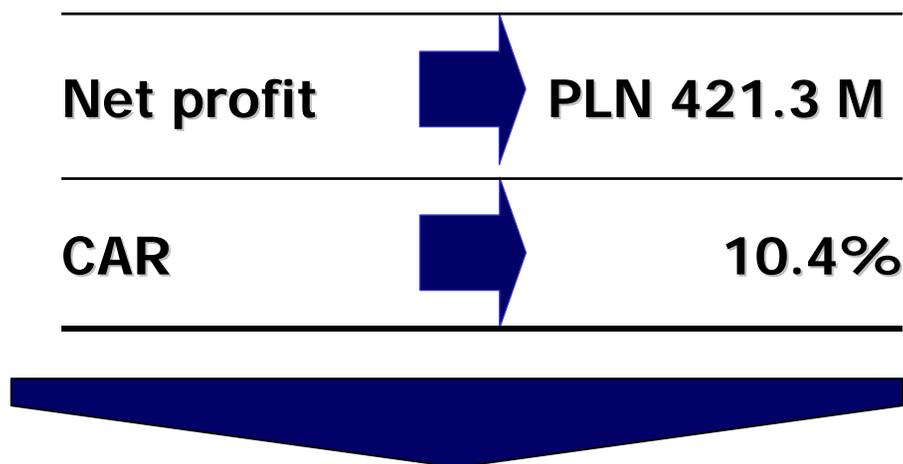
Detailed Results of Business Lines, Q4 2006

Additional Information: Selected Financial Data

Macroeconomics

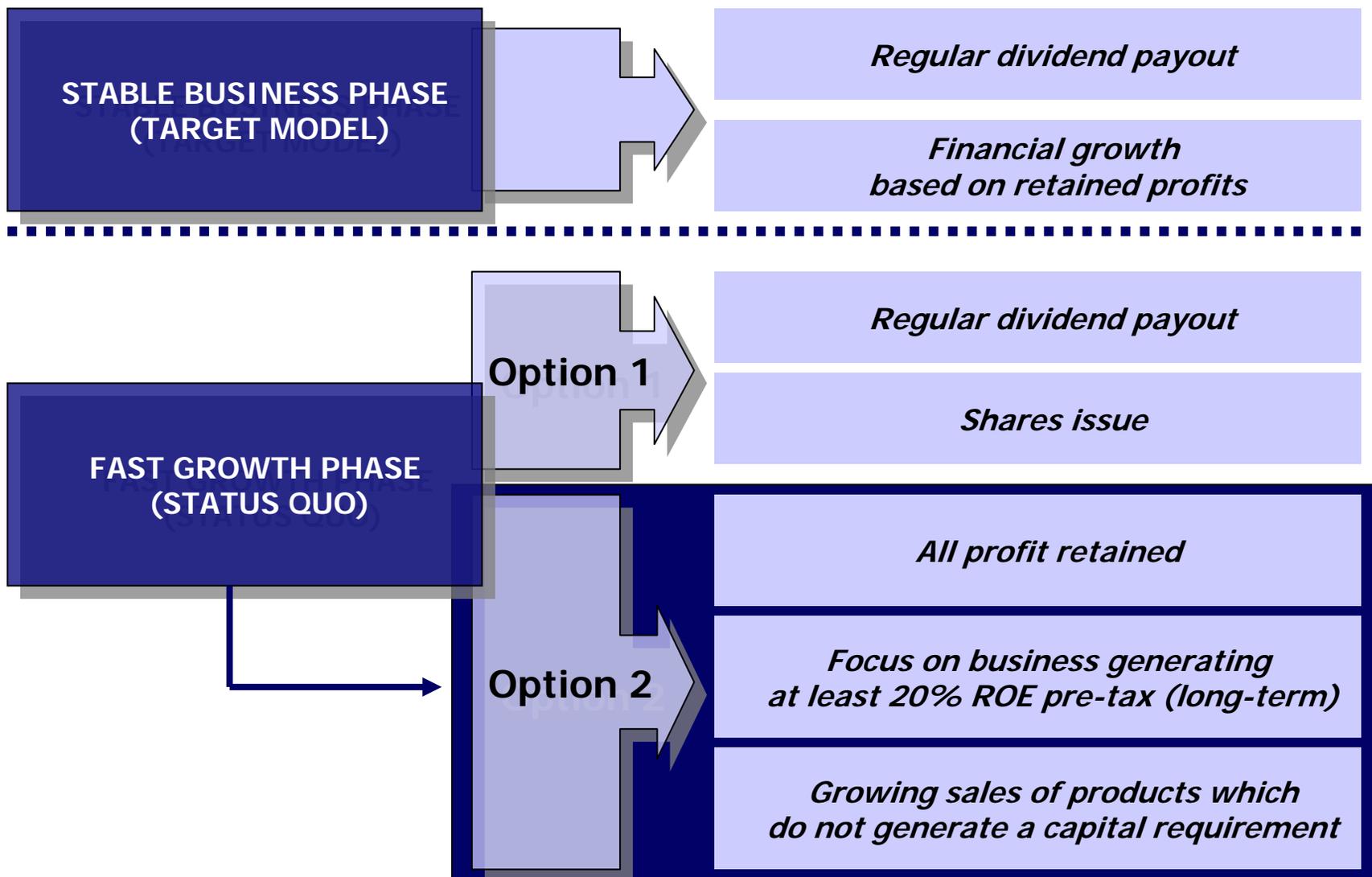
# Management Board's 2006 Profit Distribution Recommendation

Good market conditions and continued cost discipline helped to **significantly exceed the original financial targets**, but the **dynamic growth in balance sheet items** had an **adverse impact on the consolidated capital adequacy ratio**



In view of the expected sharp growth in business and the resulting increase in the capital requirement, **the BRE Management Board recommends the retention of the entire profit at the Bank** in order to keep the consolidated capital adequacy ratio **at least at 10%** in 2007

# Management Board's 2006 Profit Distribution Recommendation





**1**

**BRE Bank Group's second best profit in 20 years of BRE's history**

**2**

**BREactivation starts to generate expected results**

**3**

**Retail Banking's best year ever**

**4**

**Another record-high year for Investment Banking**

**5**

**Profits retained to enable further dynamic growth**



## *Introduction*

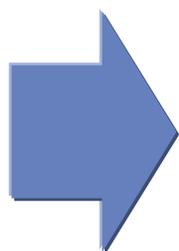
Summary of Q1-4 2006 Results

## *BRE Bank's Results, Q1-4 2006*

Business Line Results and Highlights

Analysis of Financial Results, Q1-4 2006

Management Board's 2006 Profit Distribution Recommendation



## *Outlook for 2007*

Business Lines Growth Outlook

Financial Targets

## *Appendix*

Detailed Results of Business Lines, Q4 2006

Additional Information: Selected Financial Data

Macroeconomics

# Outlook for 2007

## 2007 Business Growth Priorities



### *Growth in the core business*

- ▶ *Retail customers +370 thou.*
- ▶ *Retail loans +PLN 4 B*
- ▶ *Corporate customers +1,000*
- ▶ *Corporate loans +PLN 1.1 B*

### *Strategic initiatives*

- ▶ *Consumer finance*
- ▶ *Branch network expansion*
- ▶ *BREubezpieczenia*
- ▶ *BRE Wealth Management*
- ▶ *Transborder expansion*



### Targets 2007

- 1** To grow the base of corporate customers with a high profit potential up to **12.4 thousand**, including a base of 7,800 SME customers
- 2** To grow the volume of corporate loans by **PLN 1.1 B**, including SME loans by 84%
- 3** To grow the share of income from **servicing SME customers** in Corporate Banking income to **23%**



### Targets 2007

- 1** To keep profitability of trading activity
- 2** To increase profitability of sales activity
- 3** Introduction of mezzanine finance

# BRE Bank Group Growth Outlook for 2007

## Main Goals and Business Targets: Retail Banking



<i>2006</i>		<i>2007</i>
1.63 M customers	<b>+ 23%</b>	2.0 M customers
PLN 8.2 B loans (incl. PLN 7.03 B mortgage loans)	<b>+ 49%</b>	PLN 12.2 B loan portfolio (incl. PLN 9.4 B mortgage loans)
PLN 7.1 B deposits	<b>+ 32%</b>	PLN 9.4 B deposits

*Data in the table for mBank and MultiBank jointly*



### *Polish Consumer Credit Market*

#### Market Potential

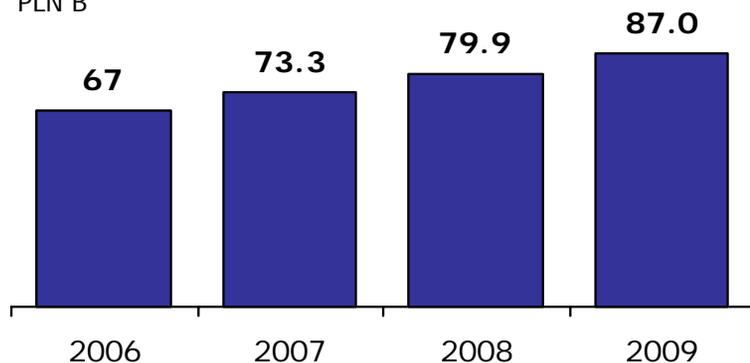
2007-2009 consumer credits forecasts expect further dynamic growth in the market

Good market conditions, low interest rates, and consumers optimism will drive the consumer credit market throughout the growth phase of the economic cycle

Household equipment and cars in need of quick replacement

#### Consumer Credit Growth Forecast 2007 – 2009

PLN B



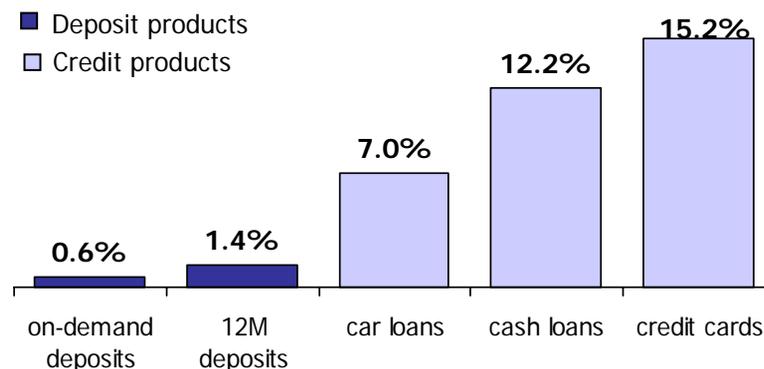
Source: NBP, IBnGR, BRE Bank analysis

#### Profitability

Consumer credit products provide much higher profits than deposits if the supplier masters the art of risk management

Cash loans and credit cards will be the fastest growing categories

#### Average market margin on deposit and credit products

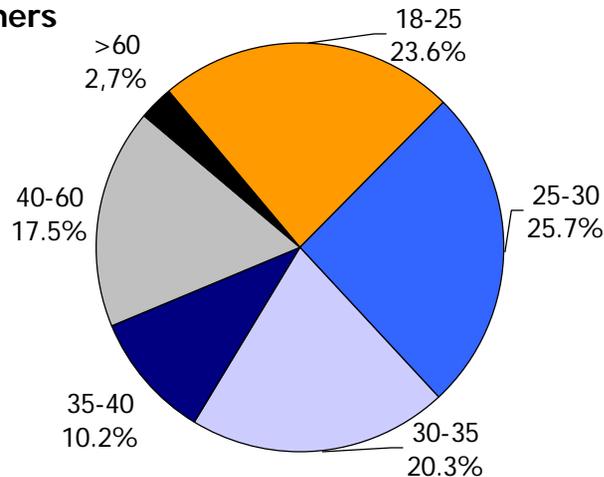


Source: bank websites, WIBOR, January 2006

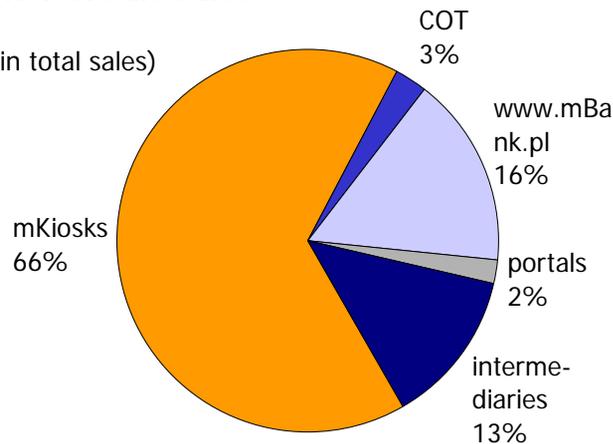


### *Growth Outlook – mBank's Potential*

**mBank Customers  
Age Structure**  
%



**mBank Consumer Credit Sales  
by channel**  
(share of channels in total sales)

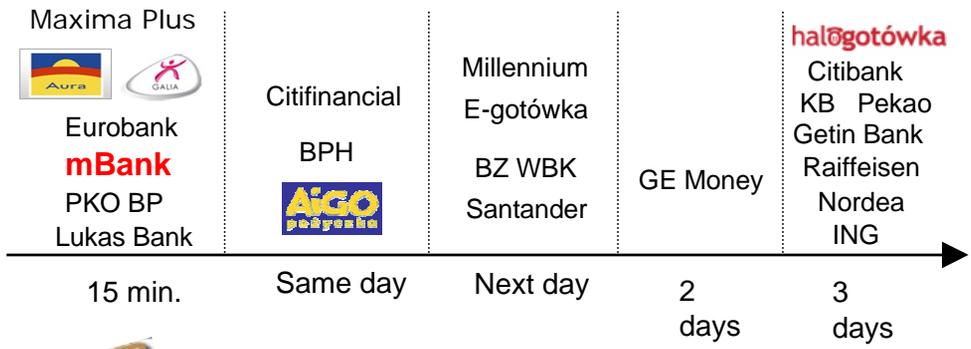


- Very large customer base (1.29 M customers) with a familiar financial profile
- Credit product needs of the young customer base
- Effective, efficient, automated process support systems enabling the provision of 'over the counter' loans
- Very good experience with mKiosk sales to date
- emFinanse as a new physical distribution channel of credit products



*mBank's competitive advantage derives from effective processes supported by state-of-the-art technologies, innovative products and a flexible approach*

**SPEED - Processes:**  
 mBank cash loans - one of the market's fastest delivered products



**FLEXIBILITY - Co-brand:**  
 mBank developed sales processes tailored to partners needs within a few months



**INNOVATION - Products:**

- Cash loans and cards
- Cash withdrawals
- and Credit repayment at ATMs



# BRE Bank Group Growth Outlook for 2007

## mBank Expansion in Consumer Finance (4/6)



***mBank's position on the consumer credit market by 2009 will copy the bank's success in deposits and checking accounts:***

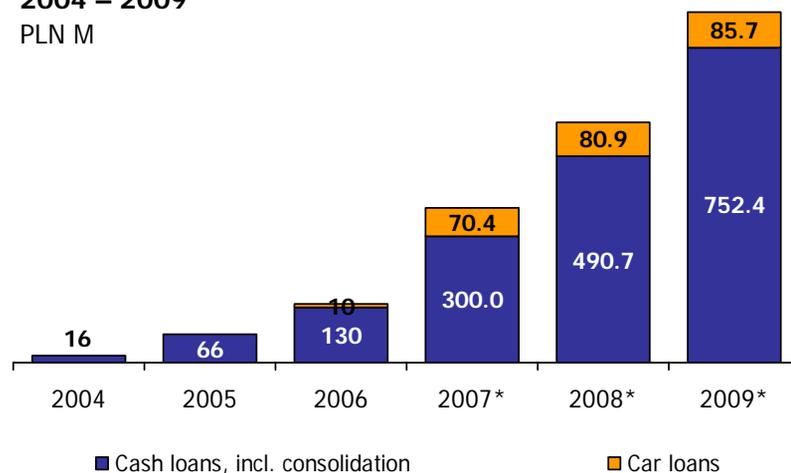
- ***2.0% market share***
- ***PLN 1.8 B consumer credits on the balance sheet***
- ***Over 420 thou. issued credit cards***

### Expansion Goals

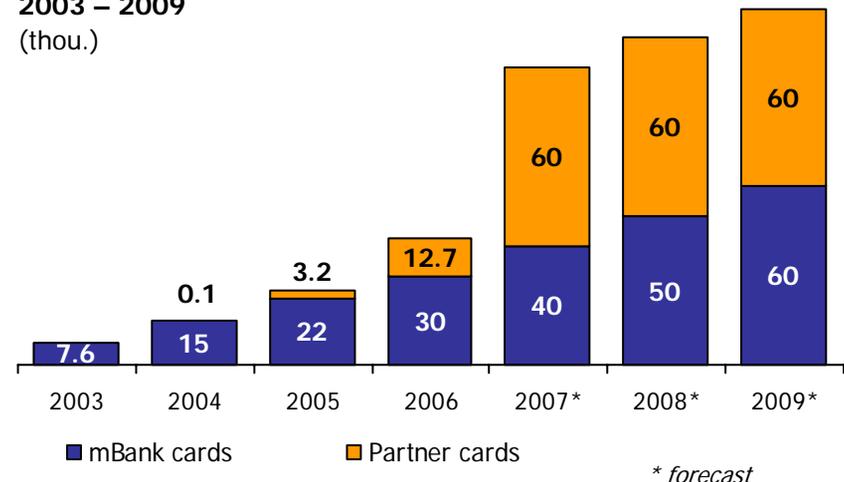
- Expansion of the mKIOSK boosting the capacity to sell to mBank customers.  
Sales of PLN 840 M of consumer credit in 2009 is a realistic target

- Significant growth in annual sales of mBank cards thanks to the growing customer base and improved cross-selling techniques; mBank will issue at least 60 thou. co-branded cards per year

**Annual Sales of Cash and Car Loans  
2004 – 2009**  
PLN M



**Annual Sales of Credit Cards  
2003 – 2009**  
(thou.)



# BRE Bank Group Growth Outlook for 2007

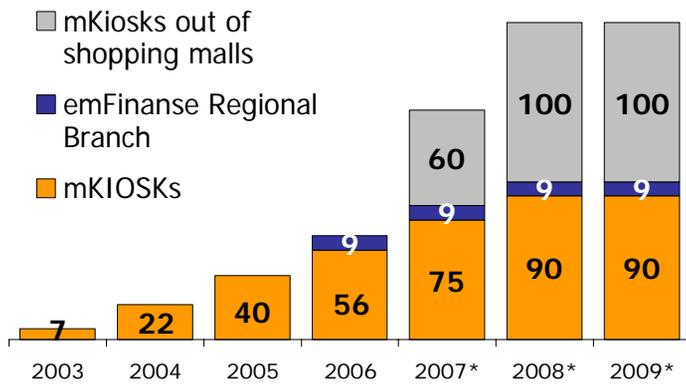
## mBank Expansion in Consumer Finance (5/6)



### **Expansion of the physical distribution network key to distribution in the free market**

*mKiosks out of shopping malls will enable sales in new markets – cities below 150 thousand*

*By 2009, the physical network will include nearly 200 sales outlets and over 400 intermediaries co-operating with emFinanse*



**2007-2008 mKiosks out of shopping malls**

**2006 emFinanse Regional Branches**

**2003 mBank mKiosks**

*Small, low-cost sales outlets. Capex and current cost paid by the partner; the project will not affect mBank's capex and costs. mBank visualisation*




- Cities < 150 thou.
- Ca. 40 m2
- Main street location
- No ATMs / ATMs with deposit functions

- Cities > 150 thou.
- Modular mKIOSKs in shopping malls
- Internet kiosks, ATMs / ATMs with deposit functions



*Working towards its mid-term goal,  
mBank adjusts the pricing and scoring strategy to customers needs  
and expands the product range*

---

### *New cash loans - 2007*

---

- MiniCredit
  - only ID required: **more accessible**
- Consolidation Credit
  - **new market**
- On-click / signature credit
  - **active cross-selling**
- Reduced cost of cash loans for customers with a relationship
  - **competitive advantage**

---

### *New credit cards*

---

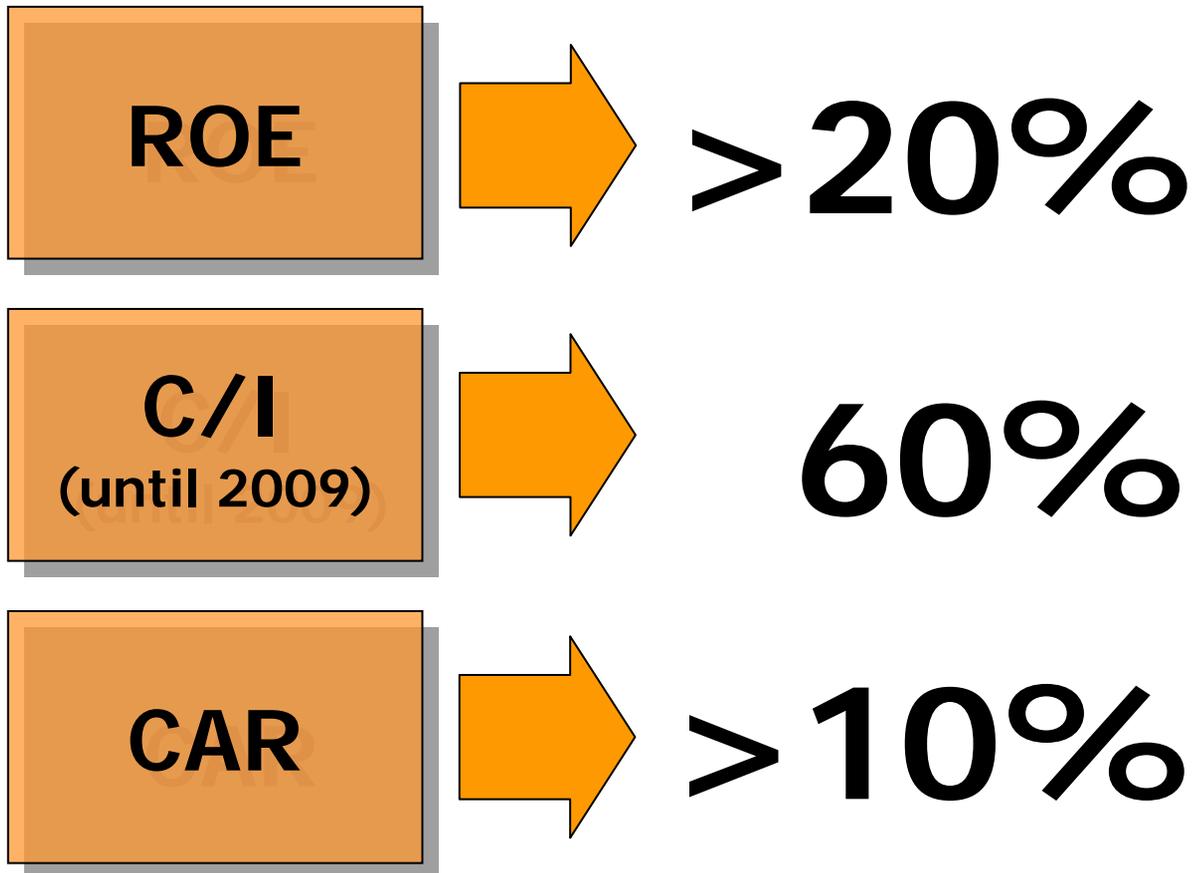
- mBank launched two co-branded cards: G+J and Orange in Q4 2006
- mBank plans to have 2-3 new co-branding partners with a similar sales potential by the end of 2009
- And to launch several smaller co-branding projects

# Outlook for 2007

## Mid-term Financial Targets of BRE Bank Group



*The Management of BRE Bank will strive to achieve the following mid-term financial targets:*





## *Introduction*

Summary of Q1-4 2006 Results

## *BRE Bank's Results, Q1-4 2006*

Business Line Results and Highlights

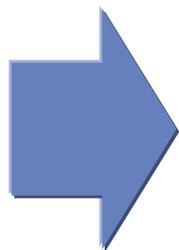
Analysis of Financial Results, Q1-4 2006

Management Board's 2006 Profit Distribution Recommendation

## *Outlook for 2007*

Business Lines Growth Outlook

Financial Targets

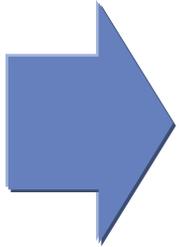


## *Appendix*

Detailed Results of Business Lines, Q4 2006

Additional Information: Selected Financial Data

Macroeconomics



Detailed Results and Highlights of Business Lines:

***Retail Banking and Private Banking***

*Investment Banking*

*Corporate Banking*

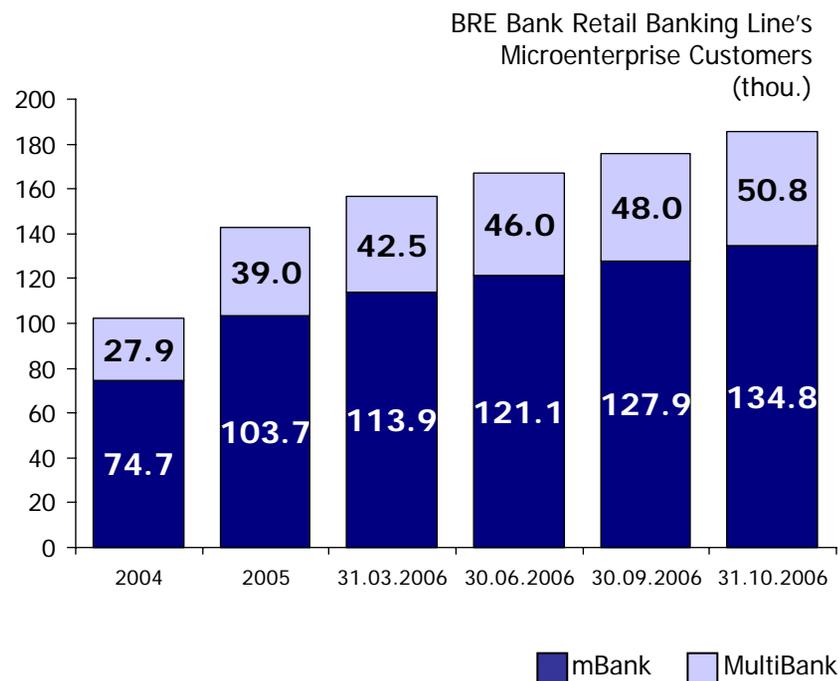
# Appendix

## BRE Bank's Retail Banking: Acquired Microenterprise Customers

**185.6 thousand microenterprises served by BRE Bank's Retail Banking Line**

**12.9 thousand microenterprises above the 2006 target**

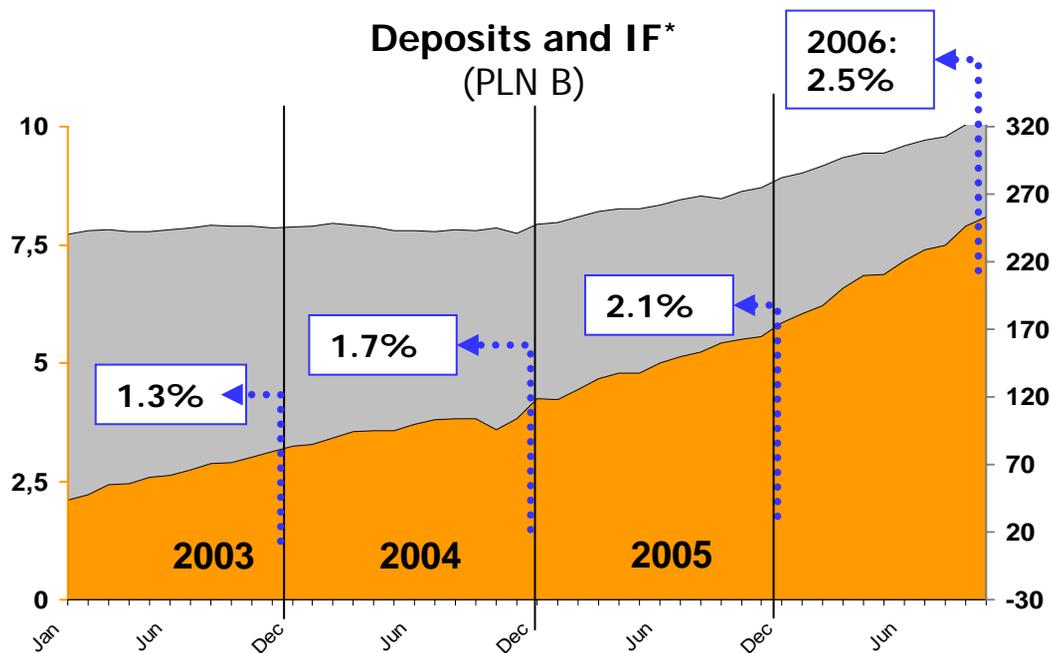
- 9.7 thousand microenterprise customers acquired in Q4 2006
- 42.9 thousand microenterprise customers acquired year to date (annual target: +30 thousand)
- **PLN 730.3 M of loans** extended to microenterprises at the end of December 2006, of which 48% are mortgage loans
- According to the plan, **the share\* in the microenterprise sector was 12.2%** at the end of 2006 (of which: mBank 8.9%; MultiBank 3.3%)



\*Source: GUS 2005, own calculations

# Appendix

## BRE Bank's Retail Banking v. the Market: Deposits and Investment Funds



\* At the end of November 2006

- BRE Bank (left scale)
- Market (right scale)
- Market share

***BRE Bank's Retail  
Banking Line  
continues to grow  
well ahead of the  
market***

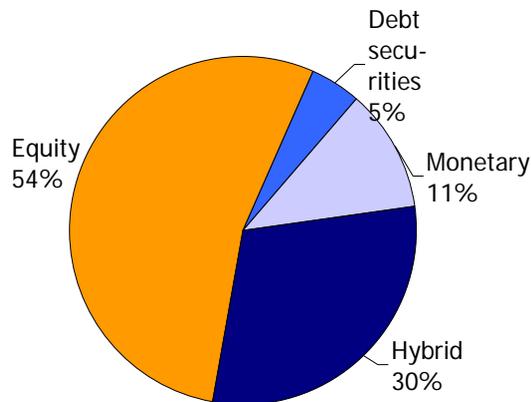
# Appendix

## BRE Bank's Retail Banking: Investment Funds (IF)

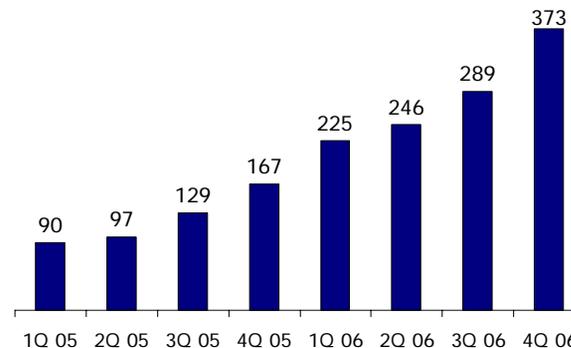
MultiBank

- Investment fund assets up by PLN 83.6 M in Q4 2006
- MultiBank customers' interest in equity funds rose in Q4 2006 (54% of assets)

Structure of Assets:  
MultiBank Investment Funds



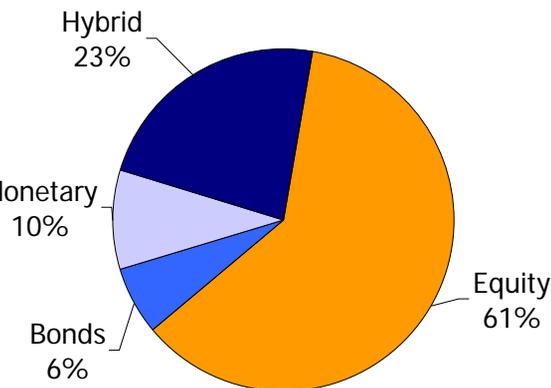
MultiBank IF Assets  
by Quarter (PLN M)



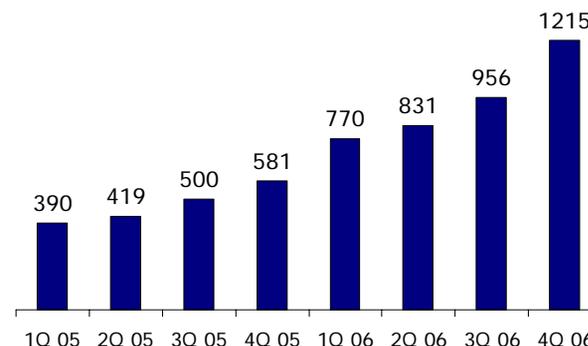
mBank

- Investment fund assets up by PLN 259.5 M in Q4 2006
- mBank customers' interest in equity funds rose sharply in Q4 2006 (61% of assets)

Structure of Assets:  
mBank Investment Funds



mBank IF Supermarket Assets  
by Quarter (PLN M)



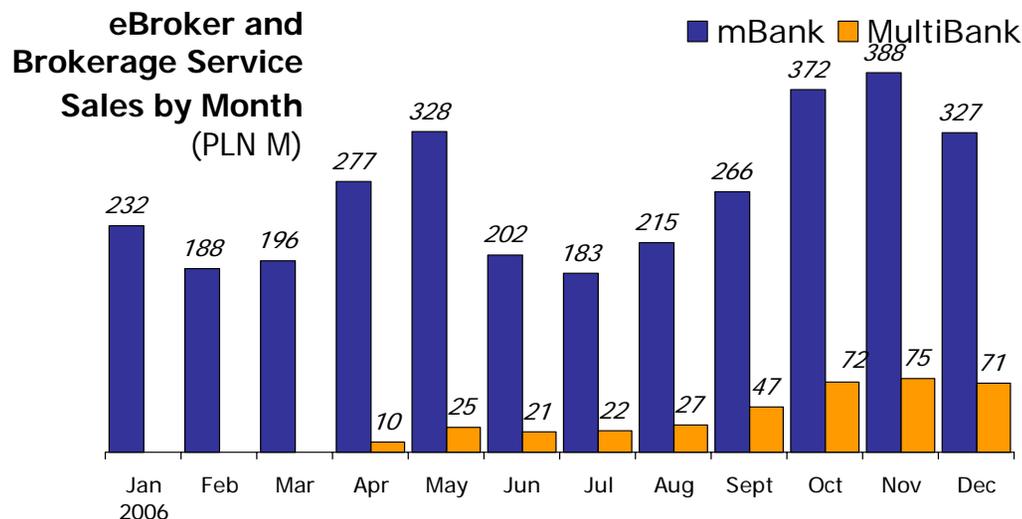
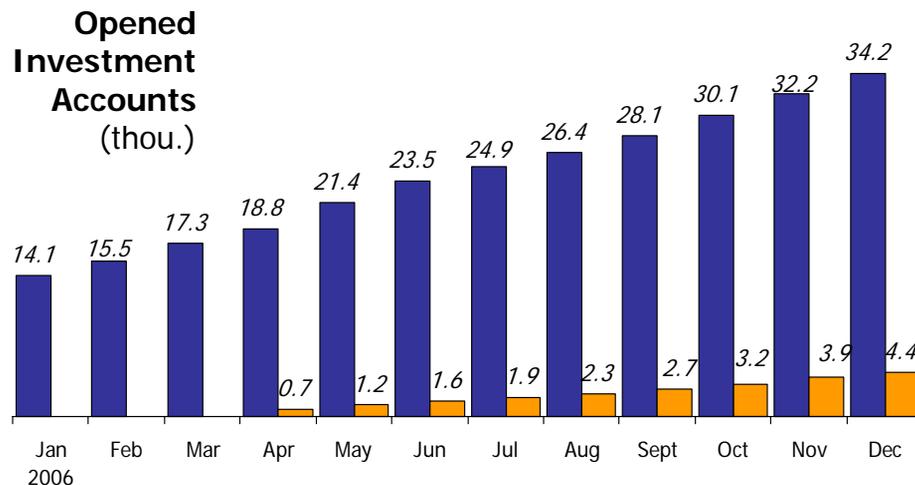
# Appendix

## BRE Bank's Retail Banking: mBank – eBroker, MultiBank – Brokerage Service



### *Dynamic growth of brokerage services for retail customers*

- *eBroker trading exceeded PLN 327 M in December 2006, and Brokerage Service trading was PLN 71 M*
- *Incremental trading of PLN 3,174.1 M for eBroker and PLN 369.8 M for the Brokerage Service since the launch*
- *There were 38.6 thousand mBank and MultiBank investment accounts at the end of December 2006*
- *mBank and MultiBank customers opened 5.4 thousand investment accounts in Q4 2006*

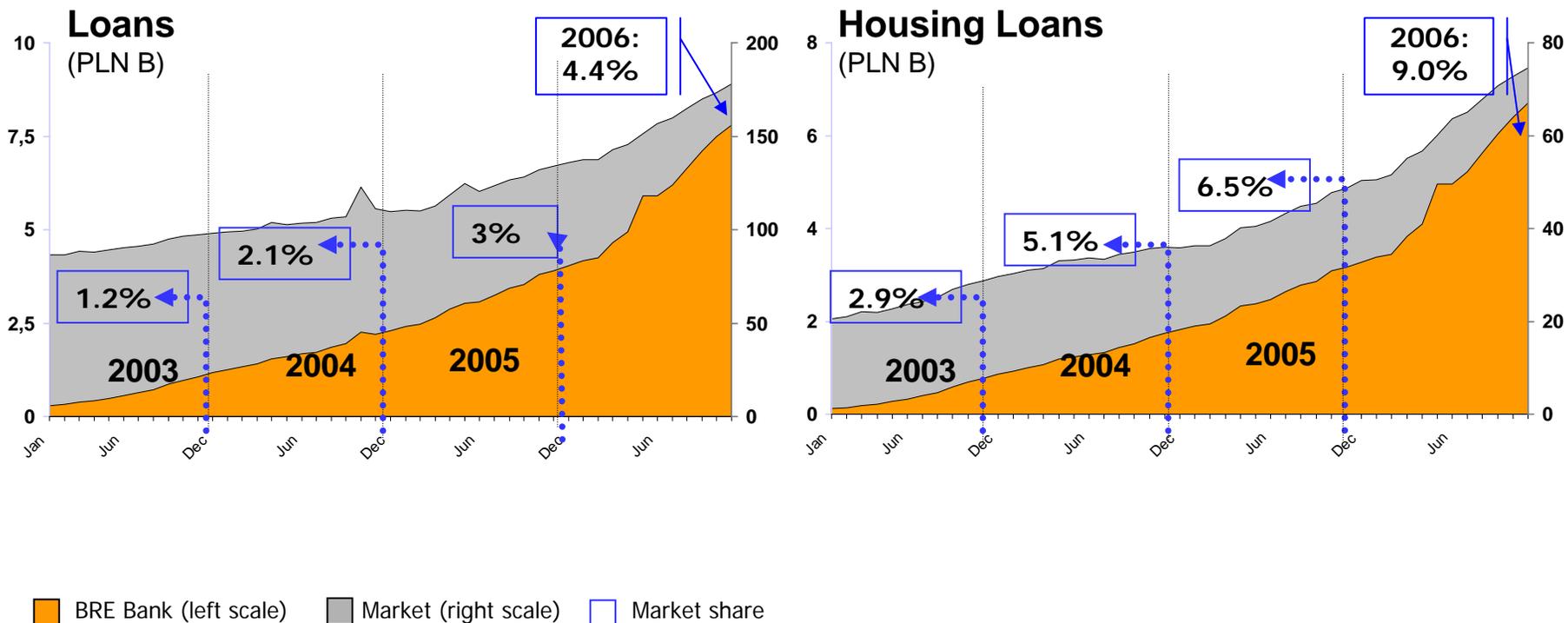


# Appendix

## BRE Bank's Retail Banking v. the Market: Loans



***BRE Bank's Retail Banking  
is steadily growing its share in the loans sector  
(especially for housing loans)***



# Appendix

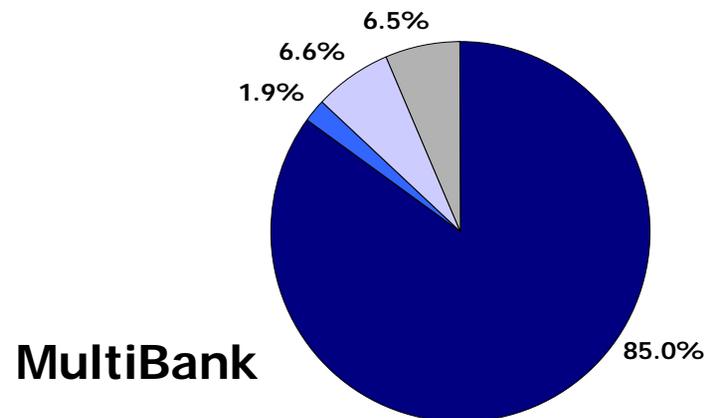
## BRE Bank's Retail Banking: Mortgage Loans: Portfolio Structure and Quality

### BRE Bank's Mortgage Loans Portfolio (Retail Loans)

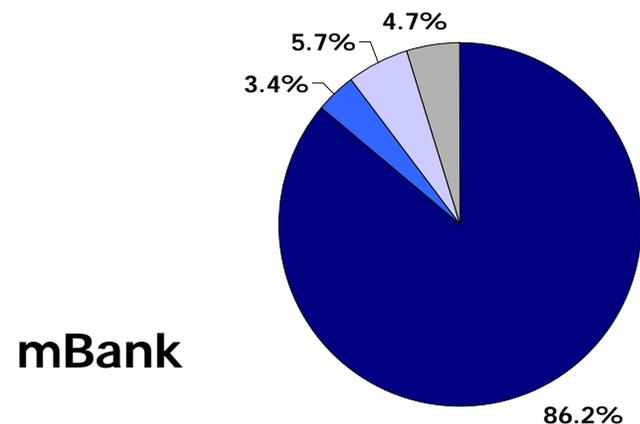
	Total	PLN	FX
<i>Retail mortgage loans</i>			
Balance sheet volume (PLN B)	6.7	0.9	5.8
Average maturity (years)	22.8	19.0	23.3
Average volume (PLN'000)	157.4	182.6	156.3
Average LTV (%)	66.35%	57.49%	67.77%
NPL (%)	0.5%	2.1%	0.2%

As at 29.12.2006

### Structure of the Loans Portfolio (Household Loans) as at 31.12.2006

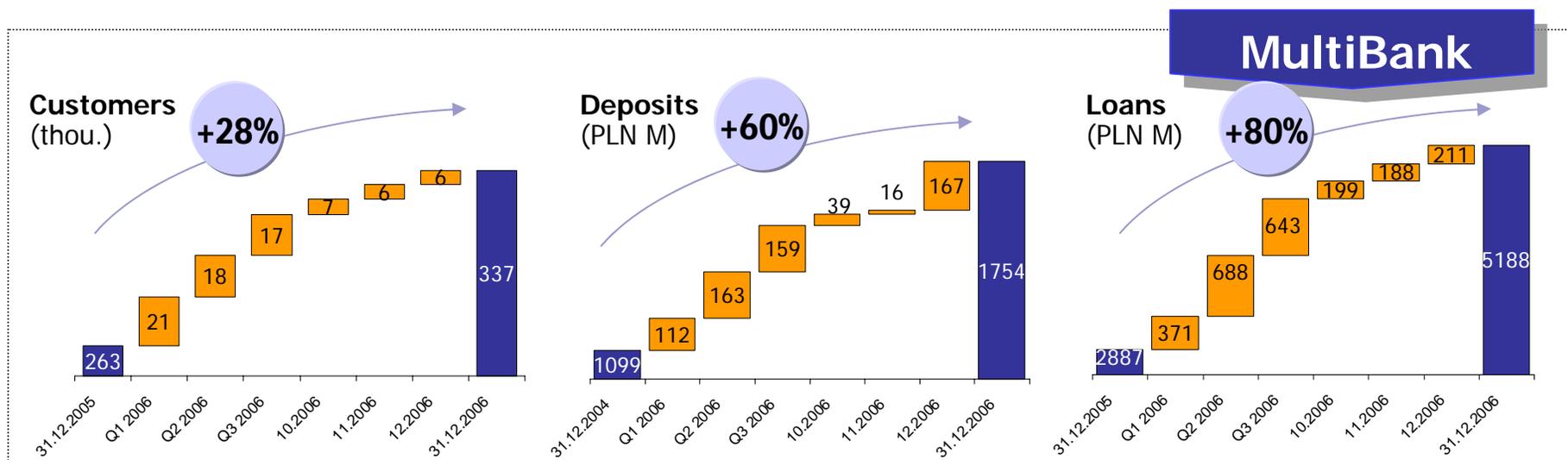
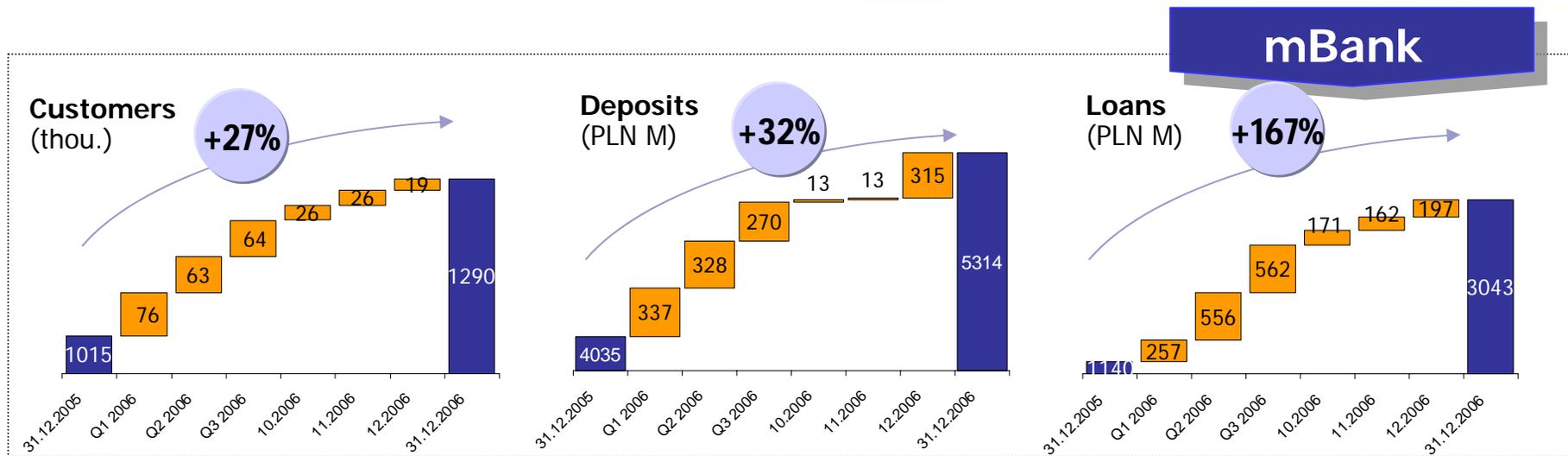


■ Mortgage loans      ■ Credit cards  
■ Credit lines      ■ Other



# Appendix

## BRE Bank's Retail Banking: Dynamics of Sales in Q4 2006

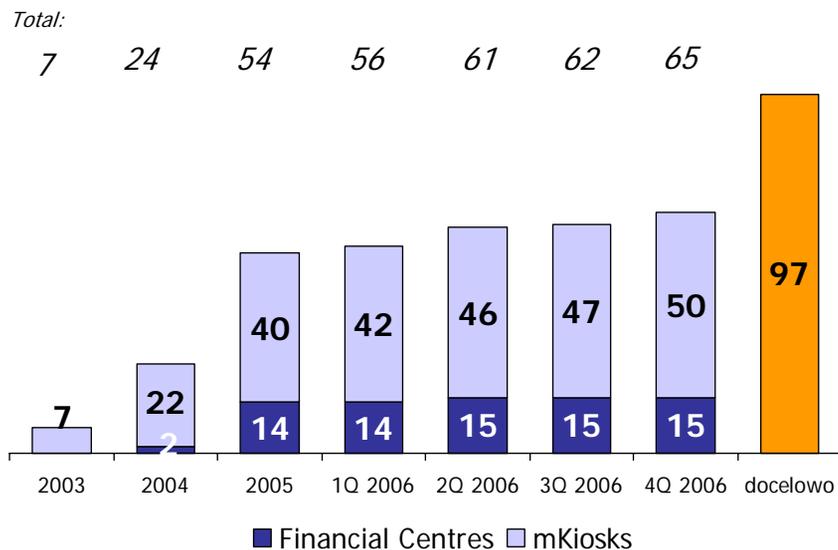


■ Volume ■ Increment

# Appendix

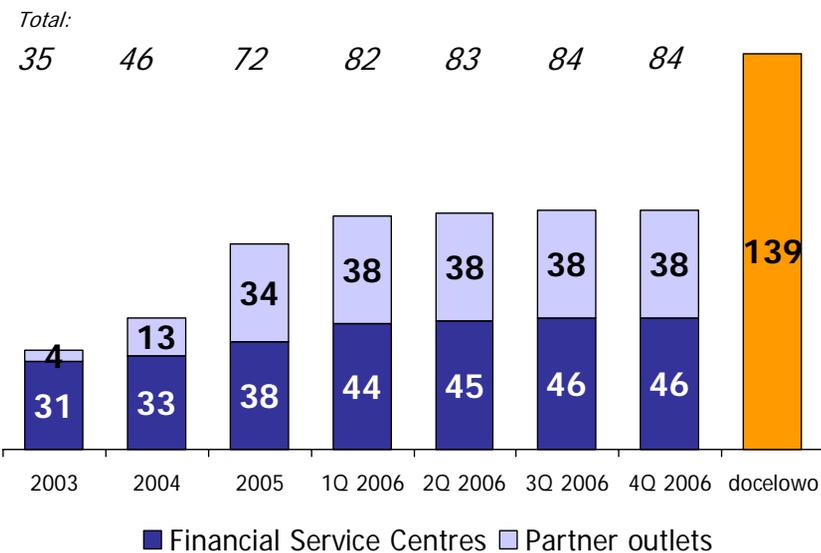
## BRE Bank's Retail Banking: Growth of the Distribution Network

### mBank Distribution Network



- *3 mKiosks opened in Q4 2006*
- *mBank's distribution network had 65 outlets at 31.12.2006*

### MultiBank Branches



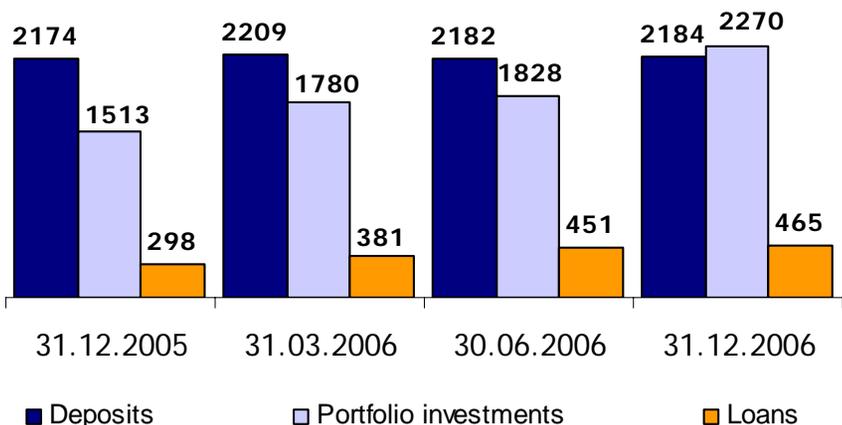
- *MultiBank had 84 outlets at 31.12.2006*

# Appendix

## Private Banking (PB): Summary

- 7.8 thousand customers at the end of 2006
- Dynamic business expansion: PB AuM up 20.8% in 2006 (up PLN 767.5 M to PLN 4,454 M)
- Change in the structure of customer funds:
  - Deposits up modestly, portfolio investments up sharply (50%), especially in asset management products (69%)
- PB customers' debt up by PLN 168 M (56%) to PLN 465 M at 31.12.2006

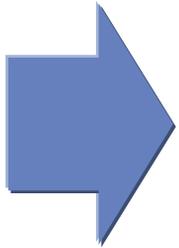
**Private Banking Customer Transactions**  
(PLN M)



**BRE Bank Private Banking Customers**



\*867 customer accounts were closed in the restructuring of the customer base



## Detailed Results and Highlights of Business Lines:

*Retail Banking and Private Banking*

***Investment Banking***

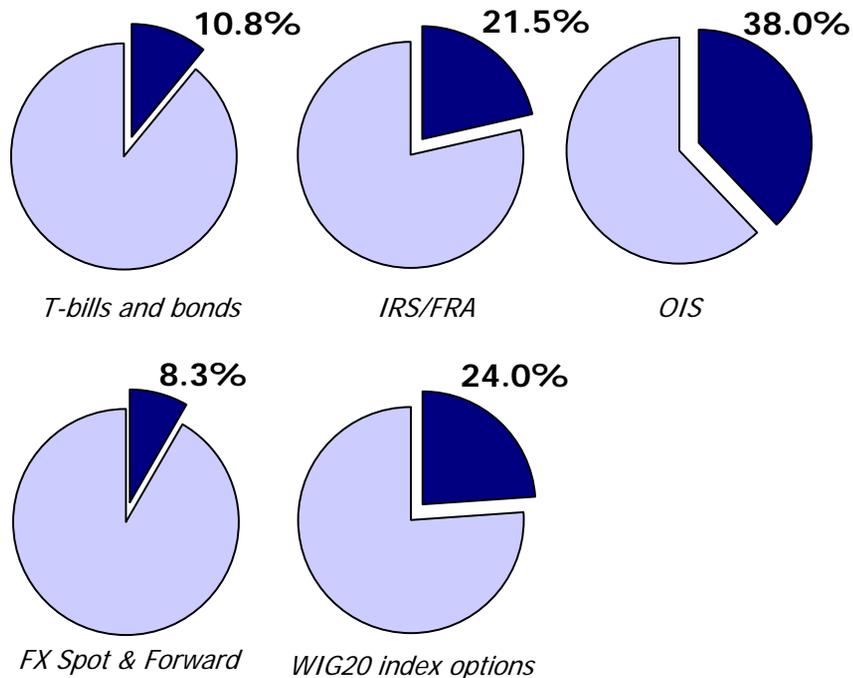
*Corporate Banking*

# Appendix

## Investment Banking: Market Share and Position

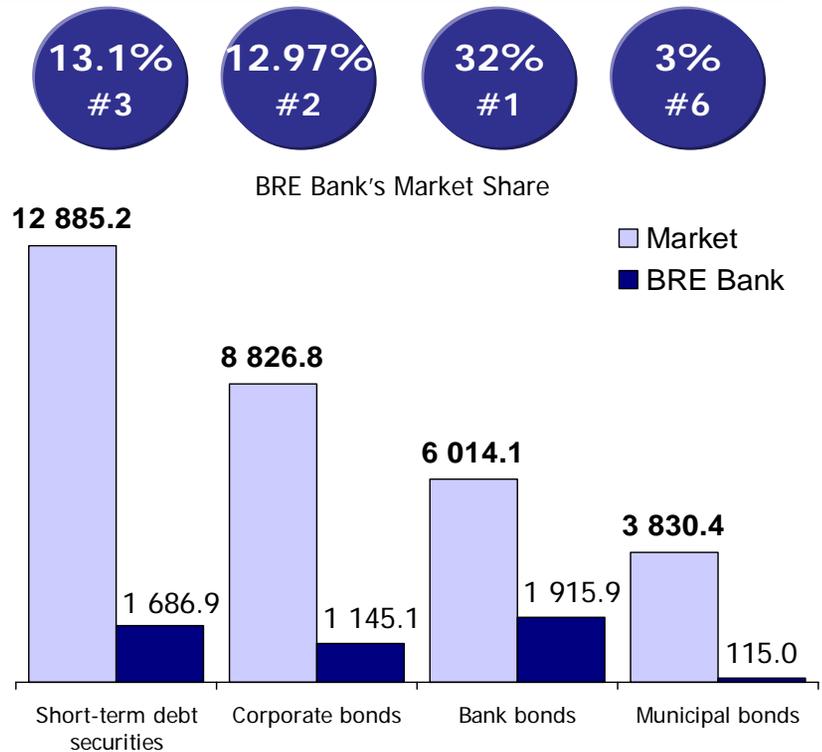
### BRE Bank's Market Share\* in Investment Banking Services

(BRE – in navy blue)



### BRE Bank in the Market of Non-Treasury Debt\*\*

at 29.12.2006 (PLN M)



\* At 30.11.2006; own calculations based on NBP and GPW figures

\*\* After Fitch Polska S.A., Rating & Rynek, 29.12.2006 and own calculations

# Appendix

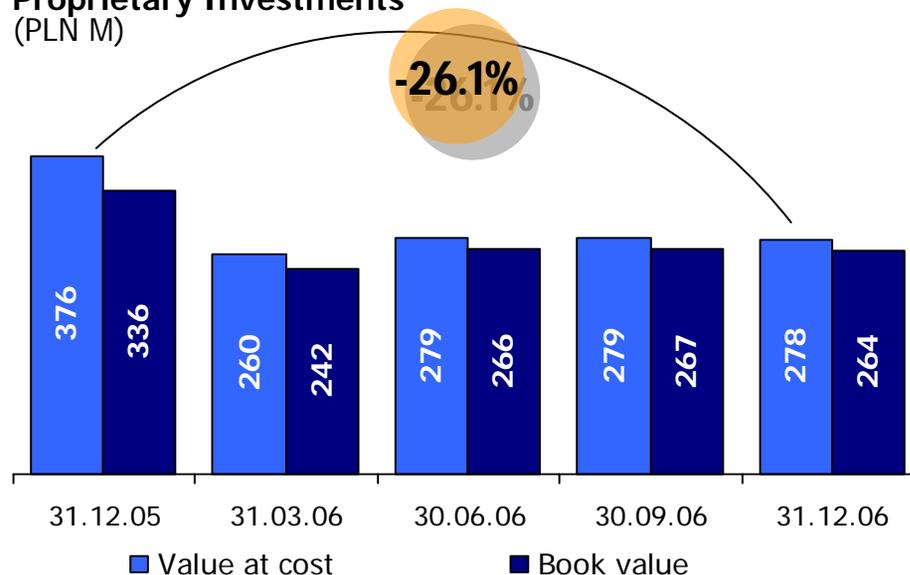
## Investment Banking: Proprietary Investments

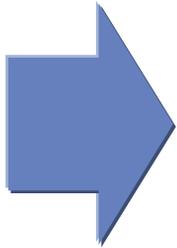
- At the end of Q4 2006, the Bank's **proprietary investments portfolio** was **PLN 278 M** at cost
- The portfolio was down by PLN 98.3 M, or 26.1%, compared to the 2006 opening balance
- In a stock exchange transaction, BRE Bank sold 250 thousand Novitus shares for PLN 4.35 M at a profit of PLN 3.3 M. BRE Bank holds 212,264 Novitus shares (4.59% share in equity)

Major Proprietary Investments at 31.12.2006	Share in equity
Vectra SA*	19.95%
PZU SA	0.76%
Garbary Sp. z o.o.	100.00%
Novitus SA	4.59%

\*Share in votes: 11.20%

Proprietary Investments  
(PLN M)





## Detailed Results and Highlights of Business Lines:

*Retail Banking and Private Banking*

*Investment Banking*

***Corporate Banking***

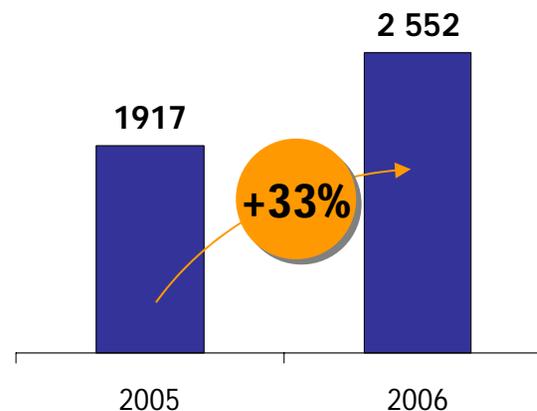
# Appendix

## Corporate Banking: Newly Acquired Customers

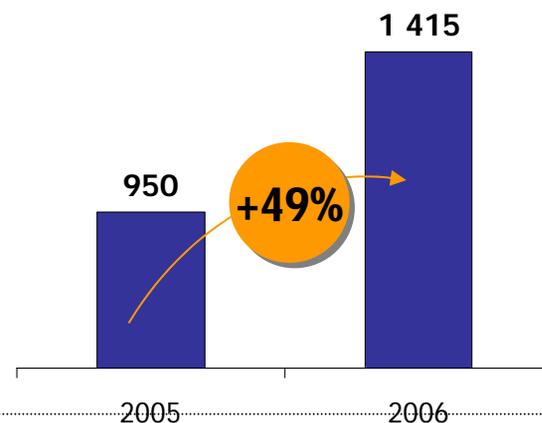


- **2,552 new corporate customers** acquired by the Bank in 2006 (up 33% YoY)
- Almost **77%** of new customers are SMEs
- 1,415 new customers bought SME Packages, up **49%** YoY
- K3 customers lost in 2006 provided PLN 5.7 M of revenue in 2005; K3 customers acquired in 2006 provided PLN 15.0 M of revenue for the Bank
- K2 customers lost in 2006 provided PLN 7.5 M of revenue in 2005; K2 customers acquired in 2006 provided PLN 14.5 M of revenue for the Bank

Total New Corporate Customers



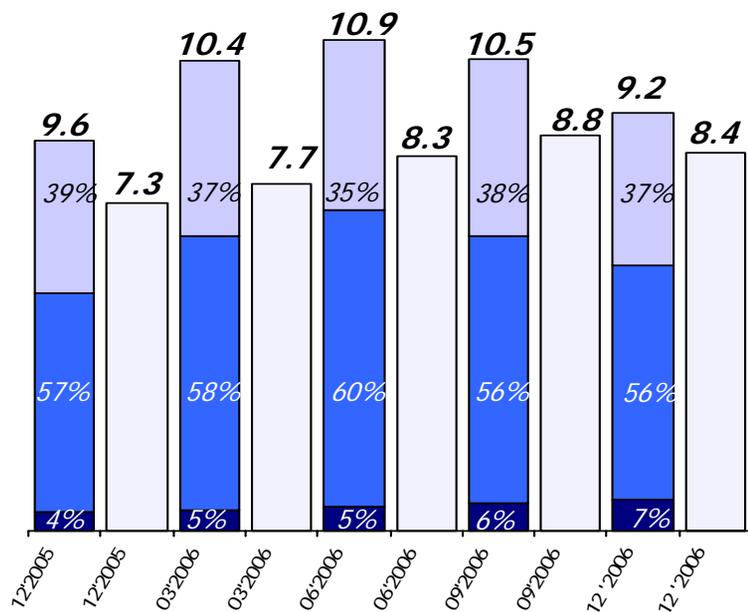
New SME Package Customers (EFFECT Line)



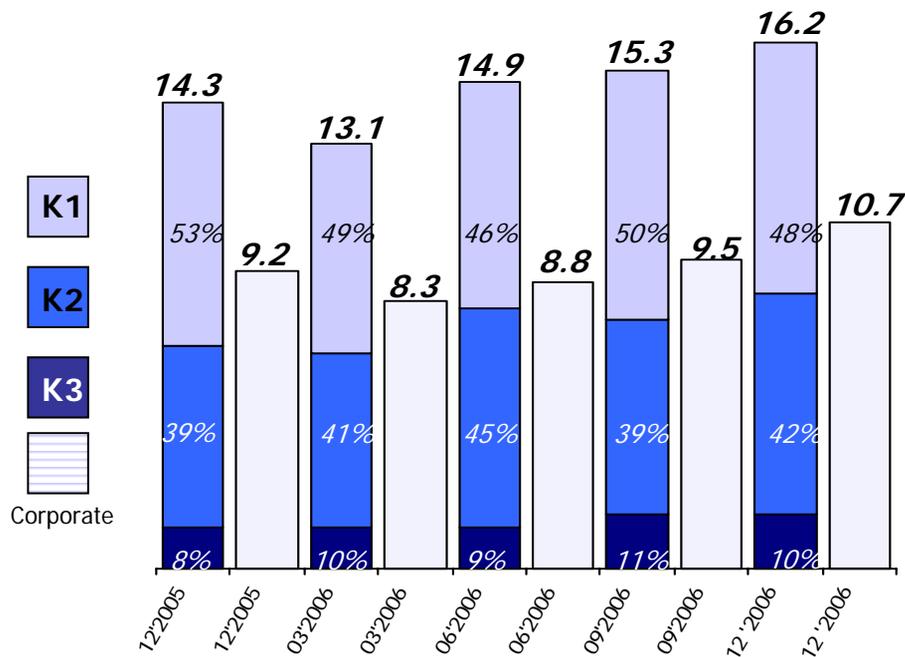
# Appendix

## Corporate Banking: Loans and Deposits

**Corporate Loans**  
(BRE Bank, PLN B)



**Corporate Deposits**  
(BRE Bank, PLN B)



- Loans (including the public sector, syndicated loans and project finance) were down **PLN 0.4 B** YoY (PLN 1.1 B of debt repaid)
- Corporate loans were up **15% (YOY)** at BRE Bank ; the market grew 14.6% YoY

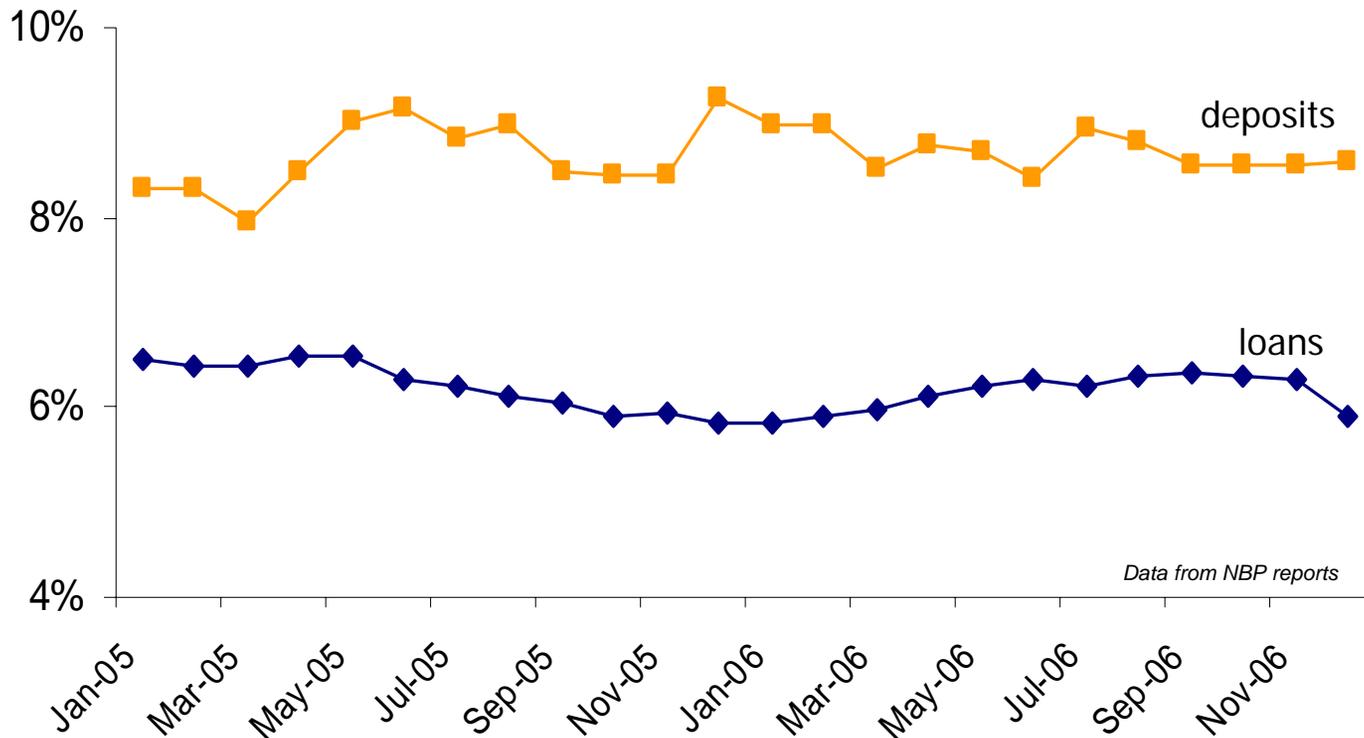
- Following a (seasonal) fall in deposits in Q1 2006, deposits **grew steadily since April to PLN 16.2 B** (up 13% YoY)
- Corporate deposits grew **16.3% (YoY)** at BRE Bank; the market grew 25.6% (YoY)

# Appendix

## Corporate Banking: Loans and Deposits – Market Share



### BRE Bank's Corporate Loans and Deposits Market Share\*



Data from NBP reports

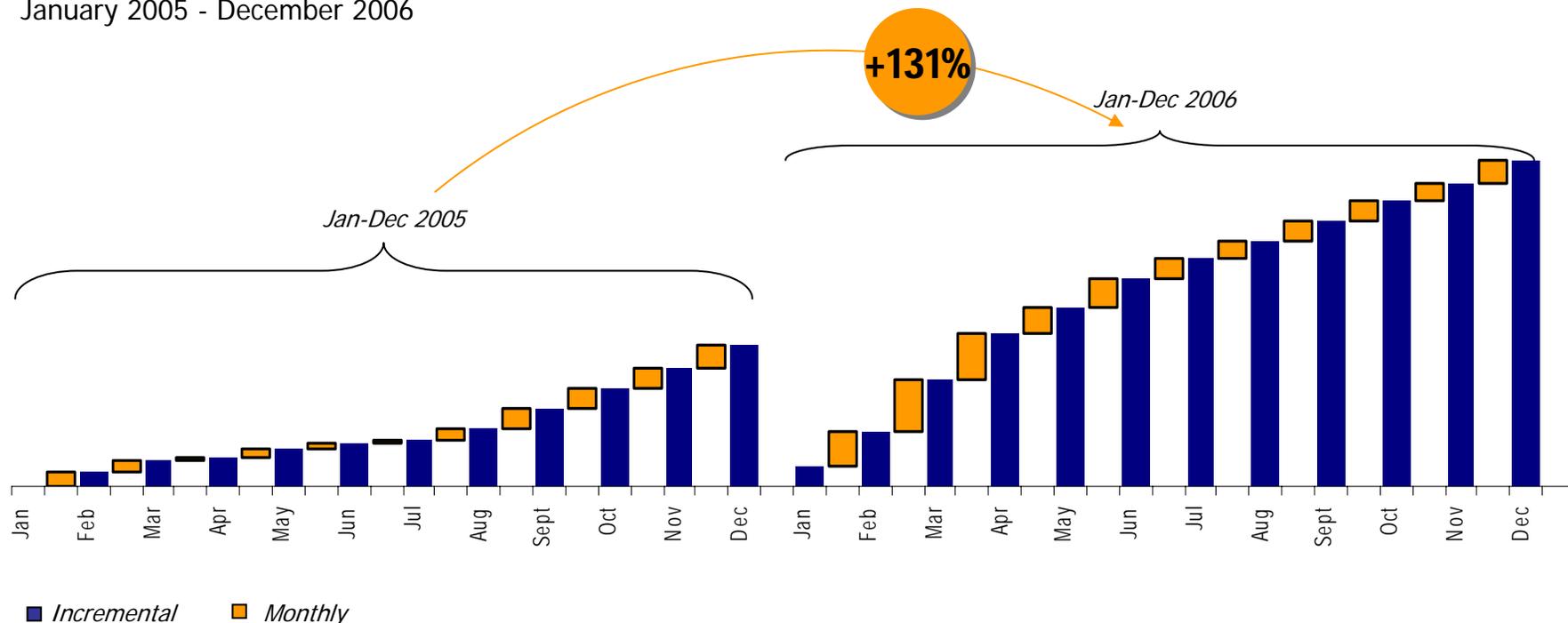
\*receivables/amounts due to enterprises and State companies, private companies and co-operatives

# Appendix

## Corporate Banking: Growing Loans in the EFFECT Plus SME Package

### Growth in Credit Exposure (PLN) under EFFECT Plus Packages

January 2005 - December 2006



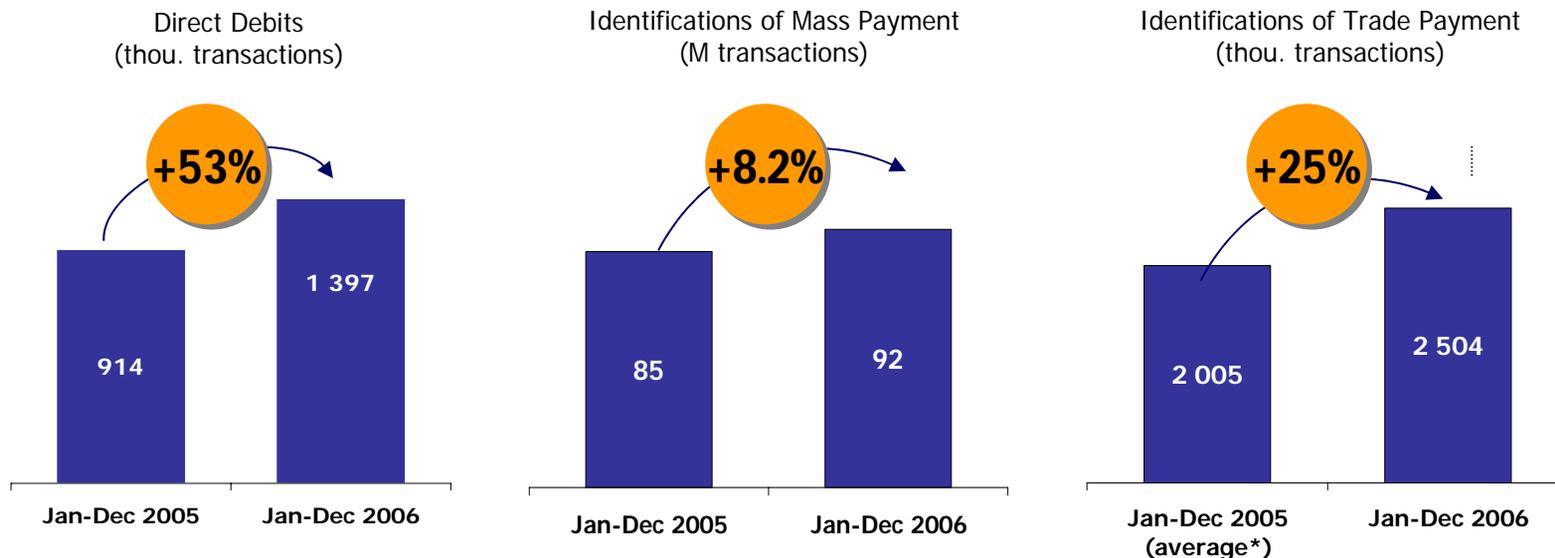
- The number of new contracts was 385 in 2006, up 68% year on year
- The volume of new credit contracts in 2006 was up 131% year on year
- The average volume of an overdraft facility granted in 2006 under the EFFECT Plus Packages was up 37% YoY

# Appendix

## Corporate Banking:

### Cash Management – Supporting Long-term Customer Relationships

#### *Cash Management – Strategic Product Line Supporting Long-term Customer Relationships*



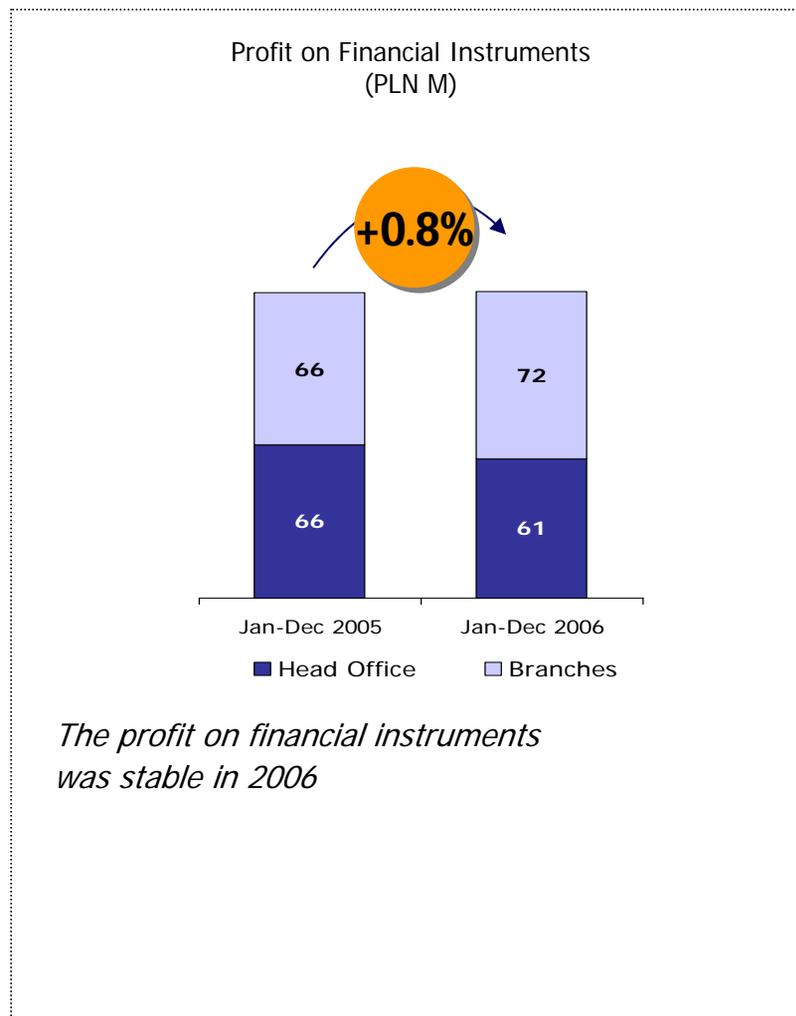
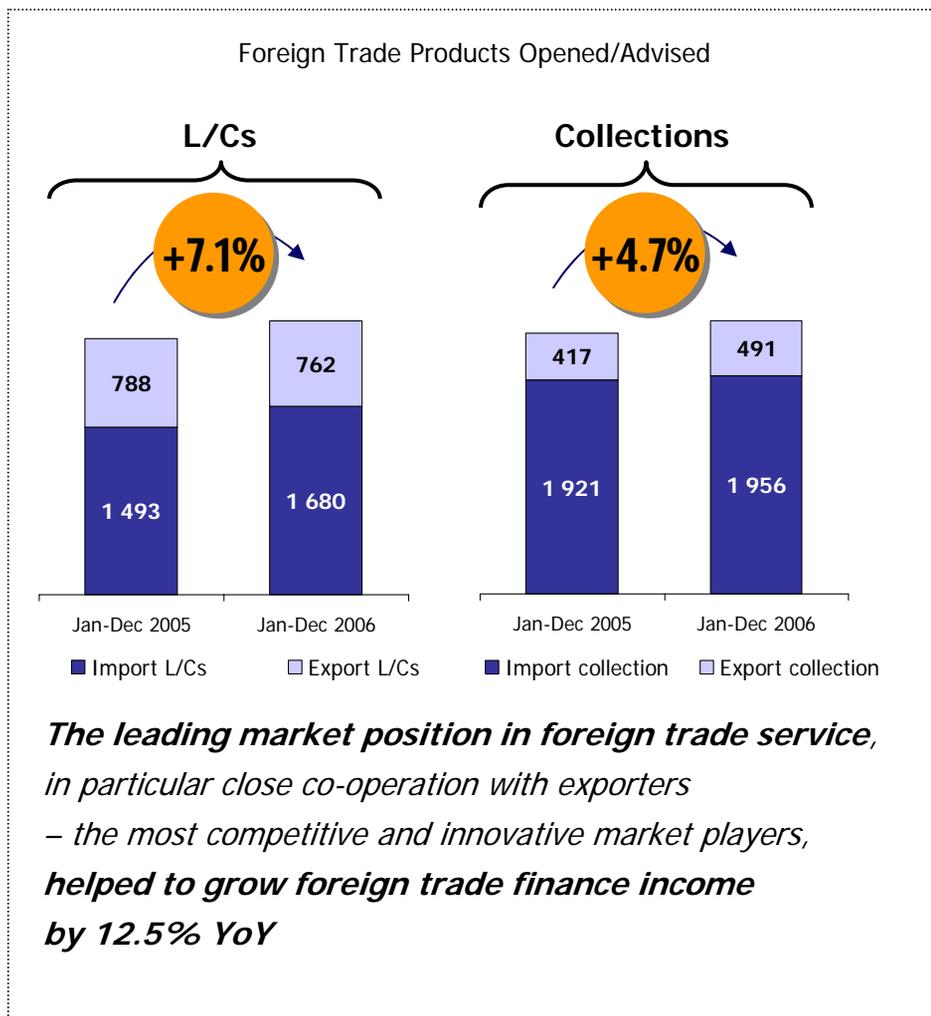
*The extensive cash management service including the identification of payments (Identification of Mass Payments, Identification of Trade Payments, Payment Identification System, added value services for mass suppliers) helped to grow the volume of Direct Debits **by nearly 40% YoY***

\* Q4 monthly average

# Appendix

## Corporate Banking:

### Foreign Trade Service and Risk Management Products



# Appendix

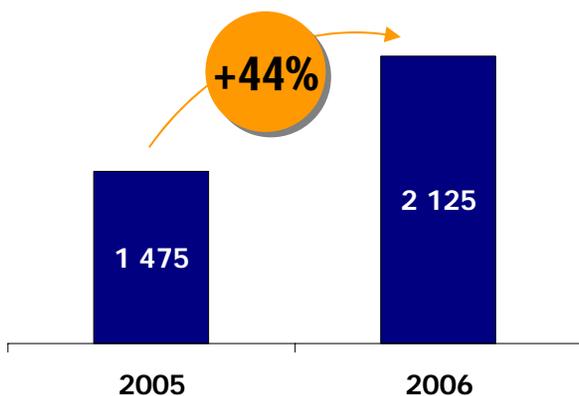
## Corporate Banking:

### Markets Continued to Favour the Leasing and Factoring Business in 2006

#### **BRE Leasing**

- Poland's third largest market player at the end of 2006 with a share of 11.1%.
- Value of leasing contracts executed in 2006: PLN 2.1 B, up 44% YoY; biggest deal: lease-back of PLL LOT aircraft at PLN 100 M
- Pre-tax profit in 2006: PLN 29.6 M, up by more than 44% YoY

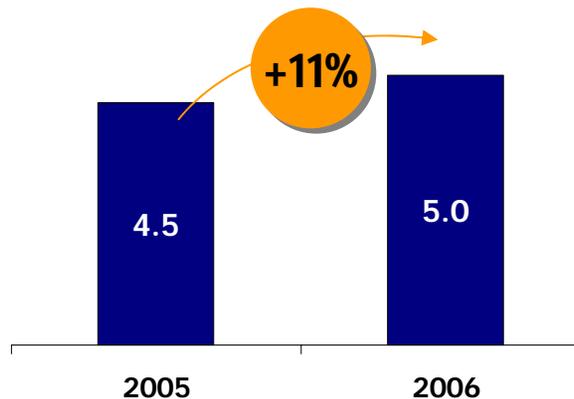
BRE Leasing Contracts (PLN M)



#### **Intermarket Group**

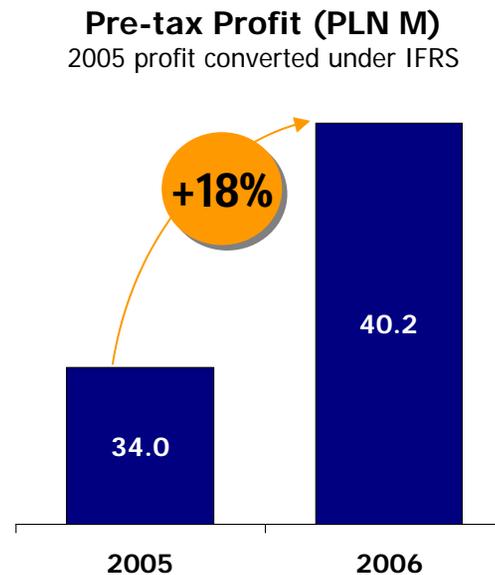
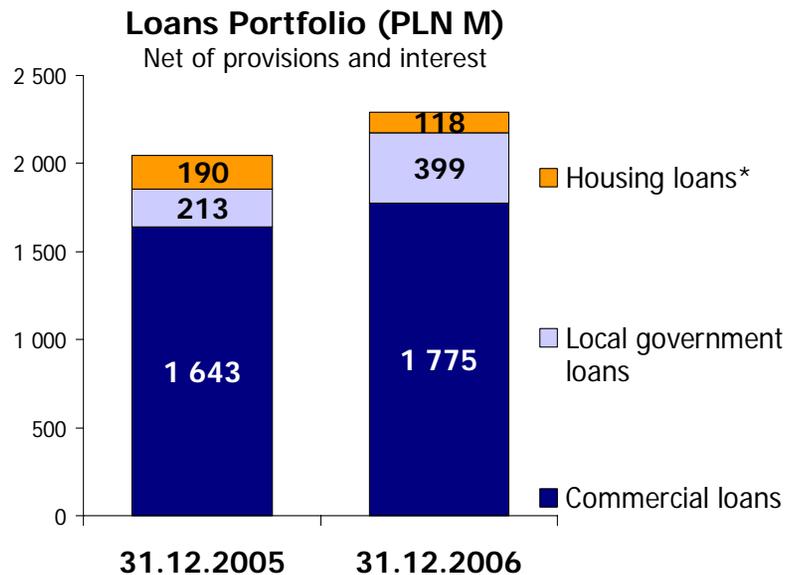
- Intermarket Group sales in 2006 were EUR 5 B (ca. PLN 20 B), and the pre-tax profit of consolidated companies was PLN 52.7 M (up 9% YoY)
- Polfactor sales in 2006 were over PLN 2.9 B (20% YoY). Its pre-tax profit was PLN 11.5 M, up 17% YoY
- Compania de Factoring S.A. (Romania) joined the Intermarket Group in 2006

Sales of Intermarket Group Companies (EUR B)



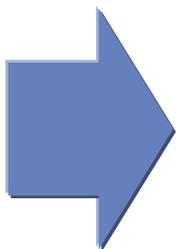
# Appendix

## Corporate Banking: BRE Bank Hipoteczny (BBH)



- *The pre-tax profit in 2006 was up 18.2% YoY (2005 profit converted under IFRS)*
- *The balance-sheet and off-balance-sheet loans portfolio was PLN 3.1 B, up 14.8% YoY*
- *BRE Bank Hipoteczny (BBH) is Poland's mortgage banking leader in terms of the loans portfolio (54% share) and mortgage bond liabilities (52% share)*

*\*As of July 2004. Bank Hipoteczny stopped granting loans to retail customers. The volume of housing loans represents the existing portfolio still managed by the Bank*



## Additional Information: Selected Financial Data

*Consolidated Profit and Loss Account under IFRS*

*Interest Income Structure, Interest Margin*

*Fee and Commission Income Structure*

*Cost Structure*

*Balance Sheet Analysis – Structure of Assets and Liabilities*

*Non-performing Loans*

# Appendix

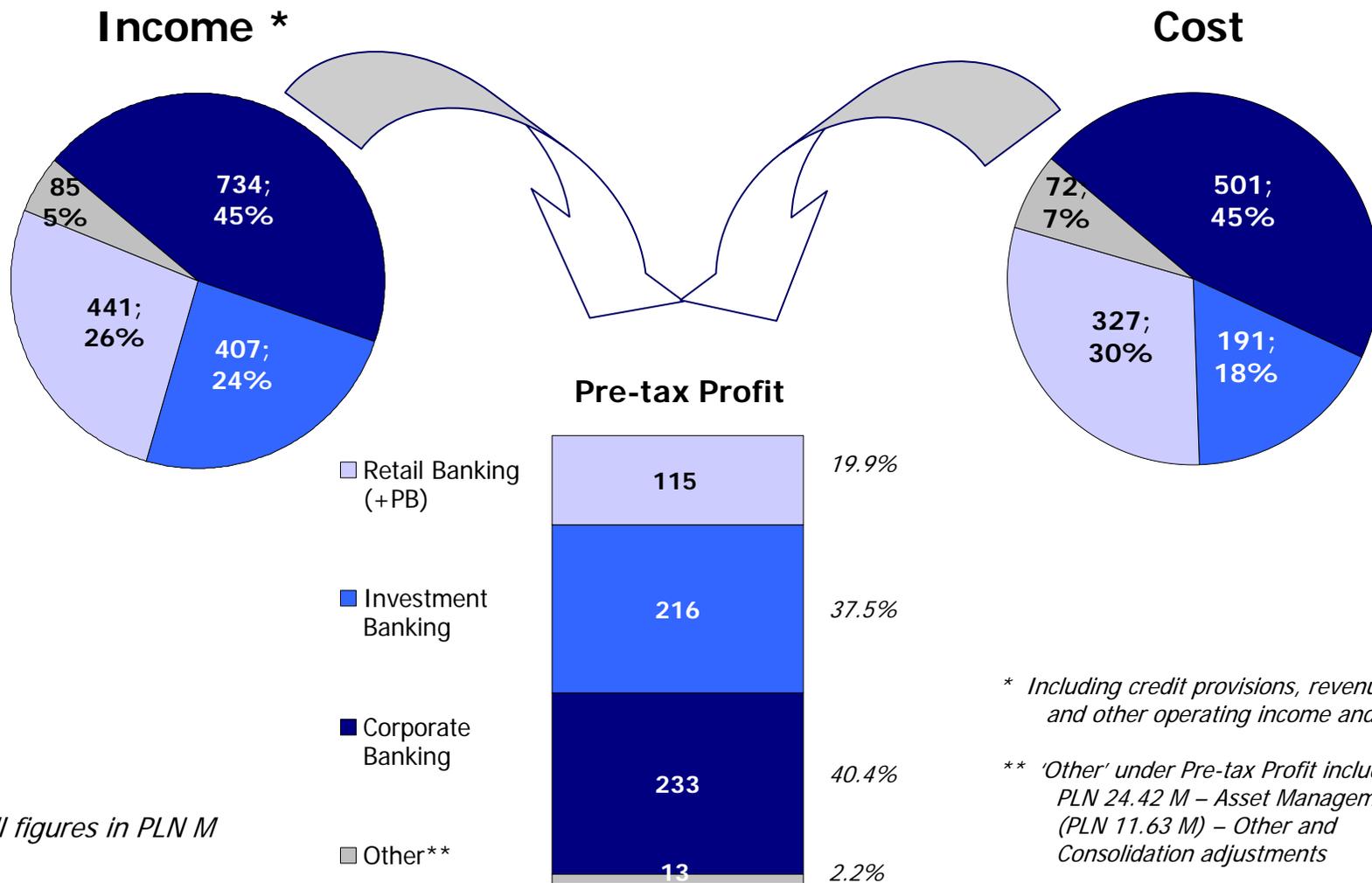
## Additional Information: Selected Financial Data Consolidated Profit and Loss Account under IFRS

<i>PLN'000</i> <i>By quarter *</i>	<i>Q4 2005</i>	<i>Q1 2006</i>	<i>Q2 2006</i>	<i>Q3 2006</i>	<i>Q4 2006</i>
<i>Net interest income</i>	154 862	171 098	161 397	194 922	200 327
<i>Net commission income</i>	106 339	111 199	117 987	130 084	157 862
<i>Dividend income</i>	25 187	511	4 513	10 738	1 103
<i>Trading profit</i>	80 087	89 475	106 624	90 855	113 326
<i>Income from investment securities</i>	31 177	8 462	2 122	1 274	10 875
<i>Other operating income</i>	71 661	52 383	94 651	42 733	39 424
<i>Net impairment of credit and loans</i>	(27 738)	(22 576)	(10 216)	(7 408)	(5 761)
<i>Overhead costs</i>	(234 214)	(216 435)	(220 014)	(229 875)	(257 448)
<i>Depreciation/Amortisation</i>	(41 166)	(40 710)	(40 577)	(41 684)	(43 632)
<i>Other operating cost</i>	(101 492)	(43 812)	(76 851)	(37 390)	(43 084)
<i>Operating profit</i>	64 703	109 595	139 636	154 249	172 992
<i>Share in profits (losses) of associated companies</i>	(209)	(87)	(25)	-	-
<i>Pre-tax profit</i>	64 494	109 508	139 611	154 249	172 992
<b><i>Net profit</i></b>	<b>47 105</b>	<b>78 901</b>	<b>101 498</b>	<b>125 647</b>	<b>115 212</b>

\* Q4 2005 and Q4 2006 – data based on Q4 2006 quarterly report adjusted for discontinued activity, Q1-3 2006 – data based on respective 2006 quarterly reports

# Appendix

## Additional Information: Selected Financial Data Structure of BRE Bank Group Results



All figures in PLN M

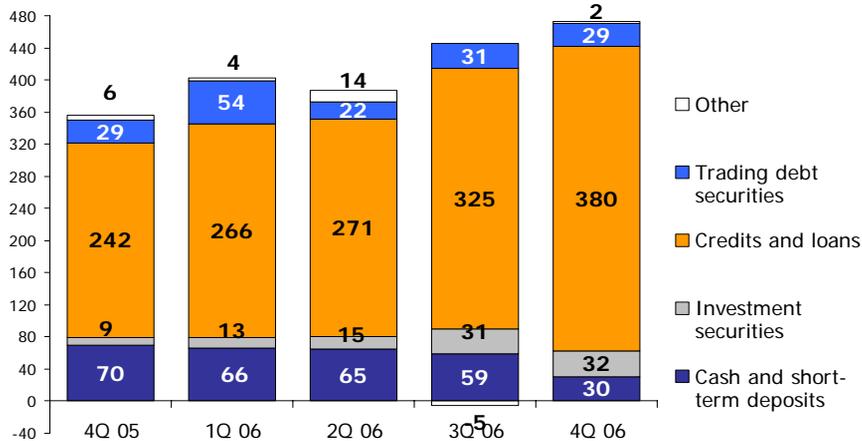
\* Including credit provisions, revenue split and other operating income and costs

\*\* 'Other' under Pre-tax Profit includes: PLN 24.42 M – Asset Management (PLN 11.63 M) – Other and Consolidation adjustments

# Appendix

## Additional Information: Selected Financial Data Net Interest Income, Net Commission Income

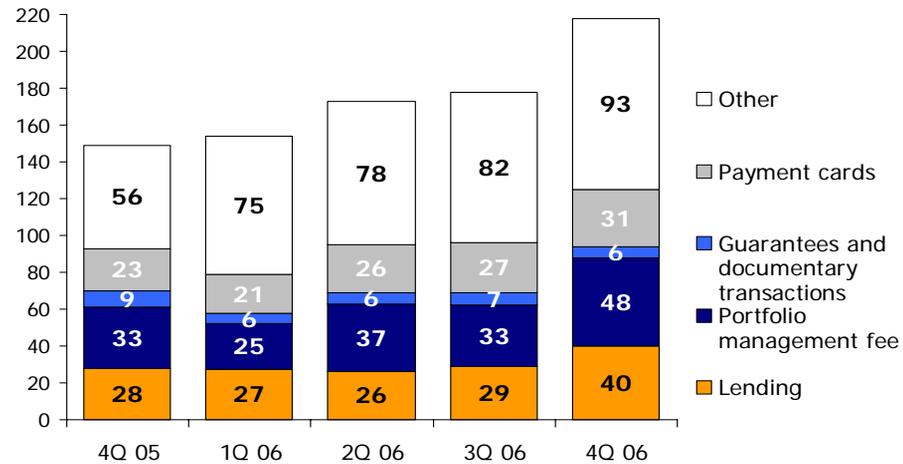
**Net Interest Income**  
(consolidated figures, PLN M)



### Net Interest Income

- Net interest income at the Bank and the Group subsidiaries up 11.9% YoY in Q1-4 2006
- Net interest income up 2.8% QoQ in Q4 2006
- More effective balance sheet structure – growing share of retail banking, mortgage loans, and corporate loans
- Interest margin stable at 2.1-2.2% in 2006 (2.1% at the end of 2006)
- Positive impact of the growing loans portfolio: interest income on loans up 16.8% QoQ

**Net Commission Income**  
(consolidated figures, PLN M)



### Net Commission Income

- Net commission income up 21.4% QoQ and up 31.4% YoY
- Broker's fees up 97.5% YoY and portfolio management fees up 54.3% YoY in Q1-4 2006
- Highest growth in portfolio management fees (up 47% QoQ) and lending fees (up 39.2% QoQ) in Q4 2006

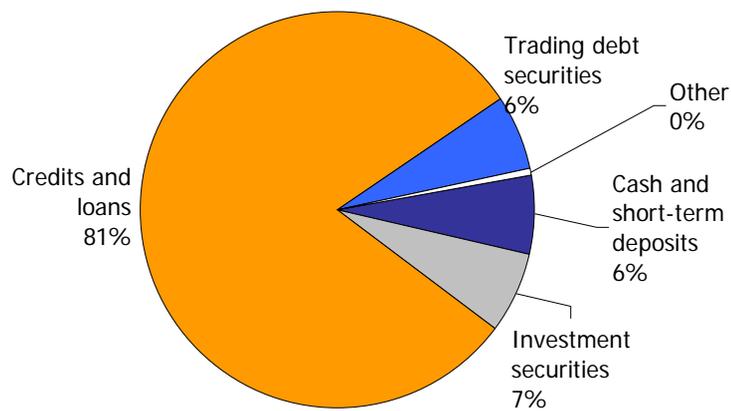
BRE Bank Group margin as net interest income to average interest-earning assets

# Appendix

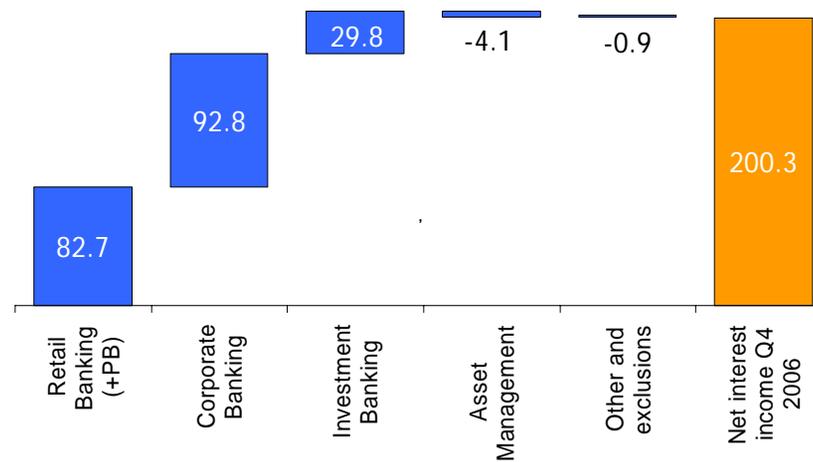
## Additional Information: Selected Financial Data Interest Income Structure



**Net Interest Income  
Q4 2006**  
(consolidated figures, %)



**Net Interest Income, Q4 2006  
by Business Line**  
(consolidated figures, PLN M)



	2004	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
		2005				2006			
<b>NIM*</b>	1.3	1.8	1.9	1.8	2.2	2.2	2.1	2.1	2.1

\*Change in the methodology of calculation of the interest margin:

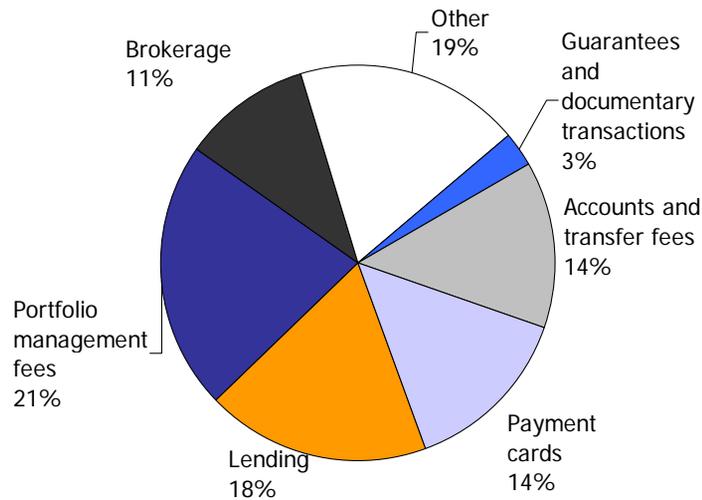
- In 2004-2005, NIM was calculated as net interest income to net assets
- As of Q1 2006, NIM is calculated as net interest income to interest-earning assets
- Q4 2005 – data based on 2006 quarterly reports

# Appendix

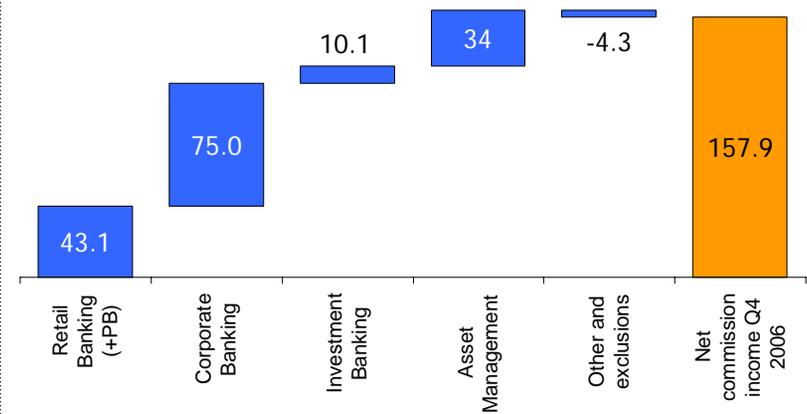
## Additional Information: Selected Financial Data Commission Income Structure



**Net Commission Income  
Q4 2006**  
(consolidated figures, %)



**Net Commission Income, Q4 2006  
by Business Line**  
(consolidated figures, PLN M)



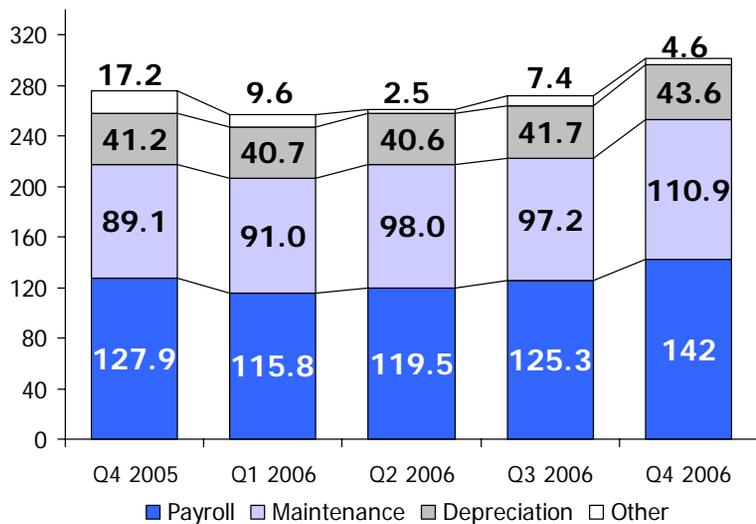
*\*Discontinued activity*

# Appendix

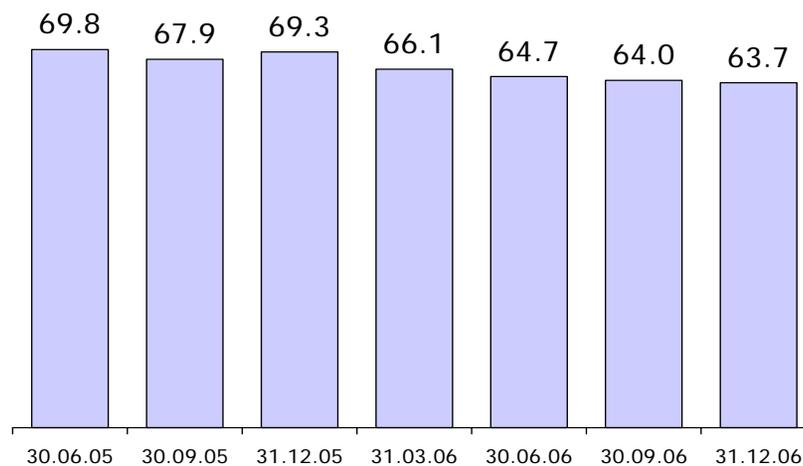
## Additional Information: Selected Financial Data Overhead Cost Structure



**Overhead Costs  
(+ Amortisation/Depreciation)**  
by quarter, PLN M, consolidated figures



**BRE Bank Group's C/I**  
(based on average balances)

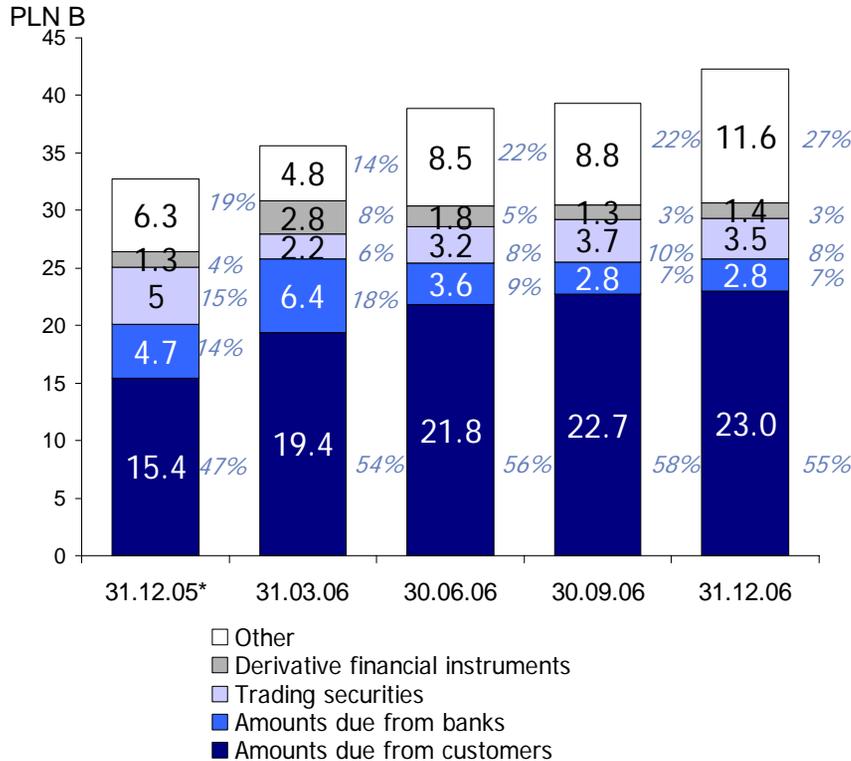


# Appendix

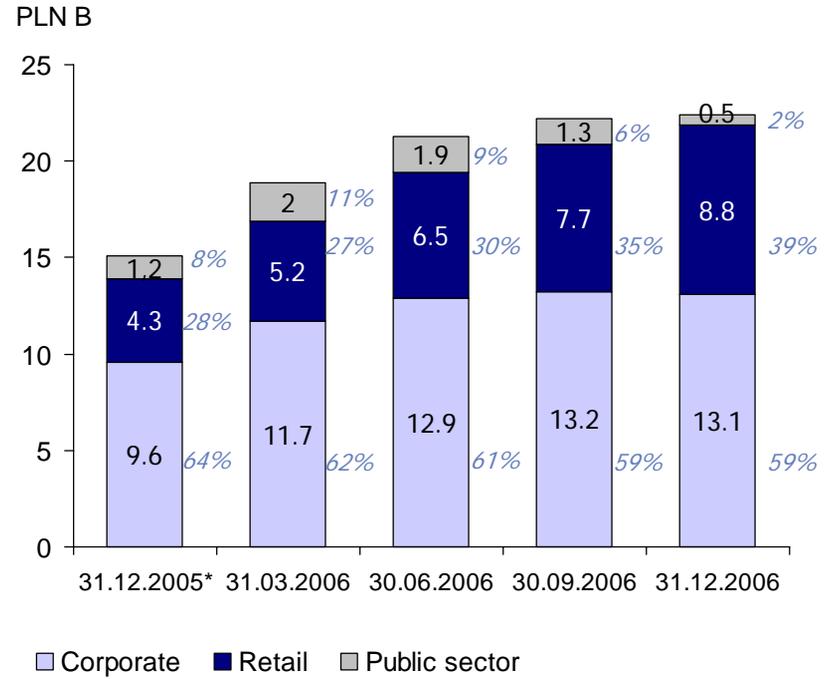
## Additional Information: Selected Financial Data Balance Sheet Analysis: Assets



### Structure of Assets



### Credits and Loans to Customers\* and Portfolio by Customer Category



\*Data based on the Q4 2006 report

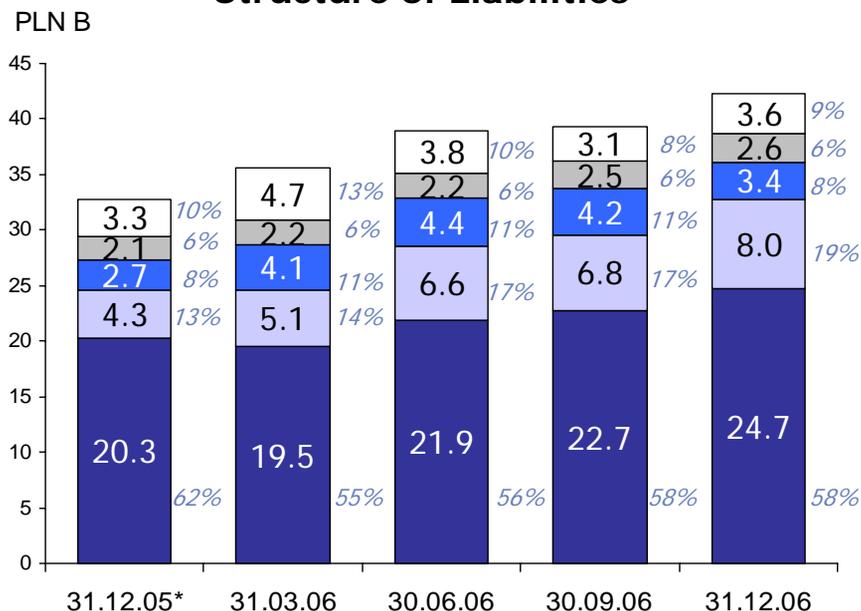
\*Gross credits and loans

# Appendix

## Additional Information: Selected Financial Data Balance Sheet Analysis: Liabilities

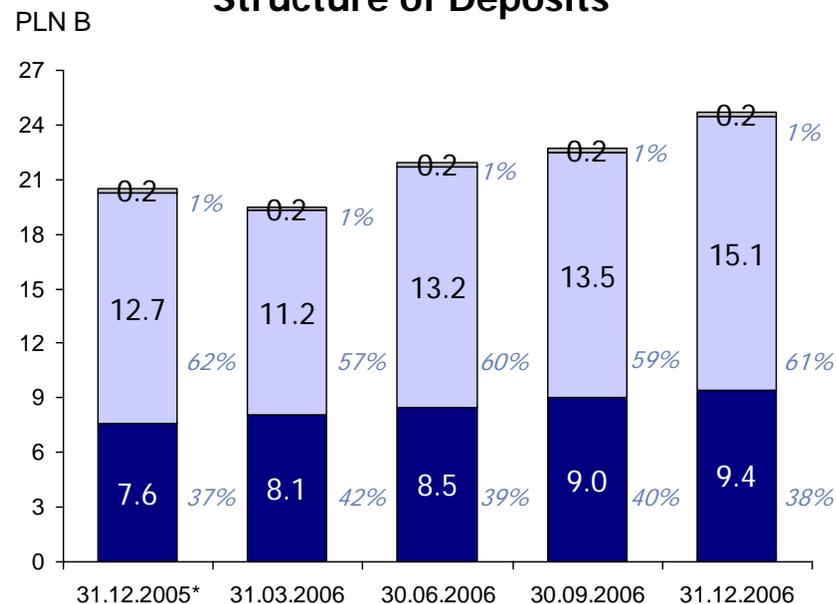


### Structure of Liabilities



- Other
- Equity (total)
- Debt securities in issue
- Liabilities to banks
- Liabilities to customers

### Structure of Deposits

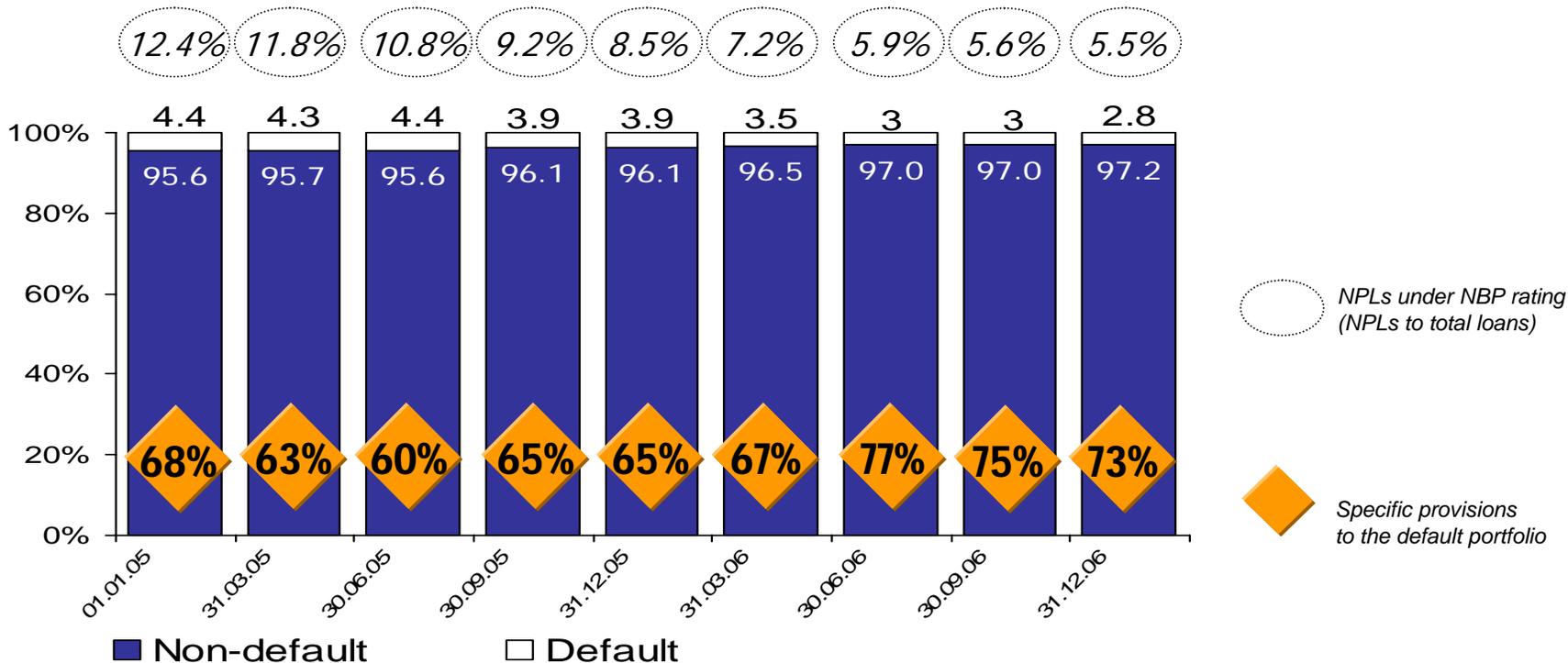


- Retail
- Corporate
- Public sector

\*Data based on the Q4 2006 report

# Appendix

## Additional Information: Selected Financial Data Structure of BRE Bank's Risk Portfolio



PLN M	31.12.2006	% share	30.09.2006	% share	31.12.2005	% share
Default	<b>902</b>	<b>2.8</b>	<b>936</b>	<b>3.0</b>	<b>1 046</b>	<b>3.9</b>
Non-default	<b>31 156</b>	<b>97.2</b>	<b>30 256</b>	<b>97.0</b>	<b>25 505</b>	<b>96.1</b>
Total	<b>32 058</b>	<b>100.00</b>	<b>31 192</b>	<b>100.00</b>	<b>26 551</b>	<b>100.00</b>

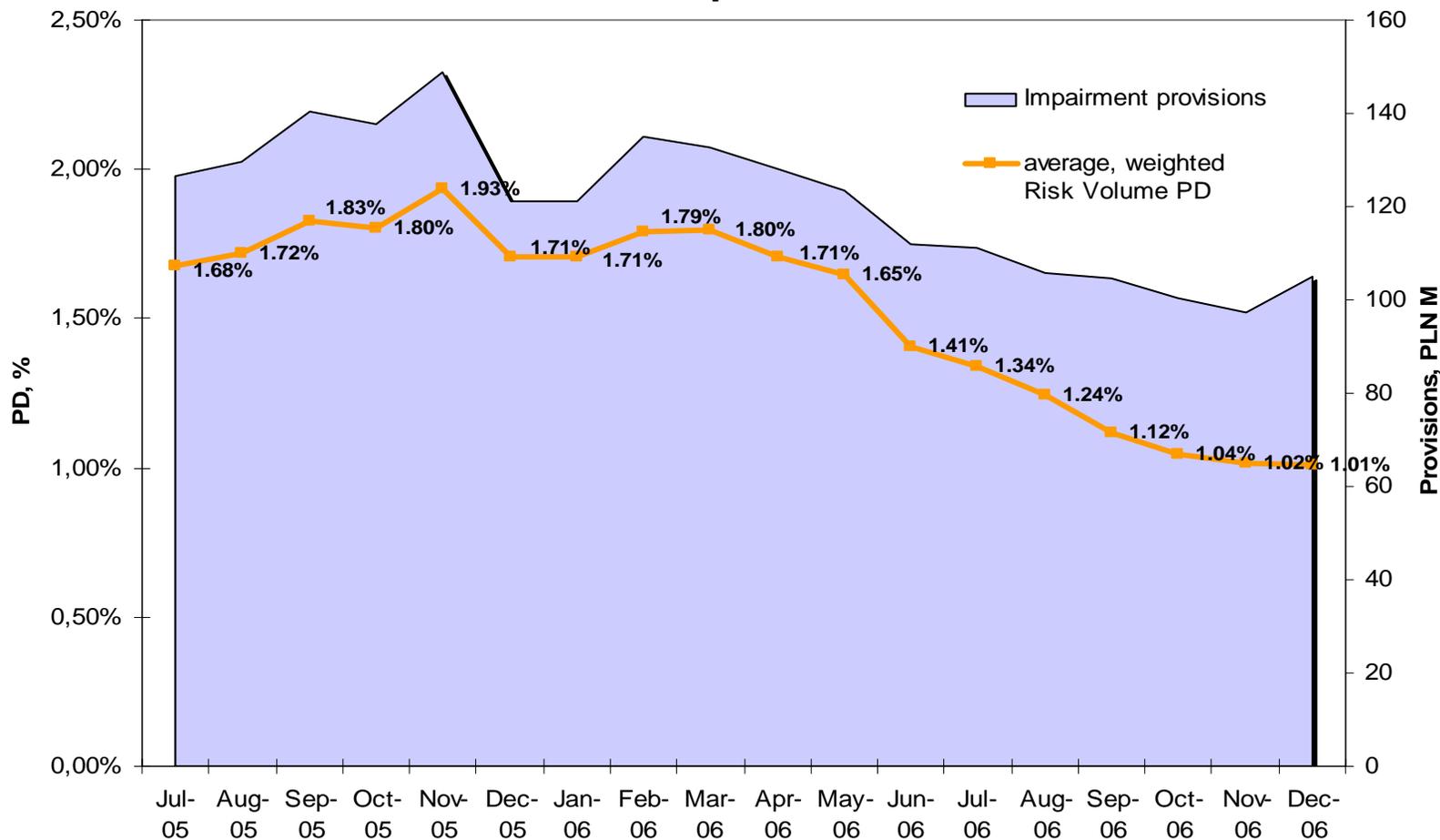
# Appendix

## Additional Information: Selected Financial Data

### Improved Quality of BRE Bank's Risk Portfolio



### Change of average PD of the Corporate Portfolio vs. Non-Retail Impairment Provisions



# Appendix

## Additional Information: Selected Financial Data Non-performing Loans: Portfolio Structure\*

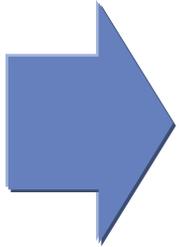
### Falling Share of NPLs in the Portfolio

	31.12.2006			30.09.2006			31.12.2005		
	Exposure PLN B	%	Provisions % coverage	Exposure PLN B	%	Provisions % coverage	Exposure PLN B	%	Provisions % coverage
<b>Regular</b>	<b>18.0</b>	<b>94.5</b>	<b>0.5</b>	<b>18.0</b>	<b>94.4</b>	<b>0.5</b>	<b>13.5</b>	<b>91.5</b>	<b>0.7</b>
<i>Of which:</i>									
<i>Standard</i>	17.3	90.8	0.1	17.4	91.2	0.1	12.8	86.6	0.1
<i>Watch</i>	0.7	3.7	10.2	0.6	3.2	11.6	0.7	4.9	9.9
<b>Irregular</b>	<b>1.0</b>	<b>5.5</b>	<b>60.4</b>	<b>1.1</b>	<b>5.6</b>	<b>62.2</b>	<b>1.3</b>	<b>8.5</b>	<b>51.8</b>
<i>Of which:</i>									
<i>Substandard</i>	0.2	1.0	7.9	0.2	1.0	20.2	0.3	2.4	10.0
<i>Doubtful</i>	0.2	1.2	27.2	0.2	1.2	28.9	0.2	1.5	28.3
<i>Loss</i>	0.6	3.3	89.0	0.7	3.5	85.4	0.7	4.6	81.1
<b>TOTAL</b>	<b>19.0</b>	<b>100</b>	<b>3.8</b>	<b>19.1</b>	<b>100</b>	<b>4.0</b>	<b>14.7</b>	<b>100</b>	<b>5.0</b>

Provisions shown under IFRS – the impairment provision shown under 'watch'

**Steady improvement of portfolio quality: NPLs down from 5.6% to 5.5% in Q4 2006 (NBP rating) thanks to the growing loan portfolio, overall portfolio quality improvement and ongoing restructuring of some of the Bank's exposures, including repayment of loans rated loss**

\* BRE Bank's balance-sheet loans portfolio – balance-sheet credit debt (excluding credits not drawn)



Macroeconomics

# Appendix

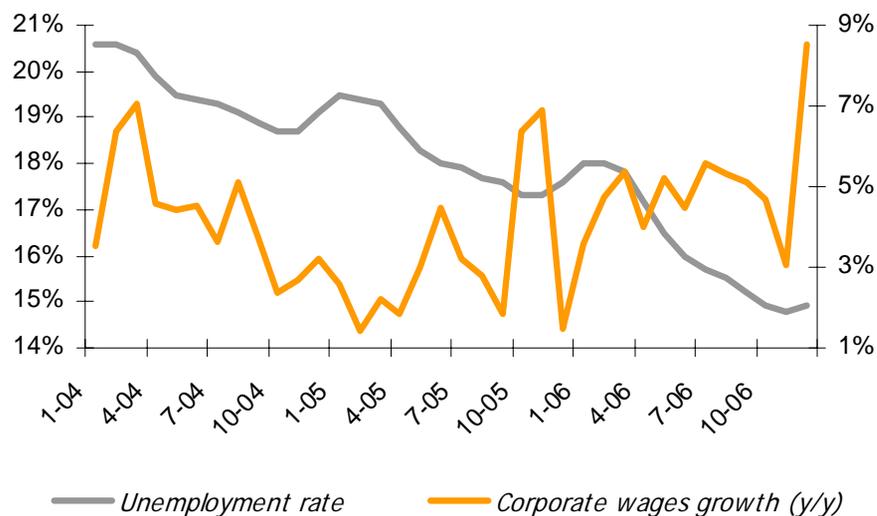
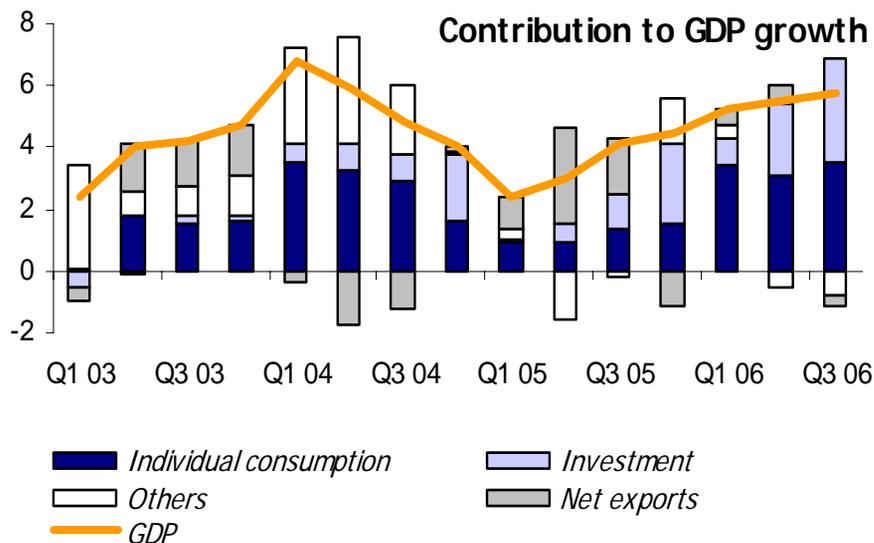
## Macroeconomics

### GDP and Labour Market



## High GDP growth, steady improvement on the labour market

- GDP growth was 5.8% in Q3 2006 and 5.8% in all of 2006
- GDP growth mainly driven by fast growing domestic demand; investments and private consumption up sharply
- Official unemployment down to ca. 15%; growth of employment in the corporate sector at a record-high 4.1% YoY in December, wages growth over 5% in 2006



# Appendix

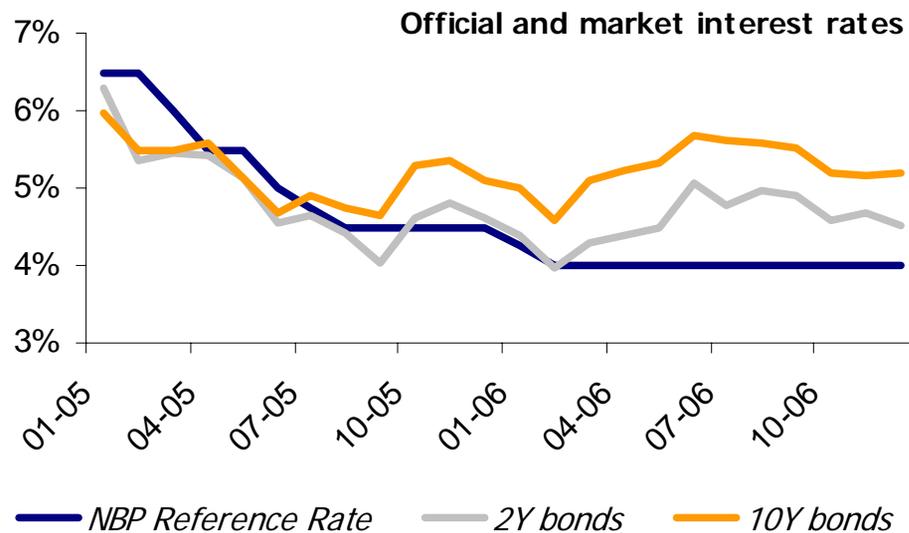
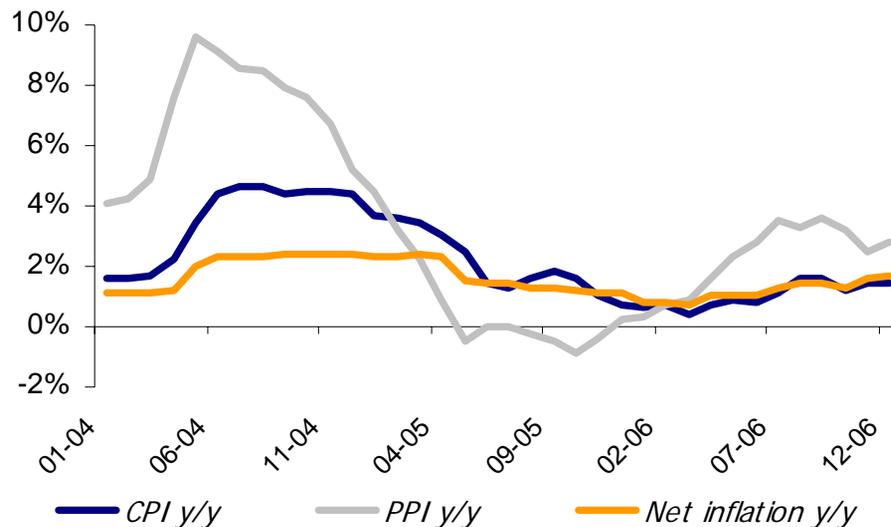
## Macroeconomics

### Inflation and NBP Interest Rates



***No clear signs of fast growing inflation pressures, official interest rates unchanged***

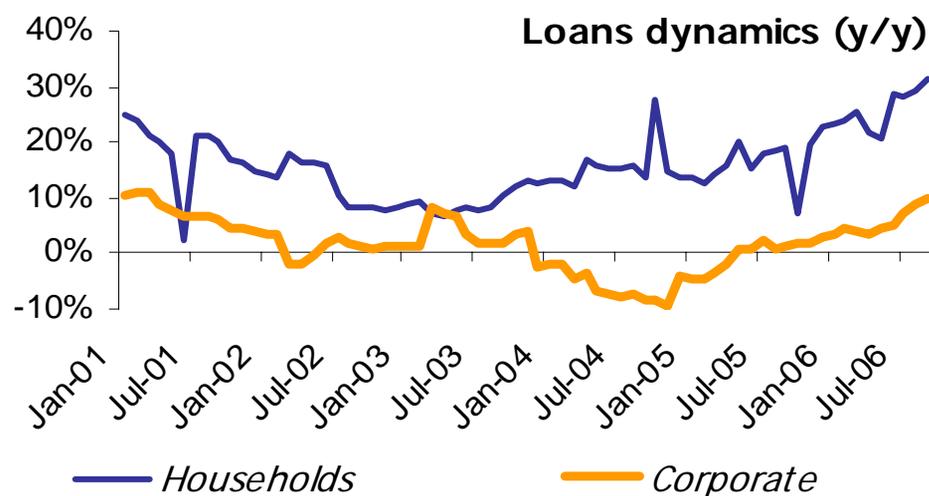
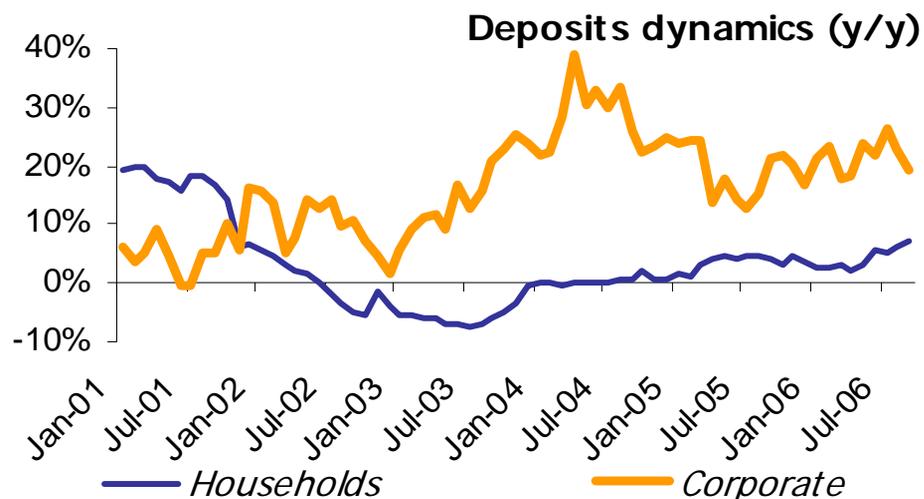
- *CPI in December (1.4%) over the floor of the deviation band from the NBP inflation target, average prices up by only 1% in 2006*
- *NBP interest rates unchanged since February 2006*
- *Further development of core inflation and wages growth may be crucial to MPC decisions*





## Fast growing corporate loans

- Corporate loans up by ca. 15% in 2006 (v. only 2.7% in 2005)
- High growth in household loans continues; fast growing housing loans (increasingly granted in PLN) accompanied by sharply growing interest in consumer loans and credit cards
- High volumes and fast growth of corporate deposits prove the good financial standing of producers





## BRE Bank's Investor Relations Officers at your service:

### **Jakub Korczak**

Director, Investor Relations

Direct dial: +022 829 04 79  
Office: +022 829 02 98  
Fax: +022 829 02 97  
E-mail: [jakub.korczak@brebank.pl](mailto:jakub.korczak@brebank.pl)

or

### **Agnieszka Solarz**

Investor Relations

Tel.: +022 829 08 18  
Fax: +022 829 02 97  
E-mail: [agnieszka.solarzjedrych@brebank.pl](mailto:agnieszka.solarzjedrych@brebank.pl)

### **Joanna Filipkowska**

Investor Relations

Tel.: +022 829 04 53  
Fax: +022 829 02 97  
E-mail: [joanna.filipkowska@brebank.pl](mailto:joanna.filipkowska@brebank.pl)

Visit our Investor Relations website: [www.brebank.pl](http://www.brebank.pl)