



**BRE BANK SA**

# **BRE Bank Group Results 2007 and Outlook 2008**

*BRE Bank SA Management Board*

*Presentation for Investors and Analysts  
31 January 2008*

[ THE BEST FINANCIAL INSTITUTION  
FOR DEMANDING CUSTOMERS ]



## ***BRE Bank Group Results 2007***

BRE Bank Group: A Year in Brief

Key Achievements and Financial Results of the Business Lines

Analysis of the Consolidated Financial Results

## ***Outlook 2008***

Scenario for the Economy and the Banking Sector

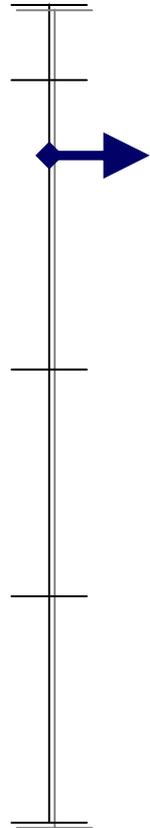
BRE Bank Group's Outlook of Growth

## ***Appendix***

Detailed Results of the Business Lines, Q4 2007

Additional Information: Selected Financial Data

Macroeconomics



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# BRE Bank Group: A Year in Brief

## Key Achievements 2007



**1**

***Dynamic growth of profit and efficiency***

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**2**

***Retained growth rate of main balance sheet items***

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**3**

***Improved profitability of all Business Lines***

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**4**

***Proposed retention of entire 2007 profit***

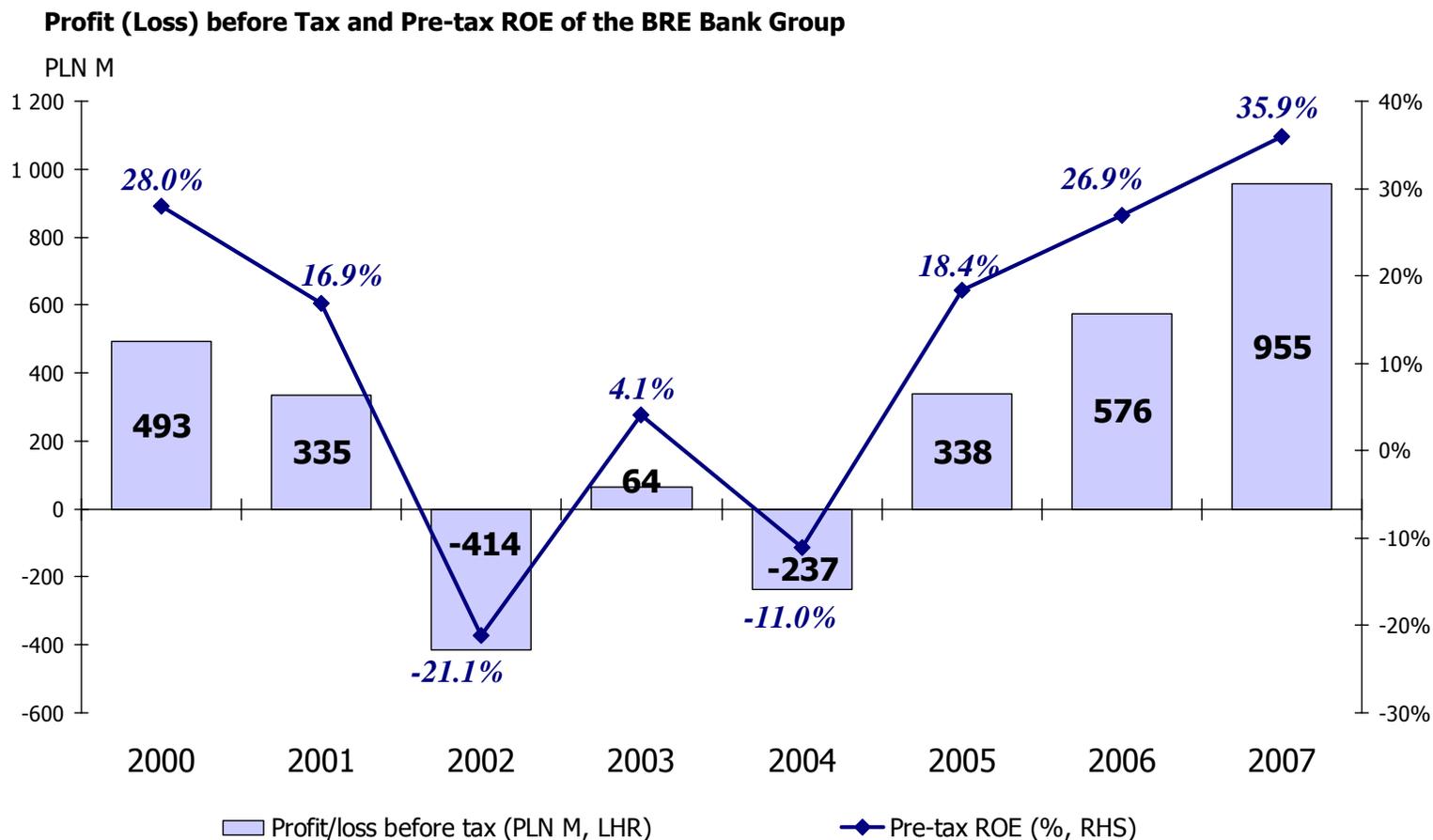
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# BRE Bank Group: A Year in Brief

## Key Achievements 2007



### *Best Financial Results since 2000*



# BRE Bank Group: A Year in Brief

## High Profitability



*Continued and discontinued operations*

<b>Profit before tax</b>		<b>PLN 954.5 M</b>
<b>ROE pre-tax</b>		<b>35.9%</b>
<b>Cost/Income (C/I)</b>		<b>55.5%</b>
<b>Capital adequacy ratio (CAR)</b>		<b>10.2%</b>

*Unless indicated otherwise, the presented financial data refer to the BRE Bank Group*

# BRE Bank Group: A Year in Brief

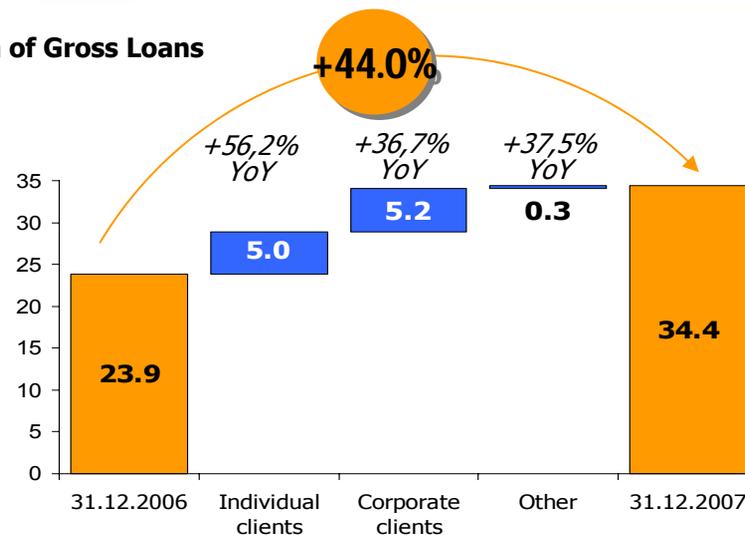
## Dynamic Growth of Loans to Clients

### Total lending up by 44.0% YoY

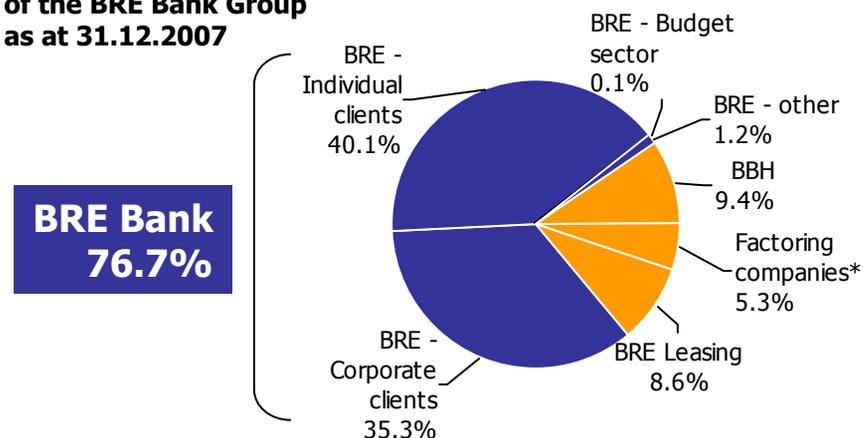
- Loans to retail clients up by 56.2% YoY and 9.2% QoQ
- Loans to corporate clients up by 36.7% YoY and 4.9% QoQ

**Share of loans to retail clients in total portfolio up to 40.4%**  
(from 37.2% at the end of 2006)

Growth of Gross Loans (PLN B)



Structure of the Loans Portfolio of the BRE Bank Group as at 31.12.2007

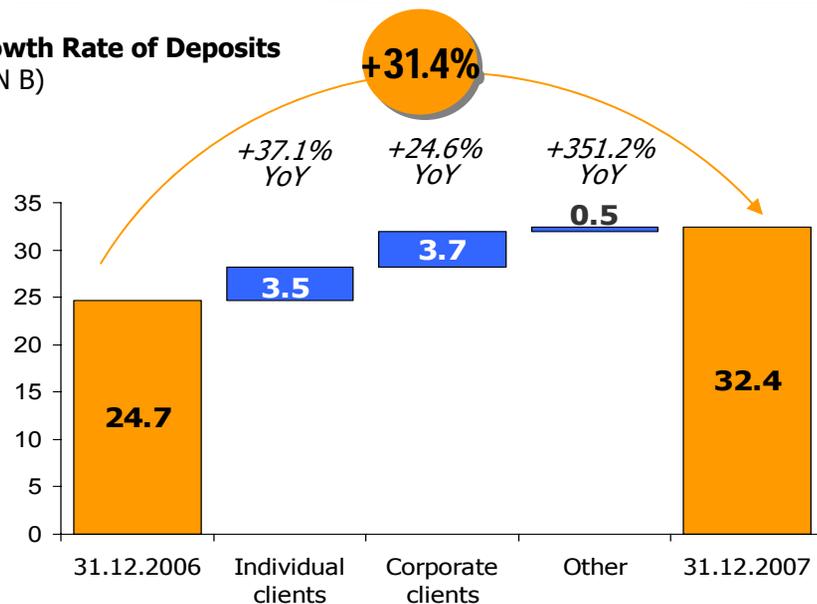


\* Factoring companies: Polfactor, Intermarket Bank, Transfinance, Magyar Factor

# BRE Bank Group: A Year in Brief

## Deposits Follow Lending

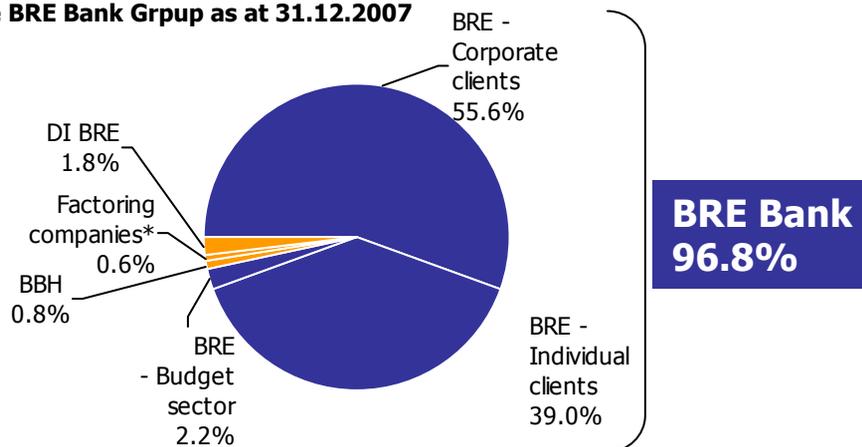
**Growth Rate of Deposits**  
(PLN B)



## Total deposits up by 31.4% YoY

- Continued growth of deposits of retail clients (up by 37.1% YoY)
- Deposits of corporate clients up by a high 24.6% YoY

**Structure of Amounts Due to Clients of the BRE Bank Group as at 31.12.2007**



## Total share of funds of retail clients

(Bank and Subsidiaries) in deposits at the end of 2007

**up to 39.9%**

from 38.2% at the end of 2006

\* Factoring companies: Polfactor, Intermarket Bank, Transfinance, Magyar Factor

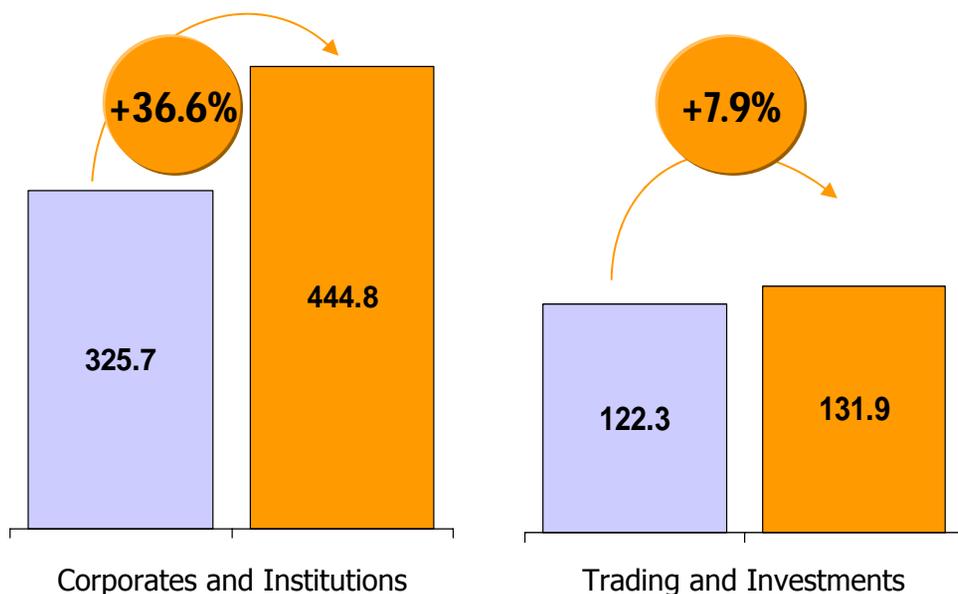
# BRE Bank Group: A Year in Brief

## Results of the Business Lines



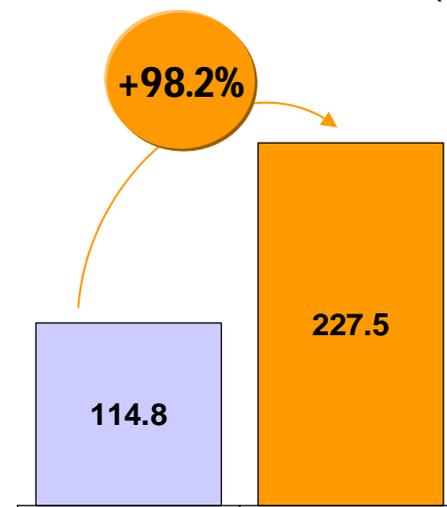
### *Growing Profitability of the Business Lines*

#### Corporations and Financial Markets



#### Retail Banking (+PB)

Profit before Tax by Business Line  
Q1-4 2007 v. Q1-4 2006  
(PLN M)



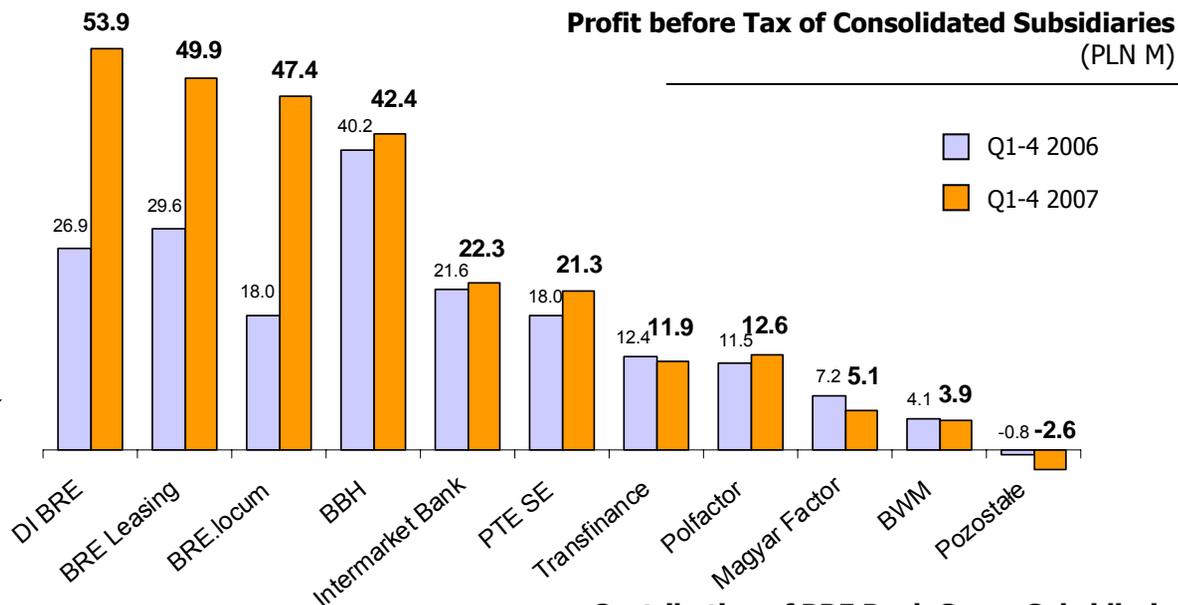
■ Q1-4 2006    ■ Q1-4 2007

# BRE Bank Group: A Year in Brief

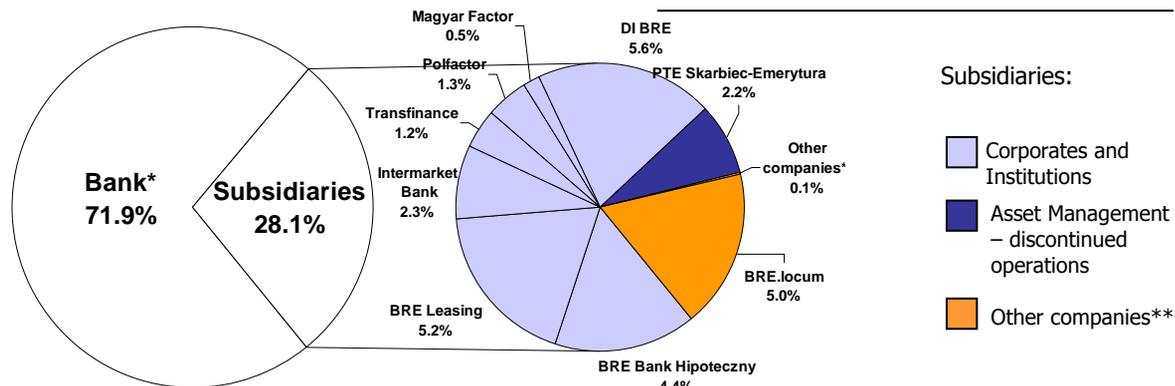
## Results of the Strategic Subsidiaries

**Profit before tax of the strategic subsidiaries in 2007 up by over 40% YoY**

*(for the sake of comparability, 2006 data net of SAMH but including BWM)*

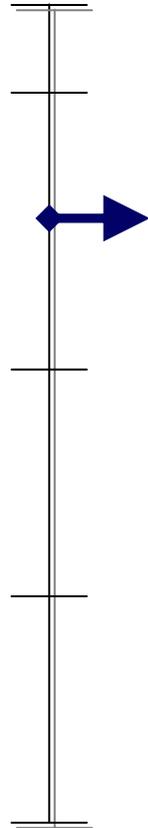


### Contribution of BRE Bank Group Subsidiaries to Profit before Tax



\* Bank's profit before tax net of consolidation adjustments

\*\* Other Group subsidiaries include: CERI, BRE Wealth Management, BRE Corporate Finance, BRE Finance France, Tele-Tech Investment, Garbary, emFinanse



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# Results and Achievements of the Business Lines 2007

Corporations and Financial Markets  
Corporates and Institutions: Summary

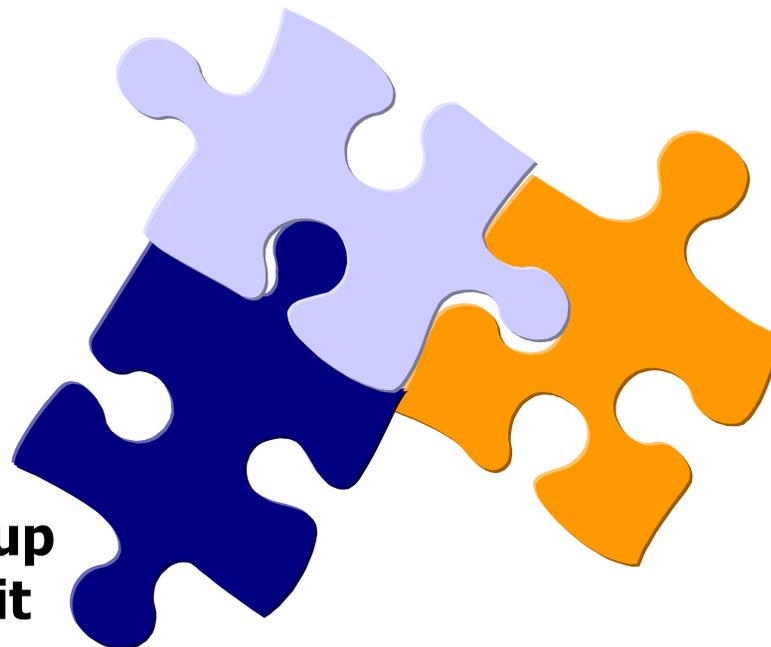
## Growing profitability

*Profit before tax in 2007  
up by 36.6% YoY  
to PLN 444.8 M*

## Significant contribution of Group subsidiaries to profit before tax

*Over 29% of the profit before tax  
of Corporations and Financial Markets contributed  
by the subsidiaries;*

*The largest contribution came from:  
DI BRE, BBH, BRE Leasing and Intermarket Bank*



## Business expansion

*Corporate loans up  
by 38.0% YoY*

*Sales of products  
with EU co-financing  
up considerably (by 68.3% YoY)*

*Corporate customers base  
up by 2.5 thou. clients in 2007*

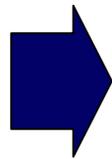
# Results and Achievements of the Business Lines 2007

## Corporates and Institutions: Summary

### Target 2007



12.4 K clients,  
incl. 7,800 SMEs



Loans up by  
PLN 1.1 B



Contribution  
of income from SMEs  
to total income  
of the Line up to 23%

### Actual 2007\*\*



**Achieved**

**Customer base up**  
to 12.6 thousand companies,  
including 7,844 SMEs



**Achieved**

**Growth of loans**  
to corporate clients in BRE Bank  
up by PLN 3.5 B to PLN 12.7 B



**Achieved**

**Segment K3**  
**has a 24% share\***  
(at the level of profit on banking  
operations) in the total income  
of segments K1, K2, K3

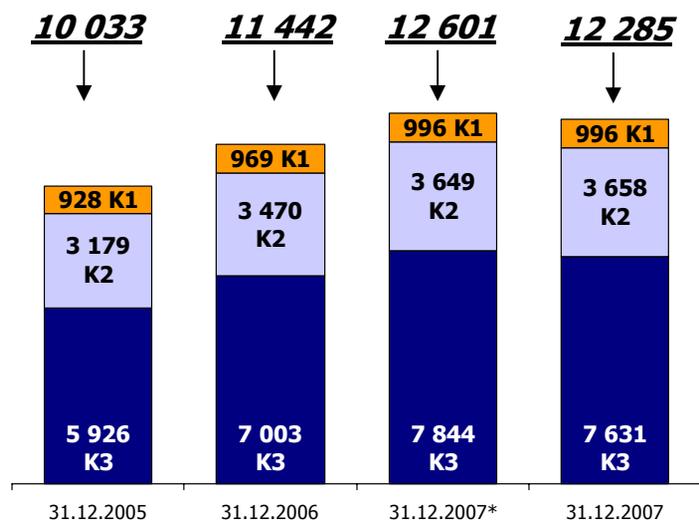
\*Data comparable to data presented in 2006,  
ignoring the change in management and presentation of BRE Bank's business as of Q1 2007  
\*\* BRE Bank only

# Results and Achievements of the Business Lines 2007

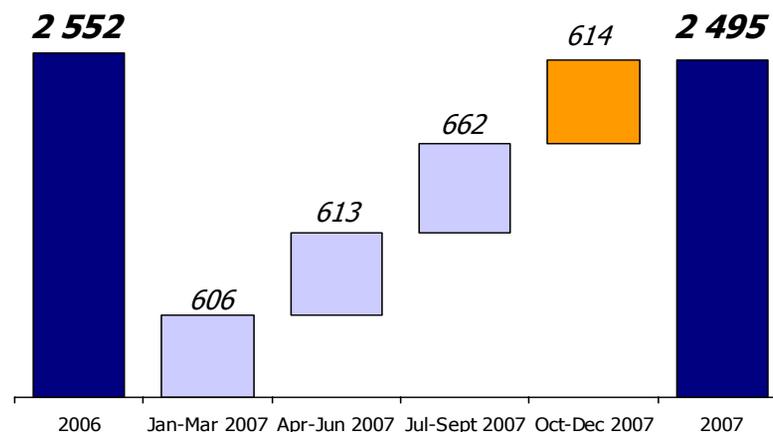
## Corporates and Institutions: Summary Clients

***Profitable acquisition: 7% growth in total income generated by customers acquired in 2007 v. 2006 income generated by customers acquired in 2006***

Corporate Clients  
Number and Structure



Total New Corporate Banking Customers



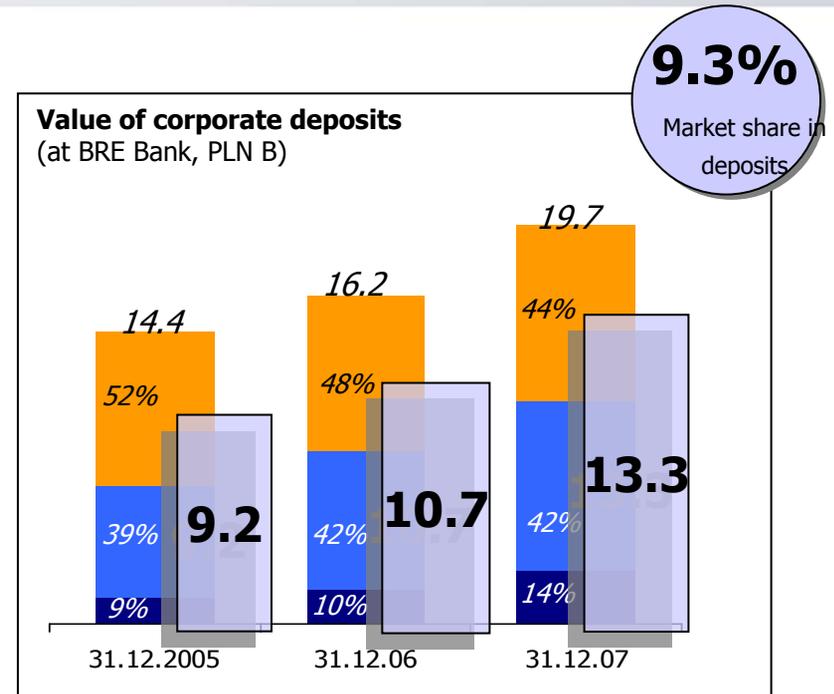
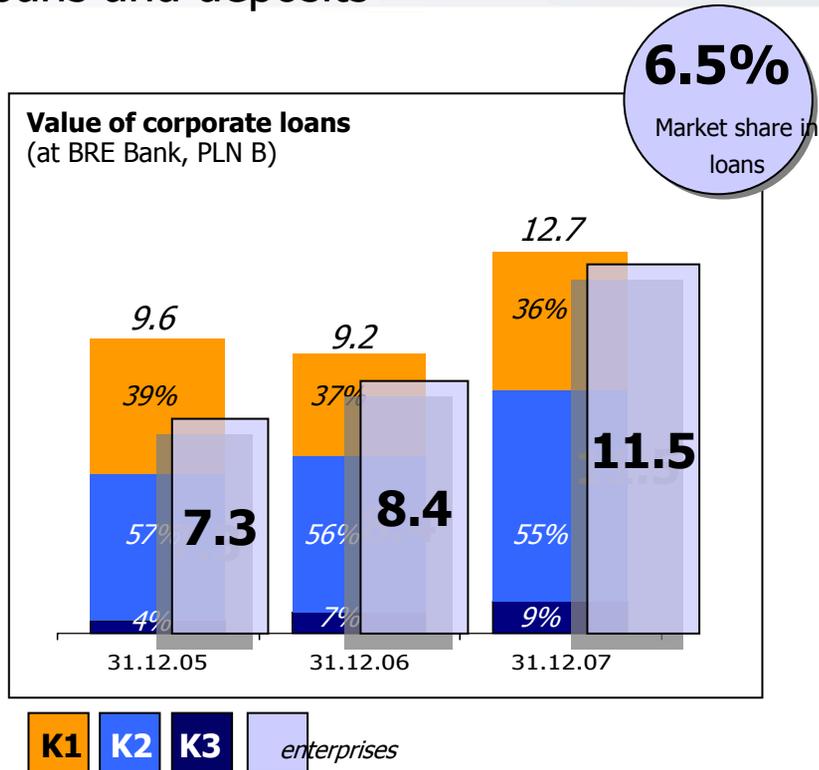
- The total number of corporate clients at the end of 2007 was **12,285 companies**
- The net increase in the number of clients was 1,159 companies, as 316 inactive accounts were closed in a customer base verification initiative

- In 2007, **2,495 new corporate clients were acquired**, of which 73% were K3 segment clients, and 22% were K2 segment clients

\* Number of customers before the verification

# Results and Achievements of the Business Lines 2007

## Corporates and Institutions: Summary Loans and deposits



### ***Higher share in loans and deposits market***

***as a result of a 38% YoY growth of corporate loans portfolio\****

***as well as over 20% YoY growth of the value of corporate customers' deposits\****

*\*data – balance sheet; for enterprises data as follows: : +36.9% growth of customer's loans and 24.3% growth of customers' deposits*

# Results and Achievements of the Business Lines 2007

## Corporates and Institutions: Summary Strategic Projects



### **Sales Network**

#### ***Optimisation and refurbishment of the corporate network***

- 4 Corporate Offices operational by the end of 2007
- 4 Corporate Branches refurbished



### **Processes**

#### ***Process improvement, continued reorganisation of branches in WOK operations***

- Introduced new management model for operational processes, implemented cashier and teller functions
- Implemented MegaStatement: centralised and outsourced mailing of statements
- Ongoing Contact Center project – centralisation of Electronic Distribution Channels functions



### **IT Systems**

#### ***Development of the Electronic Banking System***

- Trade Finance products available in iBRE – import letters of credit (33% of Bank's customers using L/Cs use the new functionality), export letters of credit, import collection
- Implemented iBRE Conect – iBRE access directly from the client's financial and accounting system (SAP)



### **Effectiveness**

#### ***Restructuring and enforcement: Securitisation***

- PLN 206 M of portfolio sold (PLN 154.2 M of principal, PLN 51.8 M of interest), representing ca. 20% of the Bank's default portfolio

# Results and Achievements of the Business Lines 2007

Corporations and Financial Markets  
Trading and Investments: Summary

## Center of Competence for PLN Products

*Since 2007 BRE is CoC for PLN IR and FX products in Commerzbank Group*

## Active presence on financial markets

*BRE remains Poland's #1 Primary Market Dealer:*

**19.9% share** in the interest rate derivatives market,  
**18.4% share** in trading in Treasury bills and bonds



## Growing profitability

*Profit before tax in 2007 up by 7.9% YoY to PLN 131.9 M*

## Record underwriting activity

*Outstanding MTNs at record high **PLN 2.4 B** in 2007 vs. PLN 860 M in 2006*

# Results and Achievements of the Business Lines 2007

## Trading and Investments: Summary



### Systems

- **Expansion** of K+ capabilities
- **Implementation** of Murex Currency System
- *Launching a project for a new e-commerce platform*



### Products

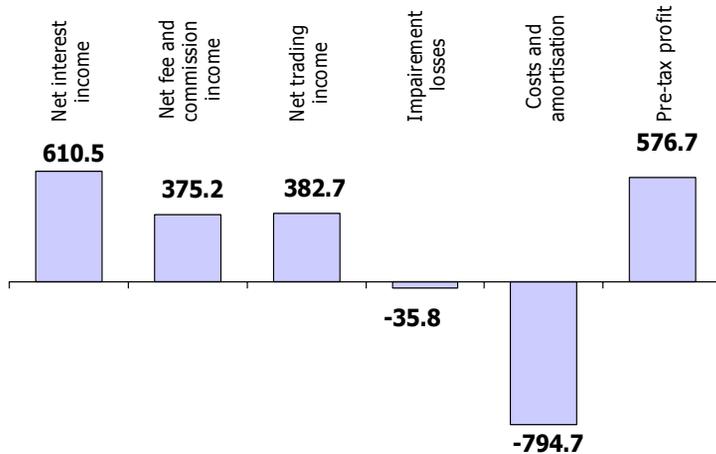
- *Introducing commodity options*
- *Increasing supply of debt securities*
- *Expanding sales of structured investments products to retail investors (+/-)*

# Results and Achievements of the Business Lines 2007

## Corporations and Financial Markets: Financial Results

### Financial Results of the Line, 2007

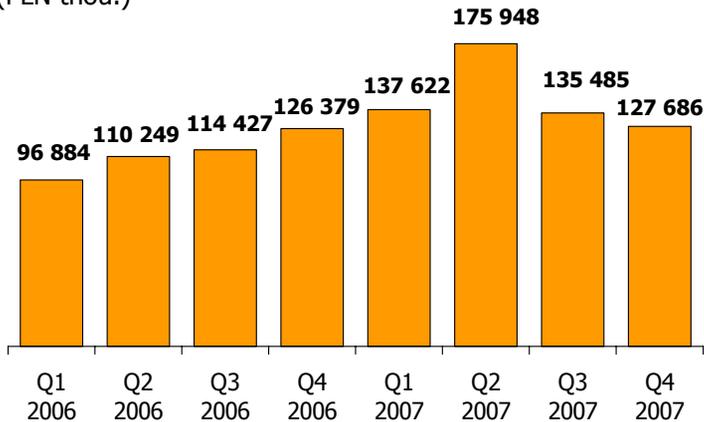
(PLN M)



- **The profit before tax of the Line in 2007 up by 28.8% YoY to PLN 576.7 M**
- *Corporates and Institutions contributed 77.1% of the profit before tax of the Line, Trading and Investments contributed 22.9%*
- *The subsidiaries again made a high contribution (29%) to the profit of the Line, including mainly DI BRE, BRE Leasing, BRE Bank Hipoteczny and Intermarket Bank AG*

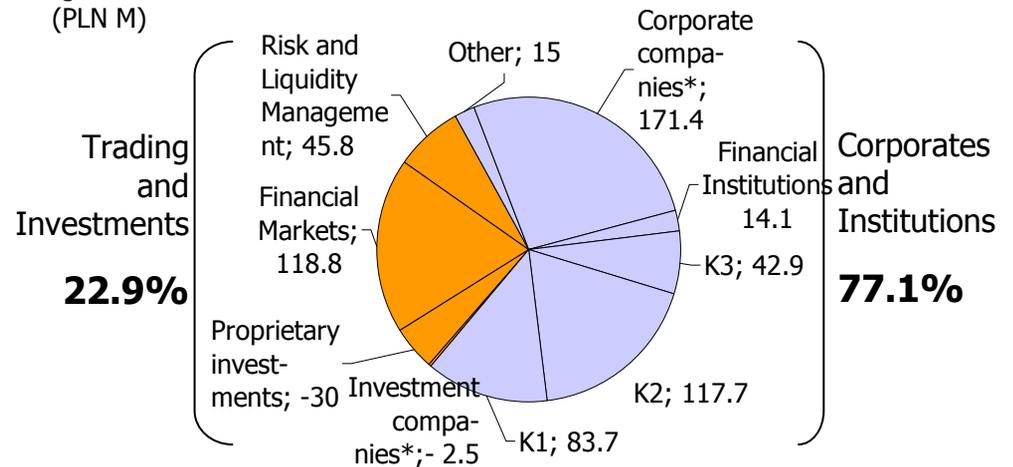
### Profit before Tax of the Line, 2006-2007 by Quarter

(PLN thou.)



### Structure of the Profit before Tax of Corporations and Financial Markets Q1-4 2007

(PLN M)



\* Including consolidation adjustments and BSS cost

## BRE Bank Retail Banking: Summary

### Growing contribution to Group's profit

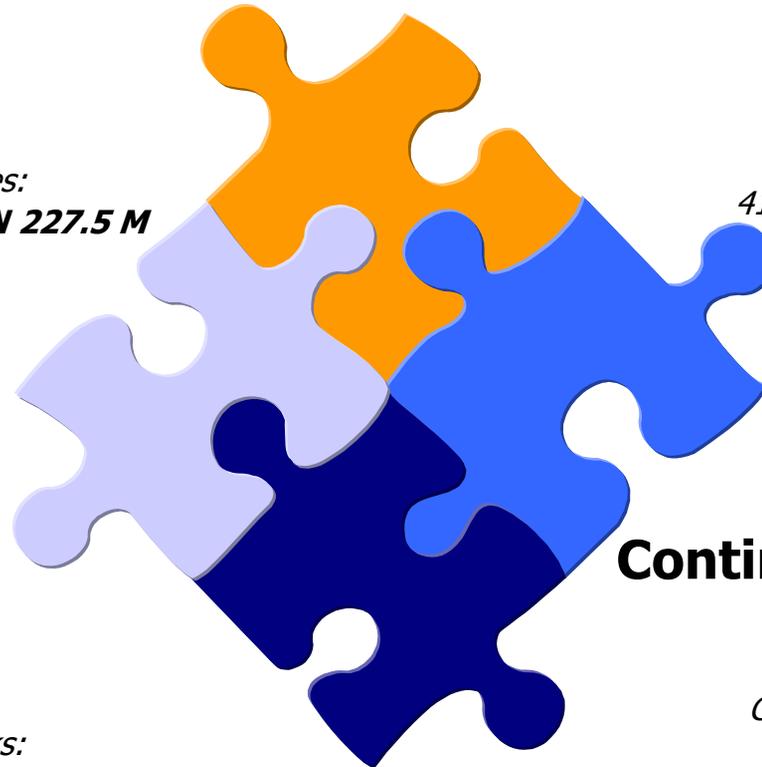
Highest growth rate among Lines:  
Line's **profit before tax** at **PLN 227.5 M**  
in 2007 (up by 98.2% YoY)

24% contribution  
to the Group's profit

### mBank's successful launch abroad

Achievements within only 9 weeks:

45 thou. clients and 66 thou. accounts  
and PLN 205 M deposits



### Customer base up by 1/4

*Achievements of 2007:*

411.9 K clients (+25.3% YoY)  
(including 50 thou. microenterprises)

and  
510.9 K accounts  
(+26.7% YoY)

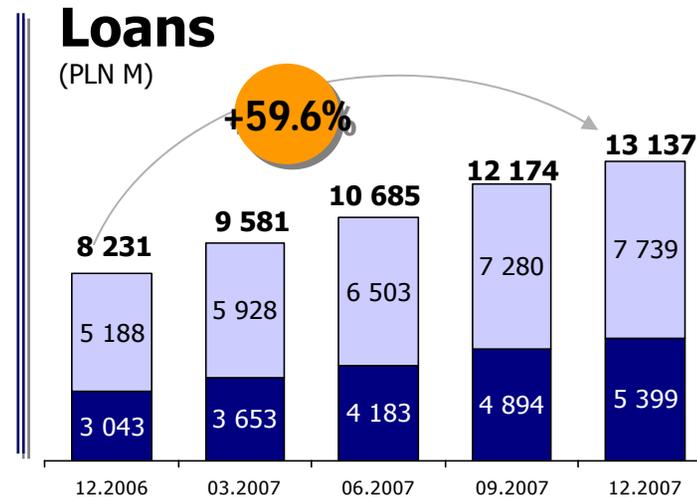
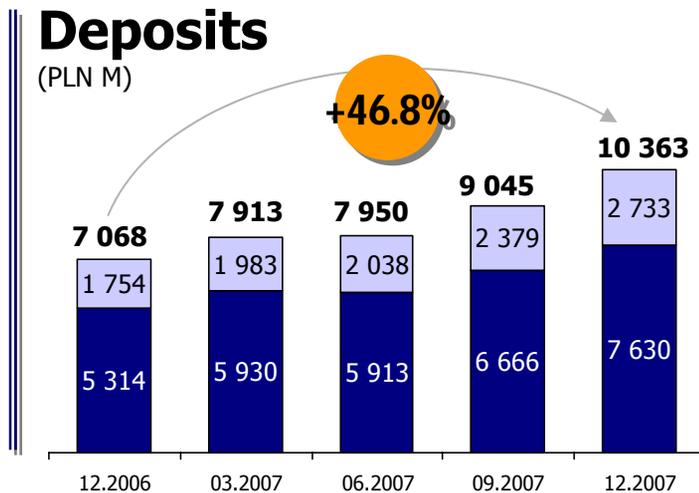
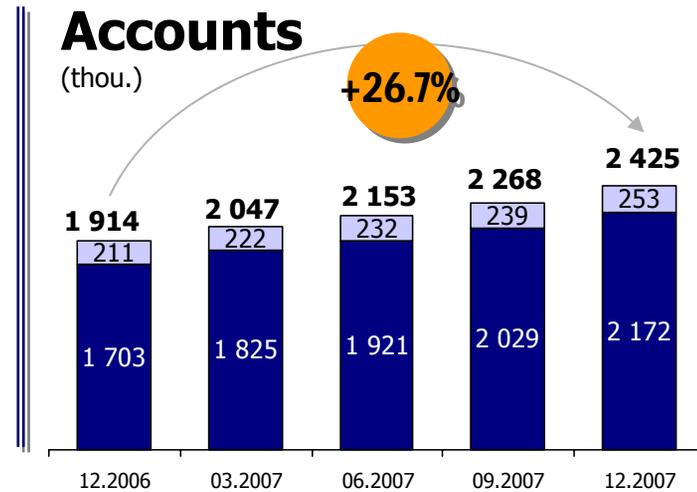
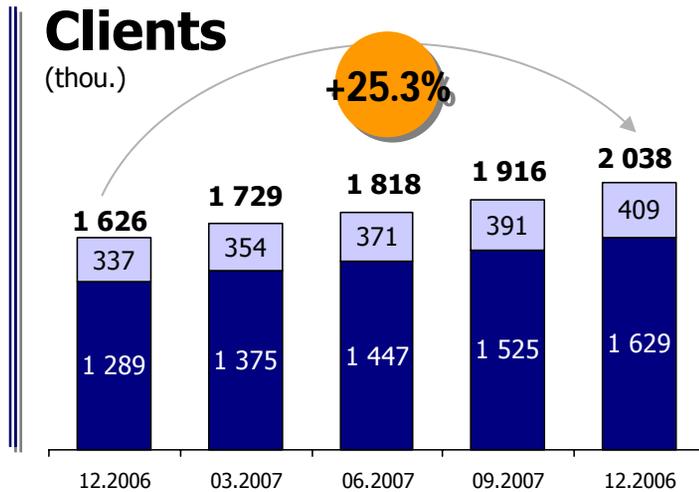
### Continued expansion in lending

*Growth of the loans portfolio:*

total portfolio up to PLN 13.1 B  
(+59.6% YoY),  
including  
mortgage portfolio up to PLN 11.1 B  
(+57.7% YoY)

# Results and Achievements of the Business Lines 2007

## BRE Bank Retail Banking: Summary of Q4 2007



■ mBank ■ MultiBank

# Results and Achievements of the Business Lines 2007

## BRE Bank Retail Banking (+PB): Summary of 2007

### MultiBank and mBank

Actual

Plan 2007

**2.04 M**

*2 M clients*

+2.0%

**PLN 13.1 B**

*PLN 12.2 B  
loans*

+7.4%

**PLN 10.4 B**

*PLN 9.4 B  
deposits*

+10.6%

### Private Banking

Actual

Plan 2007

**PLN 4.8 B**

*PLN 4.7 B  
AuM\**

+2.1%

**PLN 519 M**

*PLN 436 M  
loans*

+19.0%

**PLN 2.3 B**

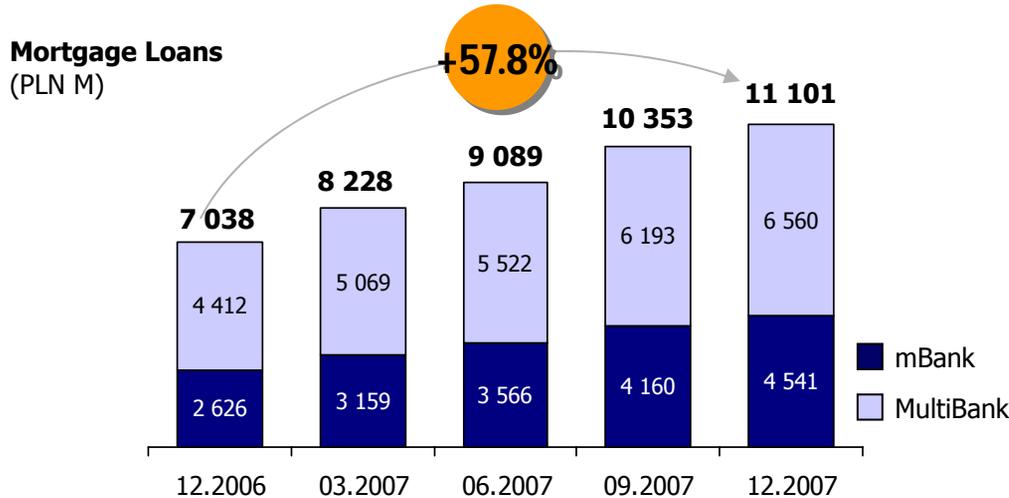
*PLN 2.2 B  
deposits*

+1.5%

\*Assets under management, including deposits, asset management and financial market products

# Results and Achievements of the Business Lines 2007

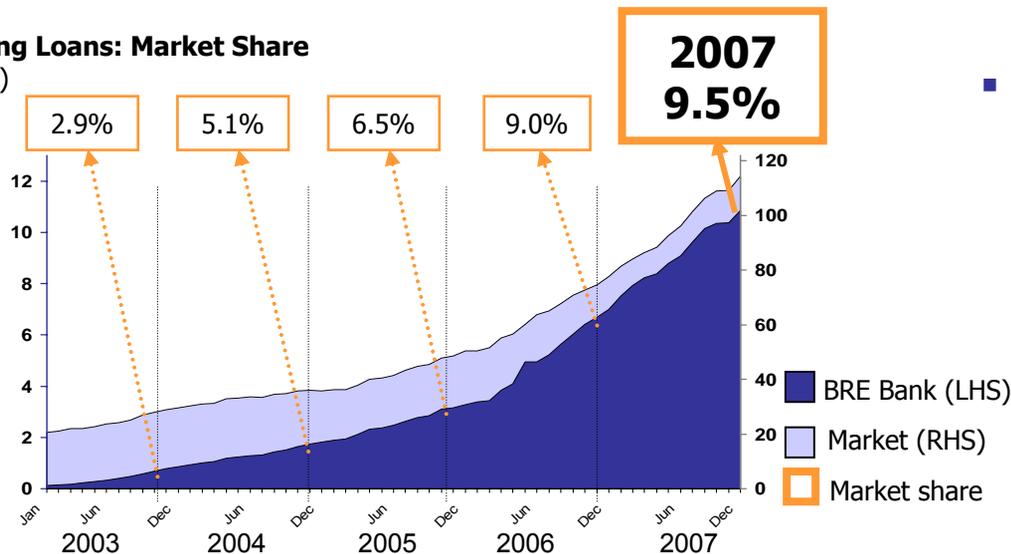
## BRE Bank Retail Banking: Summary of 2007 Mortgage Loans



### *Successful year in mortgage loans market*

- **Mortgage loans up by PLN 4.1 B in 2007**  
(+57.8% YoY balance-sheet) at mBank and MultiBank jointly
- **2007 targets outperformed:**  
PLN 11.1 B actual v. PLN 9.4 B target (+18% over the targets)
- **#3 in Poland\*** by newly granted mortgage loans

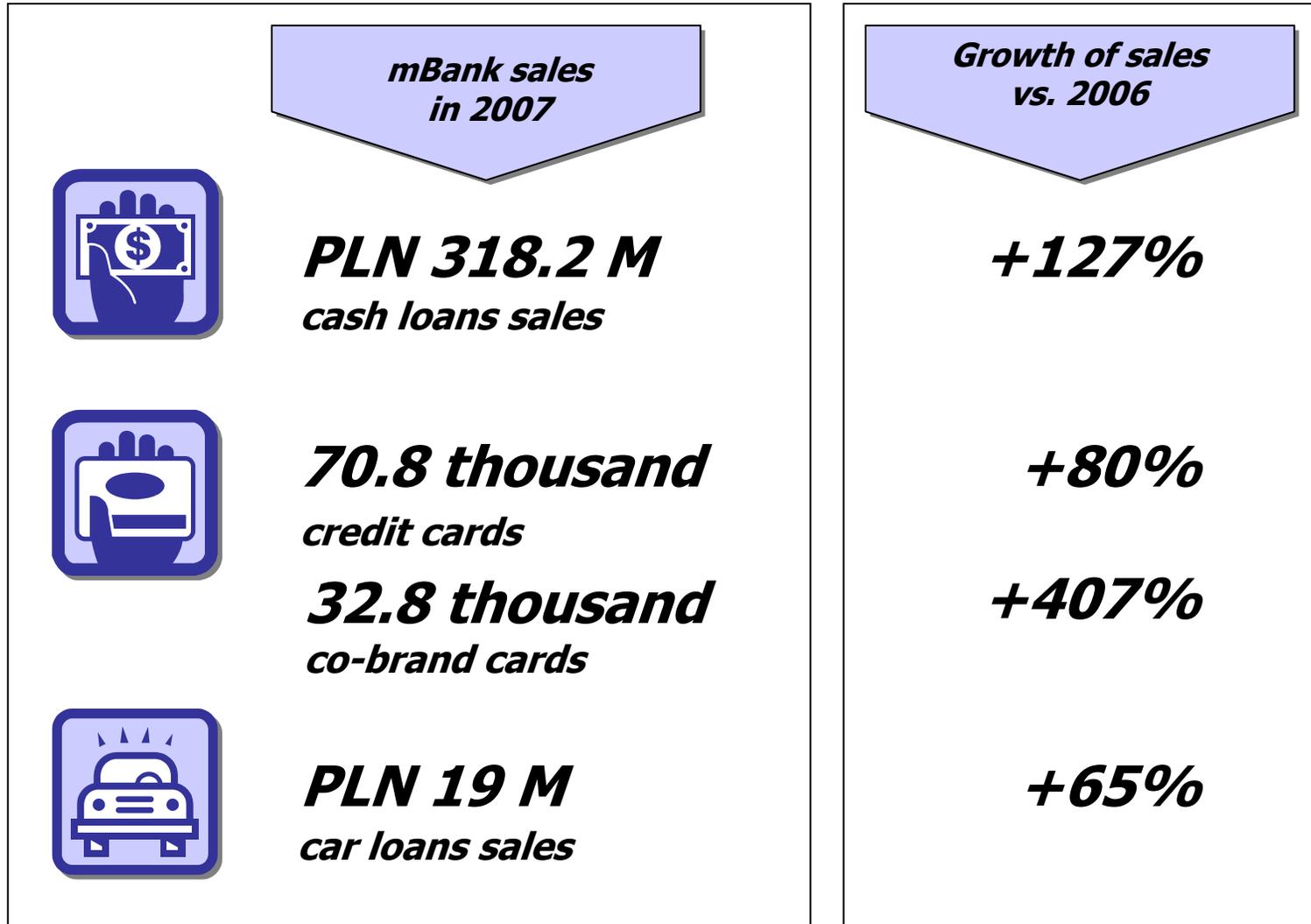
### **Housing Loans: Market Share (PLN B)**



\* According to available data, January-November 2007

# Results and Achievements of the Business Lines 2007

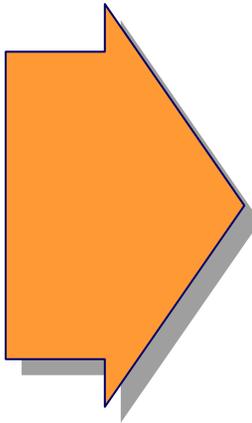
BRE Bank Retail Banking: Summary of 2007  
Consumer Finance at mBank



# Results and Achievements of the Business Lines 2007

BRE Bank Retail Banking: Summary of 2007  
Expansion to Czech and Slovak Markets

***Business  
in the Czech Rep.  
and Slovakia  
launched on  
25.11.2007***



***66 thou.  
accounts***

*As at 30 January 2008*

***45 thou.  
clients***

*As at 30 January 2008*

***PLN 205 M  
deposits***

# Results and Achievements of the Business Lines 2007

## BRE Ubezpieczenia

**2007 targets significantly exceeded**

Policies sold:	490 thou.
Premiums:	PLN 313 M
Profit/Loss before tax of BRE Ubezpieczenia:	-PLN 0.4 M
<b>Total result* of the project:</b>	<b>+PLN 43 M</b>

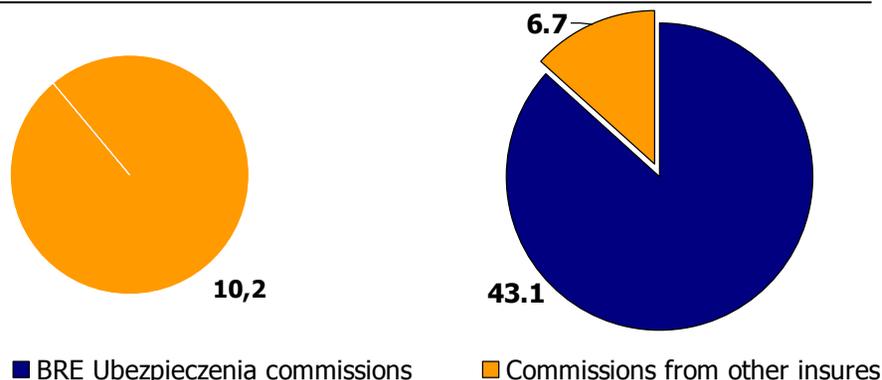
Target  
PLN 1.2 M

### Contribution of Insurance Commissions to the Profit of Retail Banking (PLN M)

2006  
PLN 10.2 M

+388%

2007  
PLN 49.8 M



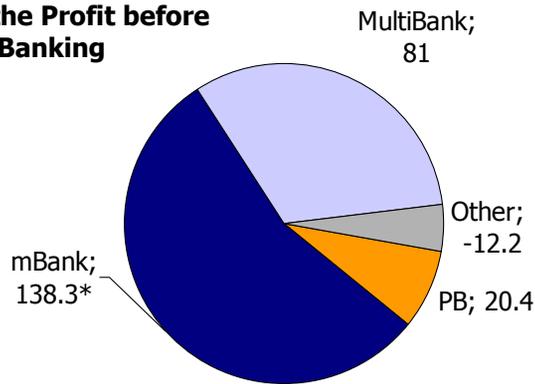
- *Lider of direct insurance via Internet*
- *On the insurance platform, in addition to motor insurance, BRE Ubezpieczenia started to sell travel insurance (July 2007) and home insurance (October 2007)*
- *Strong growth due to the implementation of new integrated insurance schemes for mortgage loans*
- *Innovative investment products in co-operation with BRE WM*

\* Impact on the financial result of BRE Bank Retail Banking (+Private Banking)

# Results and Achievements of the Business Lines 2007

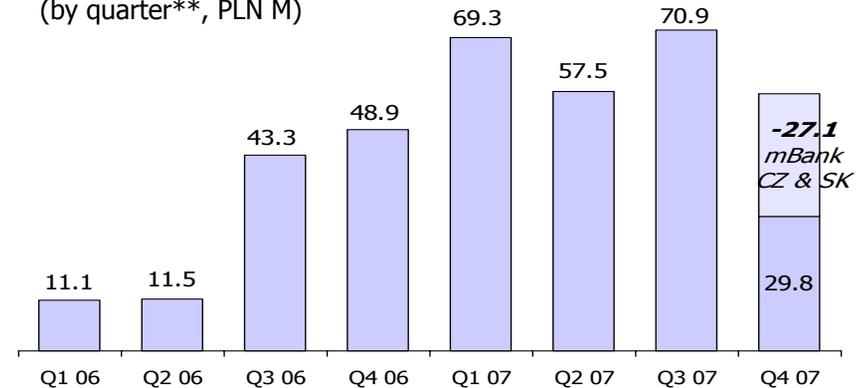
## BRE Bank Retail Banking (+PB): Financial Results

**Structure of the Profit before Tax of Retail Banking Q1-4 2007**  
(PLN M)

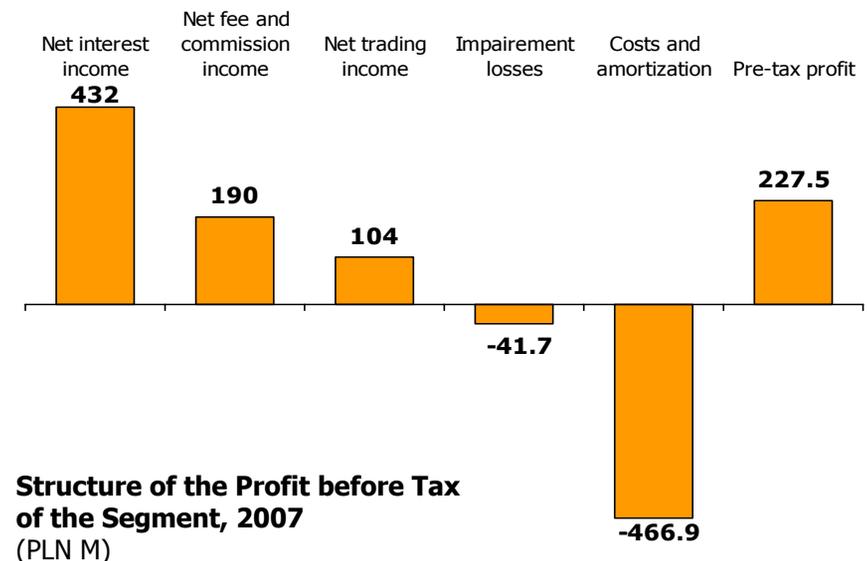


\*mBank's profit before tax including mBank's loss in the Czech Rep. and Slovakia at PLN 27.1 M

**Profit before Tax of the Segment**  
(by quarter\*\*, PLN M)



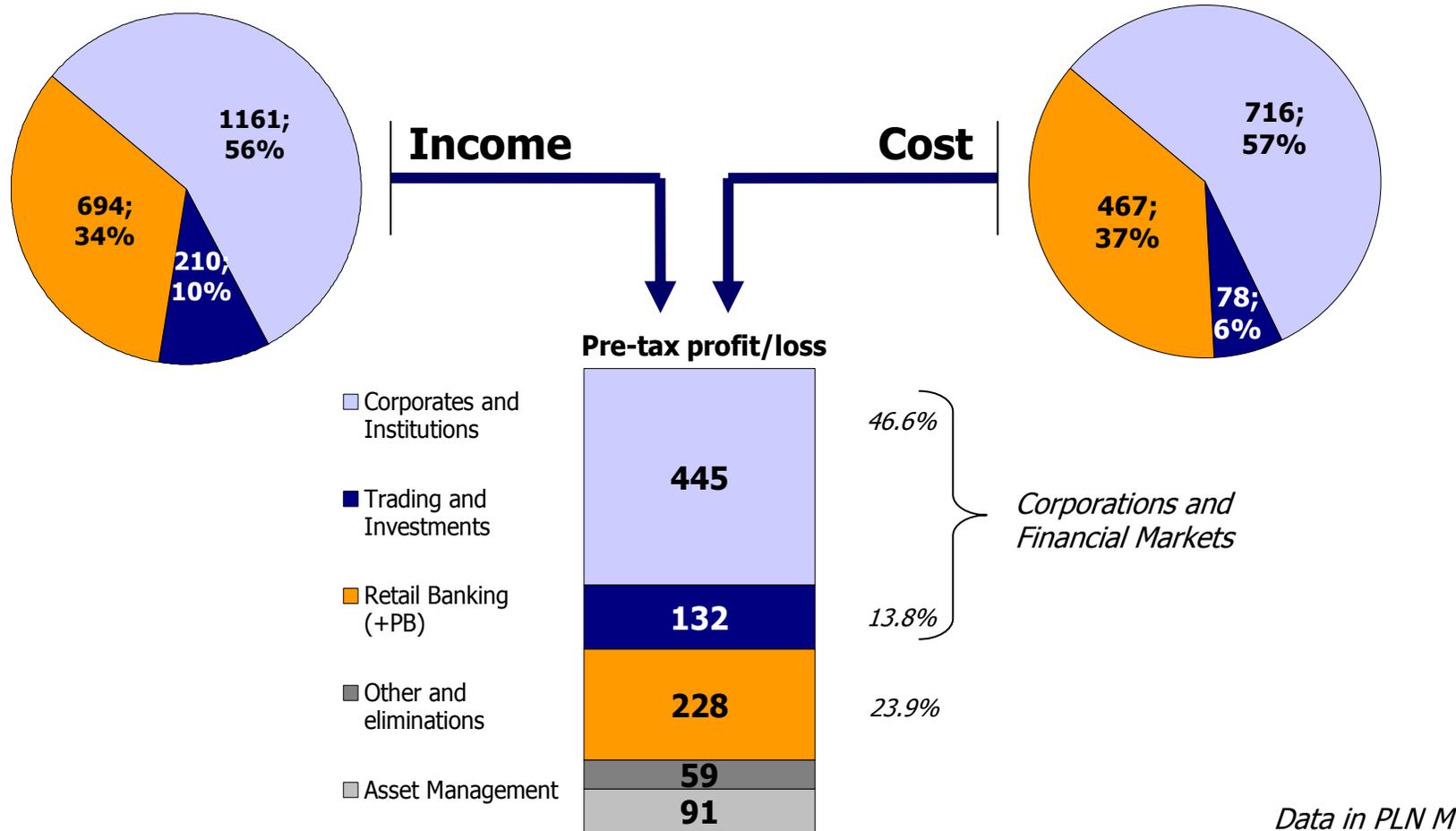
- **Significant growth in profitability: profit before tax at PLN 227.5 M in 2007 v. PLN 114.8 M in 2006**
- *The contribution of the Line to the Group's profit before tax in 2007 at 24%*
- *Profitability growing thanks to a much higher net commission (+85% YoY) and interest income (+48% YoY)*
- *Costs include the cost of mBank's expansion to the Czech Republic and Slovakia and ongoing expansion of the branch network as well as costs of marketing and promotion*



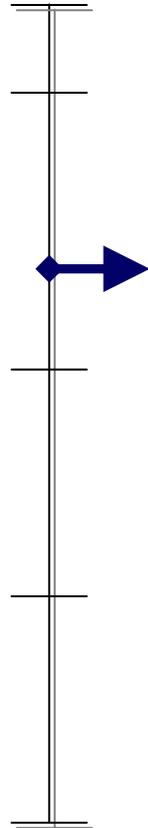
**Structure of the Profit before Tax of the Segment, 2007**  
(PLN M)

# Results and Achievements of the Business Lines 2007

## Structure of the Profit of the BRE Bank Group



The structure of income, cost and profit for the main business lines of the Group (excluding the profit on the sale of shares of Skarbiec Asset Management Holding SA and items not assigned to the lines). Income shown including loans provisions, revenue split, and other operating income/cost.



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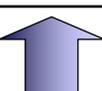
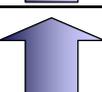
Detailed Results of the Business Lines, Q4 2007

Additional Information: Selected Financial Data

Macroeconomics

# Analysis of the Results, Q1-4 2007

## P&L of Continued Operations

(PLN M)	Q1-4 2007	Q1-4 2006	YoY	
<b>Total income*</b>	<b>2 202.0</b>	<b>1 624.9</b>	<b>+35.5%</b>	
<b>Total cost</b>	<b>(1 279.6)</b>	<b>(1 044.4)</b>	<b>+22.5%</b>	
<b>Operating profit**</b>	<b>922.4</b>	<b>580.6</b>	<b>+58.9%</b>	
<b>Net provisions</b>	<b>(76.8)</b>	<b>(46.0)</b>	<b>+67.1%</b>	
<b>Profit before tax</b>	<b>845.6</b>	<b>534.5</b>	<b>+58.2%</b>	
<b>Net profit***</b>	<b>661.0</b>	<b>410.2</b>	<b>+61.1%</b>	

\* Including net other operating income and cost

\*\* Before provisions

\*\*\* Including profit of minority interest

Slides 30-34 concern continued operations only

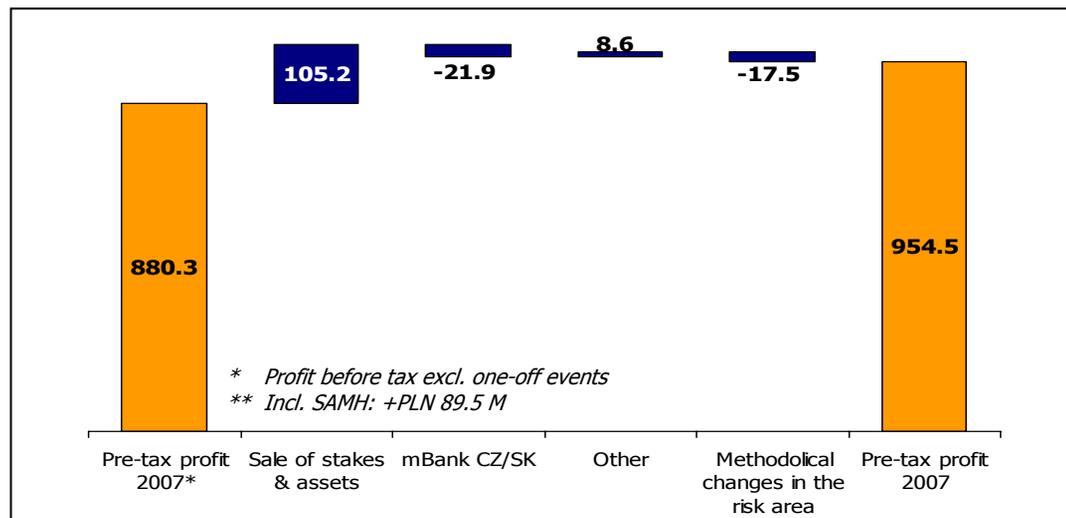
# Analysis of the Results, Q1-4 2007

## Exceptional events 2007 and Q4 2007

### Impact of Exceptional Events on the BRE Bank Group's Profit before Tax 2007

(PLN M)

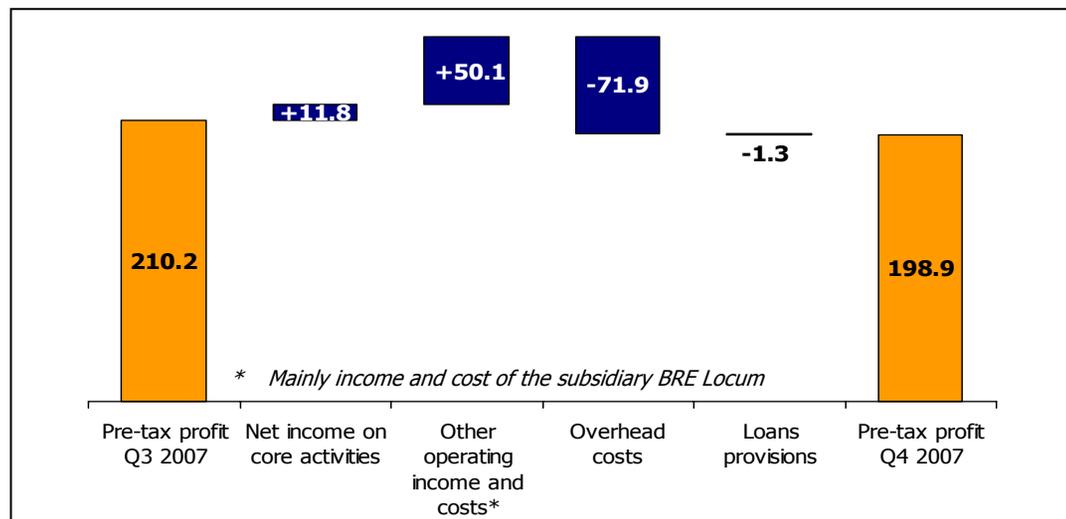
- The largest one-off transaction impacting the BRE Bank Group's consolidated profit before tax was the sale of the subsidiary Skarbiec Asset Management Holding (SAMH)



### Factors impacting the difference between the BRE Bank Group pre-tax profit on continued operations in Q3 and Q4 2007

(PLN M)

- Q4 income was up QoQ; the profit before tax was down QoQ due to growing overhead costs
- Overhead costs (PLN 71.9 M) at the Bank include:
  - bonus provisions: PLN 10.1 M
  - cost of promotion: PLN 11.4 M
  - mBank CZ & SK: PLN 21.9 M

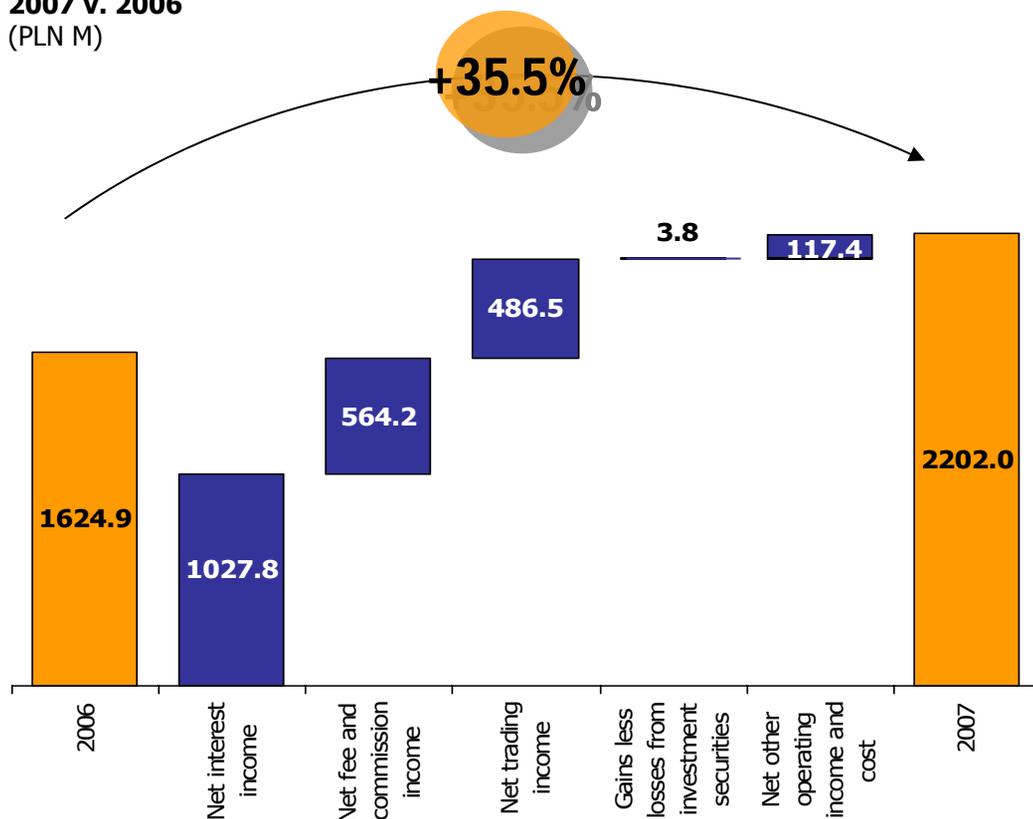


# Analysis of the Results, Q1-4 2007

## Significant Growth of Income from the Core Business

### ***Strong growth in main income items***

**BRE Bank Group Income**  
**2007 v. 2006**  
(PLN M)



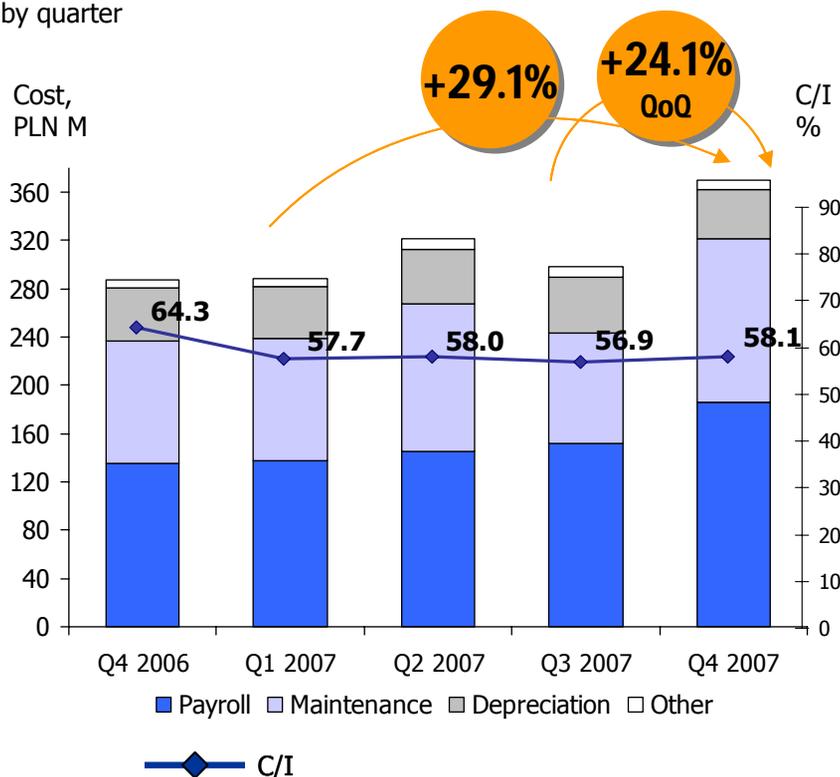
- *Net interest income, the largest income item, up by 41.9% YoY in 2007*
- *Interest margin increased from 2.1% in 2006 to 2.3% in 2007*
- *Net commission income, the second largest income item of the Group, up by 35.5% YoY, mainly driven by lending fees*
- *Trading income up by 21.7% YoY, mainly driven by fx income*
- *The high net other operating income and costs mainly driven by the BRE.locum*

# Analysis of the Results, Q1-4 2007

## Costs Under Control

### C/I\* at 58.1% in 2007

**Overhead costs (+depreciation)  
of the BRE Bank Group  
by quarter**



- *Overhead costs (+depreciation) at PLN 370.6 M in Q4 2007, up by 24.1% QoQ and up by 29.1% comparing to Q4 2006*

- *YoY growth in costs in Q1-4 2007 (up by 22.5%) driven by:*

- *mBank's expansion to the Czech Republic and Slovakia;*
- *Business expansion driving workforce costs;*
- *Set up bonus provisions;*
- *Growing maintenance costs due to expanding branch network.*
- *Intensified marketing activities.*

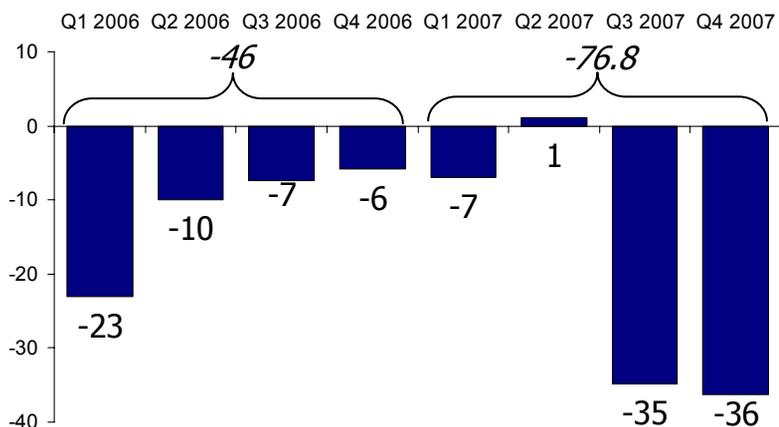
\* *Calculated only for continued operations; the ratio for continued and discontinued operations jointly was 49% in Q1 2007, 53.4% in Q2 2007, 53.7% in Q3 2007, and 55.5% in Q4 2007.*

### **Further improvement of the quality of the portfolio**

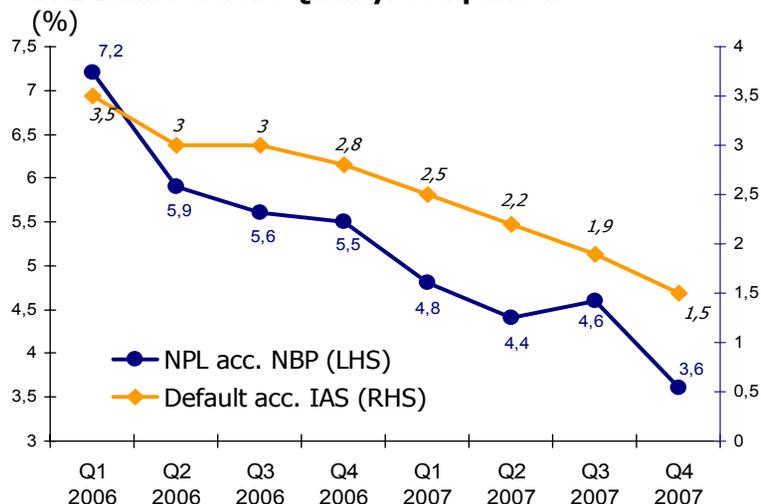
**Net provisions driven by impairment provisions growing with the growth of the risk portfolio**

**Net Credits and Loans Impairment Provisions**

(consolidated data, PLN M)



**BRE Bank Portfolio Quality: Comparison**



- Net credits and loans impairment provisions of the BRE Bank Group at PLN 76.8 M in Q1-4 2007
- The Bank's provisions set up in Q1-4 were PLN 58.2 M
- The provisions grew YoY in 2007 mainly due to the growing retail portfolio
- The quality of the credit portfolio further improved in Q4 2007

# Summary of 2007

## Management Board's Recommendation of 2007 Profit Distribution

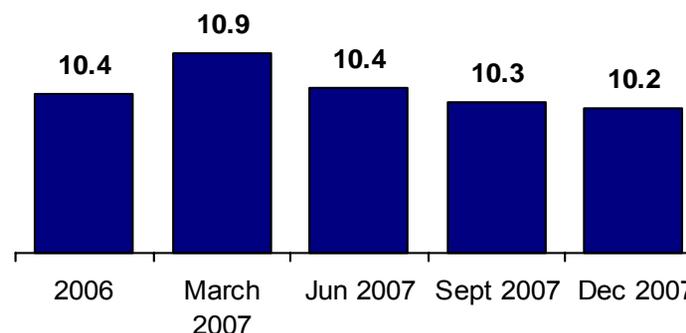
*Advantageous market trends and sustained cost discipline ensured **high growth in profitability**, but **very dynamic growth** of balance sheet items exerted pressure on the **consolidated capital adequacy ratio***

### Results 2007

**Net profit** → **PLN 710.1 M**

**CAR** → **10.2%**

### Capital Adequacy Ratio (%)



*In view of the expected further dynamic business expansion and the related growth of the capital requirement and the implementation of Basel II regulations,*

***the BRE Bank Management Board recommends retention of the entire profit***

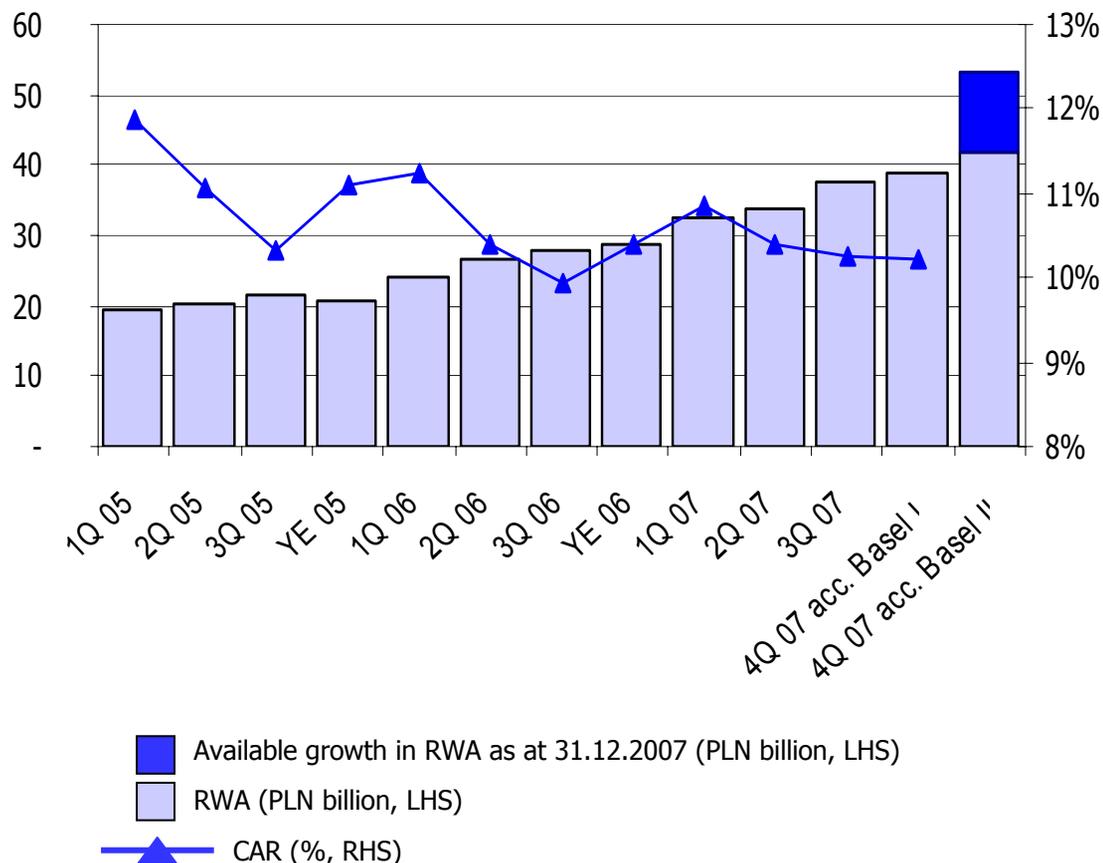
*in order to keep the consolidated capital adequacy ratio of at least 10% in 2008*

# Summary of 2007

## The Bank Keeps a Safe Capital Adequacy Ratio



**Relation between Capital Adequacy Ratio (CAR) and Risk Weighted Assets (RWA)**



- **Dynamic growth** in consolidated risk-weighted assets (**RWA**): up by **PLN 10.3 billion** or **35.8%** in 2007
- The consolidated capital adequacy ratio (CAR) remained at a safe 10.2% at the end of Q4 2007
- According to current analyses, **the implementation of the New Capital Accord (NCA) will increase RWA by ca. PLN 2.8 billion** (effect to the consolidated capital adequacy ratio at 0.6 pp)
- Assuming retention of the entire 2007 profit and use of the maximum available Tier II capital in 2008, **the BRE Group may raise RWA by PLN 11.25 billion**, and maintain the consolidated CAR above 10%



**1**

***The BRE Bank Group profit before tax up by 65.8% YoY to PLN 954.5 million, the highest profit since 2000, pre-tax ROE at 35.9%***

**2**

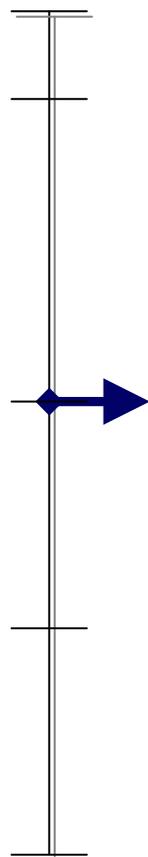
***Lending up by 44.0%, customer deposits up by 31.4%***

**3**

***Growing profitability of Business Lines:***  
***- Retail Banking & PB up by 98.2%,***  
***- Corporations and Financial Markets up by 28.8%***

**4**

***In view of the expected dynamic expansion of the Group's business in 2008, the Management Board recommends retention of the entire 2007 profit***



## ***BRE Bank Group Results 2007***

BRE Bank Group: A Year in Brief  
Key Achievements and Financial Results of the Business Lines  
Analysis of the Consolidated Financial Results

## ***Outlook 2008***

Scenario for the Economy and the Banking Sector  
BRE Bank Group's Outlook of Growth

## ***Appendix***

Detailed Results of the Business Lines, Q4 2007  
Additional Information: Selected Financial Data  
Macroeconomics

# Outlook 2008

## Scenario for the Economy and the Banking Sector

### *Economy*

---

**GDP**  
(YoY growth) **5-5.5%**

**Inflation**  
(at year's end) **3.8%**

**Interest rates**  
(at year's end) **5.75-6%**

**Unemployment**  
(at year's end) **10%**

**Investments**  
(YoY growth) **15.2%**

**PLN/EUR**  
(at year's end) **3.64**

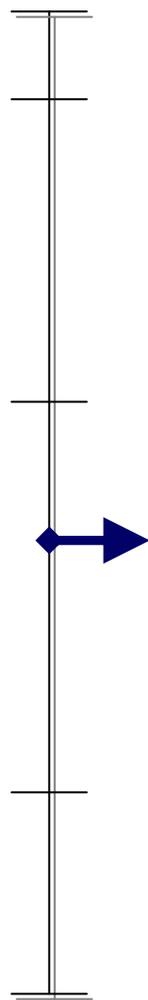
**PLN/US\$**  
(at year's end) **2.56**

**Total deposits** **12-13%**

**Total loans** **25%**

### **Banking Sector** (YoY growth)

---



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BRE Bank Group's Outlook of Growth  
*Corporates and Institutions*  
*Trading and Investments*  
*Retail Banking & Private Banking*

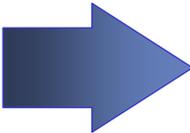
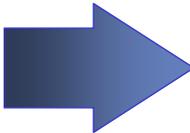
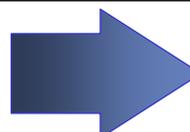
## ***Appendix***

Detailed Results of the Business Lines, Q4 2007  
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# BRE Bank Group's Outlook of Growth

## BRE Bank Group Targets 2008



		<i>2008/2007 change</i>
<b>Total deposits</b>		<b>+18.5%</b>
<b>Total loans</b>		<b>+34.0%</b>
<b>Total assets</b>		<b>+21.0%</b>

# BRE Bank Group's Outlook of Growth

Corporates and Institutions:  
Targets 2008



## Targets 2008

- 1 Grow the number of clients**  
with a high income potential to **13.4 thousand clients**, including 8,600 SME clients
- 2 Grow volumes of loans** to corporates  
**by PLN 2 B**, including EU loans up by 17%
- 3 Grow the share of income** generated by SME clients  
in total income of the Line **by 2pp**
- 4 Expansion of the corporate network**  
by opening **20 Corporate Offices** in 2008

# BRE Bank Group's Outlook of Growth

Trading and Investments:  
Targets 2008



Targets  
2008

**1**

**Defend No 1 Primary Dealer** Status  
and **Top 3 Position** in CPs, Corp & Bank Bonds

**2**

**Increase distribution** of **structured & derivative**  
products to Corporate & Retail client base

**3**

**Sale of Vectra** and remaining Novitus stake  
Full implementation of **Mezzanine Concept**

**4**

**Interlink** MM, FX & IR trading with other CBK CEE entities

# BRE Bank Group's Outlook of Growth

BRE Bank Retail Banking (+PB):  
Targets 2008



## Targets 2008

- 1** Maintain the share in mortgage loans sales
- 2** Continue expansion in the consumer finance market and the related expansion of the sales network
- 3** Develop savings products, including structured products
- 4** mBank's entry to other EU markets

# BRE Bank Group's Outlook of Growth

BRE Bank Retail Banking (+PB):  
Targets 2008



	<i>Actual 2007</i>		<i>Growth</i>	<i>Target 2008</i>
<b>Loans</b>	PLN 13.6 B		<b>+42%</b>	<b>PLN 19.4 B</b>
<b>Savings &amp; Investments</b>	PLM 18.4 B		<b>+25%</b>	<b>PLN 23.0 B</b>
<i>incl.: deposits</i>	<i>PLN 12.7 B</i>		<i>+17%</i>	<i>PLN 14.9 B</i>
<b>Clients</b>	2.04 M		<b>+18%</b>	<b>2.4 M</b>

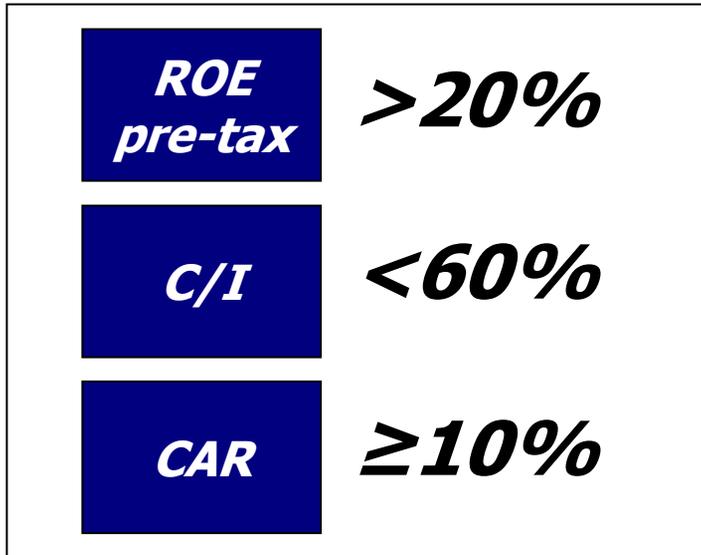


*Despite the volatility of global markets  
and the expected slow-down of economic growth in the USA and Western Europe  
**we expect stable growth of Poland's economy***

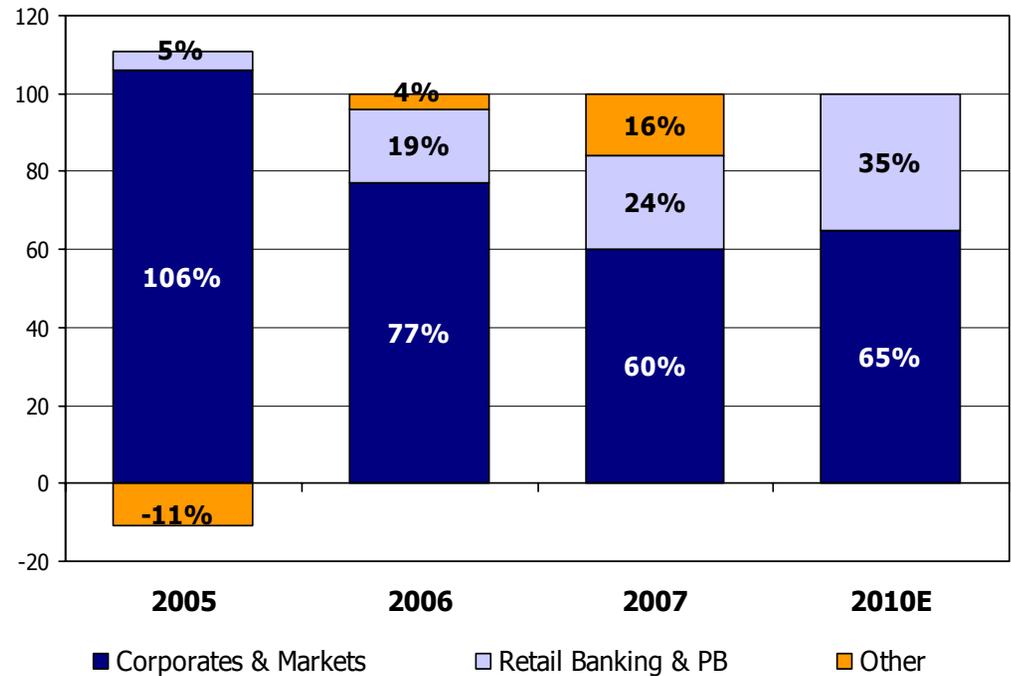
***The banking sector will grow less fast** than in 2006-2007,  
but it will continue to grow relatively fast*

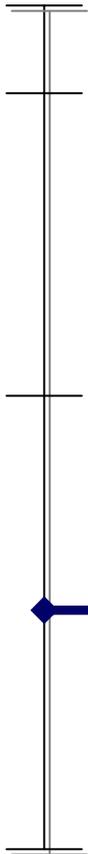
***The BRE Bank Group will grow faster than the sector,**  
mainly thanks to the selective expansion strategy*

### Mid-term Financial Targets



### Upgraded Targets: Lines' Contribution to Group's Profit





## ***BRE Bank Group Results 2007***

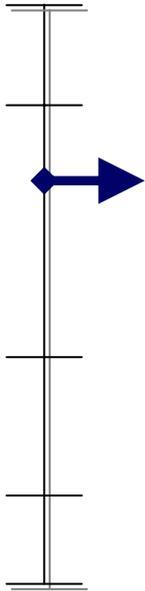
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Detailed Results of the Business Lines, Q4 2007

***Retail Banking and Private Banking***

*Corporations and Financial Markets*

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Macroeconomics

# Appendix

## BRE Bank Retail Banking: Internet Platform – SUS and Insurance Center



*'It's hard to top the Car Insurance Supermarket'*  
*Newsweek*

*'mBank's offer is the most attractive'*  
*Pentor Research International*

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**72,911 insurance contracts**

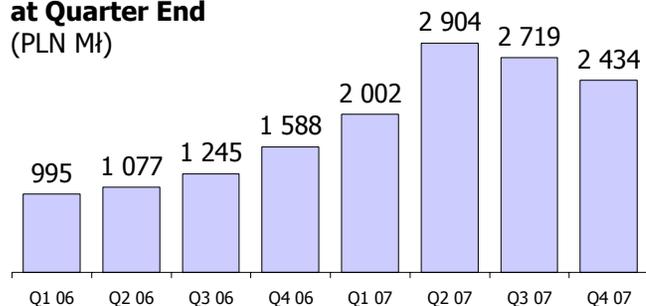
*(as at 31.12.2007)*

**PLN 20.3 M of premiums written**

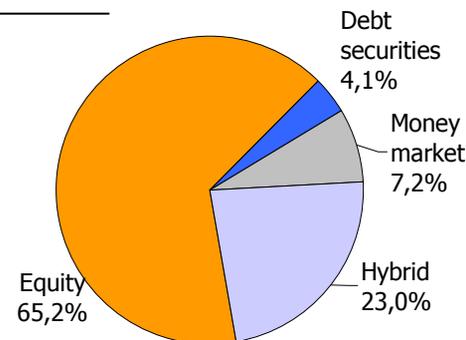
- The Car Insurance Supermarket (mBank) was launched on 13 February 2007 and the Insurance Centre (MultiBank) on 3 September 2007
- Comparison and choice of 7 offers of liability and accident insurance, each offer in 3 variants
- Purchase and service integrated with the eKONTO and MultiKonto account
- 24/7 access to insurance policy information
- Electronic applications and policies – minimum paper
- Liability insurance policy available in 6 languages (Polish, English, German, French, Italian, Spanish)
- Low monthly payments charged by mBank and MultiBank

### ***BRE Bank customers quickly react to changing conditions on the financial market***

**Investment Fund Assets at Quarter End**  
(PLN Mł)

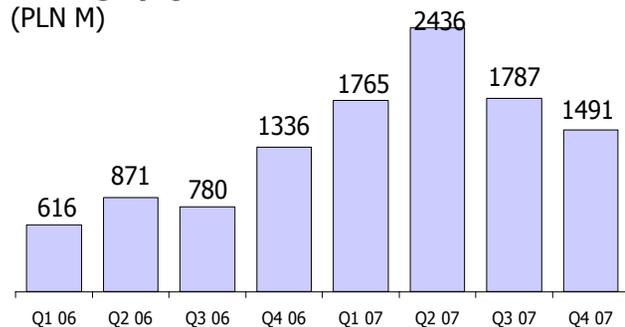


**Structure of Investment Funds Assets**

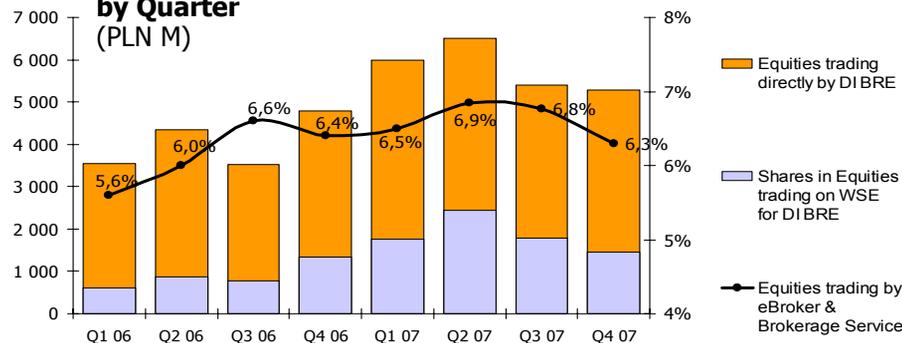


### ***eMakler and Brokerage Service account for 27% of DI BRE's trading in equities***

**Total eBroker and Brokerage Service Trading by Quarter**  
(PLN M)



**DI BRE Equities Trading by Quarter**  
(PLN M)

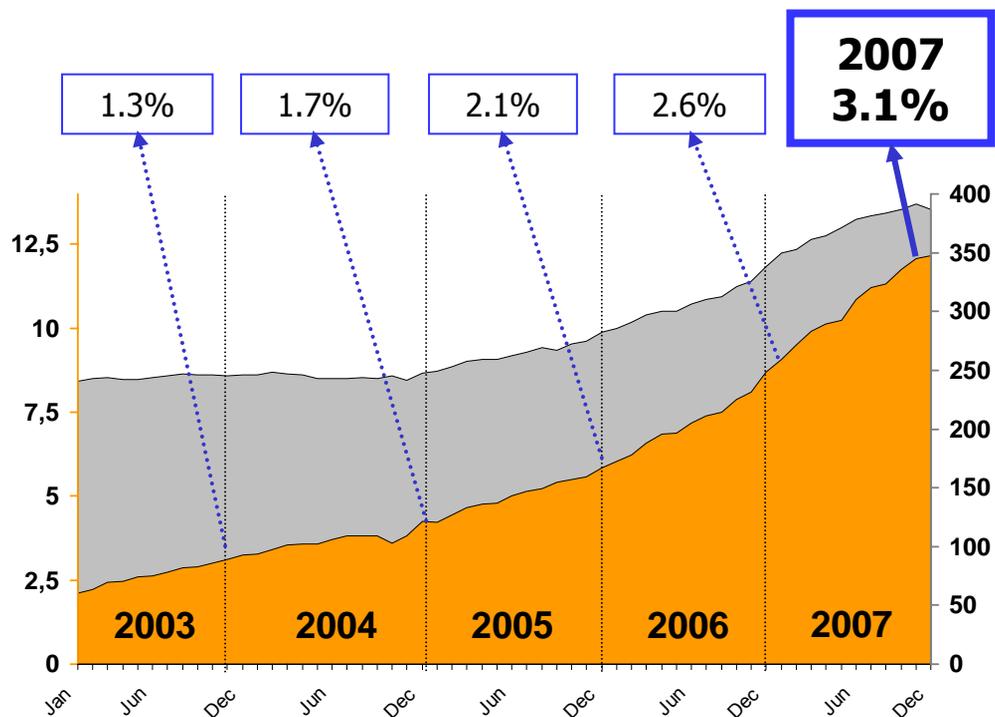


# Appendix

## BRE Bank Retail Banking vs. the Market: Deposits and Investment Funds



### Deposits and Investment Funds (PLN B)



\* As at the end of December 2007

***BRE Bank Retail  
Banking Line  
continues to  
grow above  
the market***

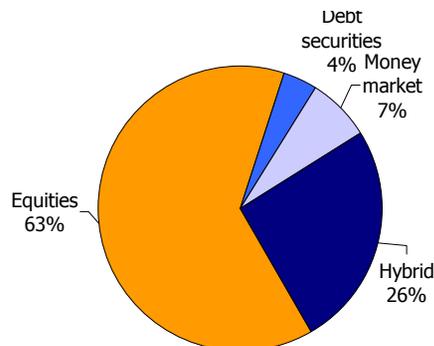
-  BRE Bank (LHS)
-  Market (RHS)
-  Market share

## BRE Bank Retail Banking: Investment Funds

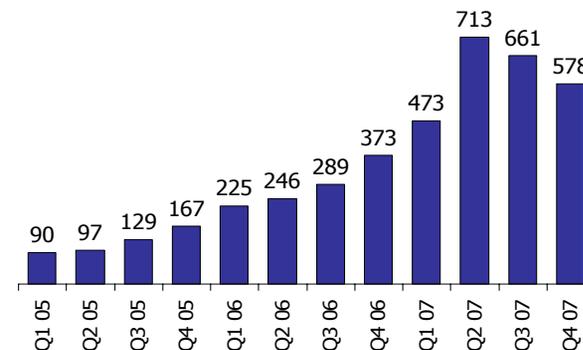
### MultiBank

- Investment fund assets grew by **PLN 205 M** in 2007
- The share of equity funds in assets of MultiBank customers was **63%** in Q4 2007

Structure of Assets:  
MultiBank Investment Funds



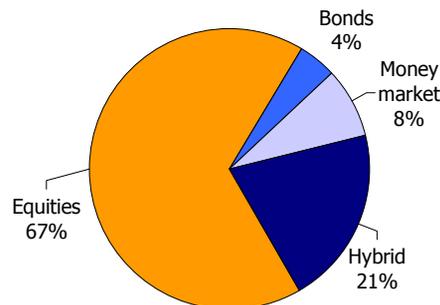
MultiBank Investment Fund Assets  
at Quarter End (PLN M)



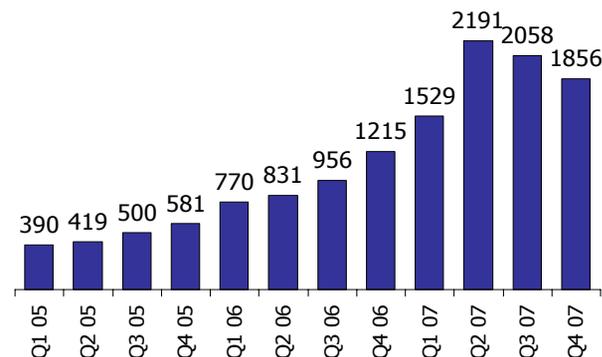
### mBank

- Investment fund assets grew by **PLN 640.9 M** in 2007
- The share of equity funds was **67.0%** in Q4 2007

Structure of Assets:  
mBank Investment Funds



mBank Investment Fund Supermarket Assets  
at Quarter End (PLN M)



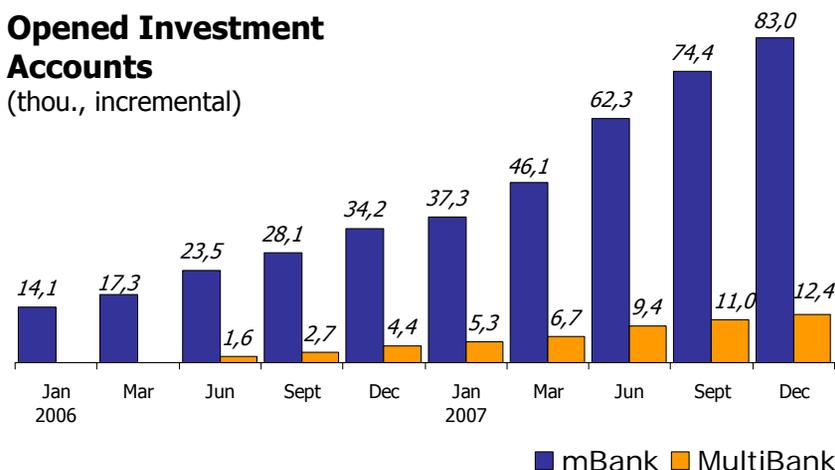
## BRE Bank Retail Banking: mBank – eBroker, MultiBank – Brokerage Service



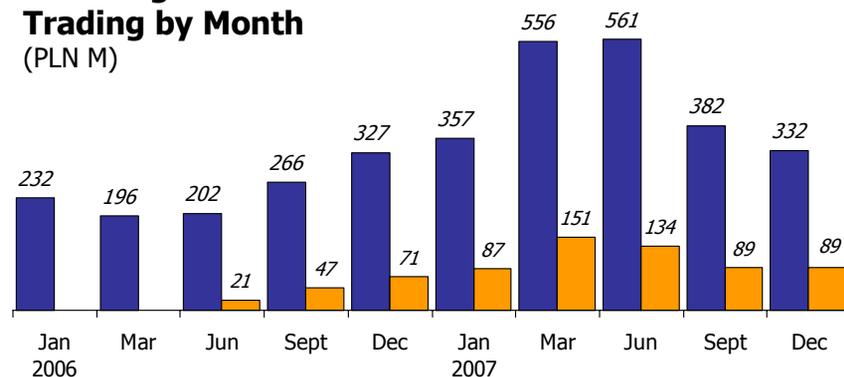
### ***Dynamic growth of brokerage services for Retail Banking customers***

- *eBroker trading exceeded PLN 332 M in December 2007, and Brokerage Service trading was PLN 89 M*
- *There were over 95.4 thousand mBank and MultiBank investment accounts at the end of 2007*
- *mBank and MultiBank customers opened 56.4 thousand investment accounts in 2007*
- *Incremental trading of PLN 9,202.6 M for eBroker and PLN 1,845.1 M for the Brokerage Service since the launch*

**Opened Investment Accounts**  
(thou., incremental)

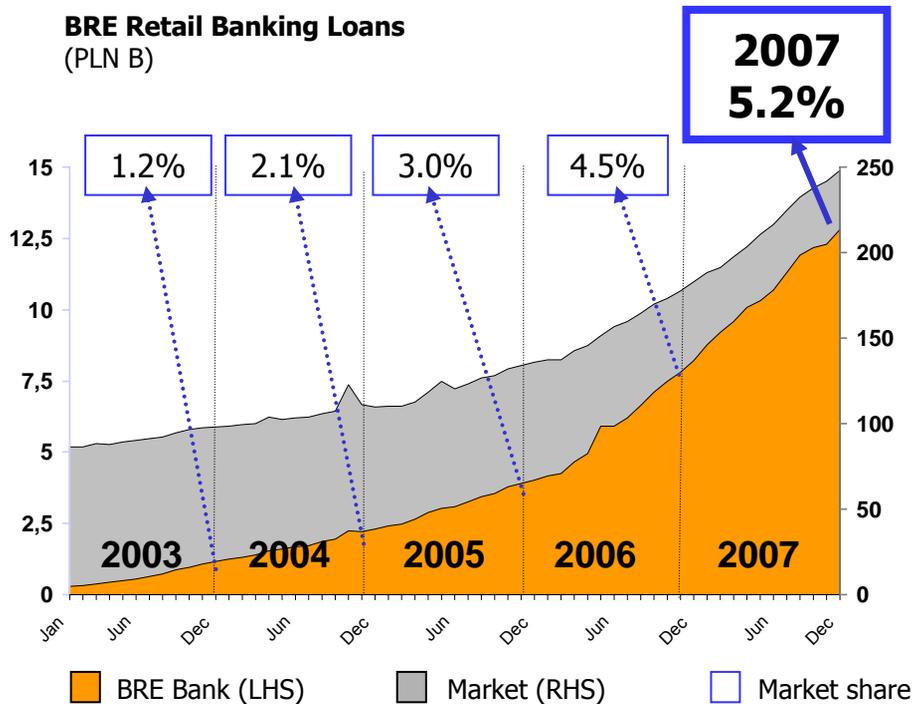


**eBroker and Brokerage Service Trading by Month**  
(PLN M)



# Appendix

## BRE Bank Retail Banking vs. the Market: Loans



***Retail loans portfolio***  
*up to PLN 13.1 B*

*Our market share*  
*in retail loans*  
*up to **5.2%***  
*at the end of December 2007*

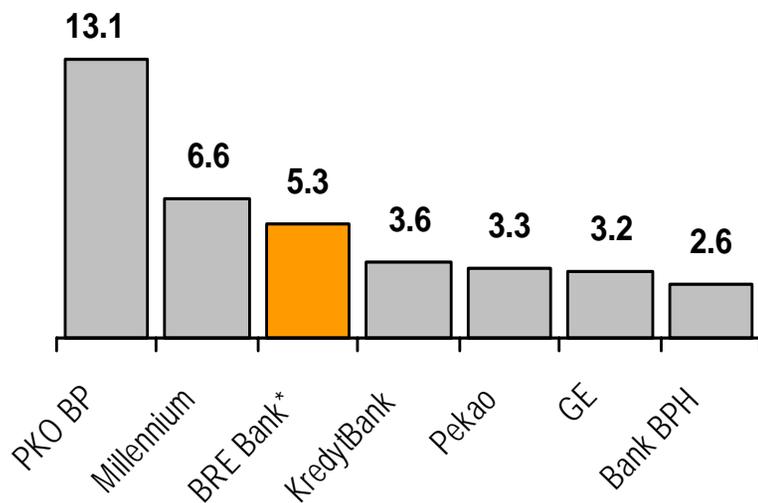
# Appendix

## BRE Bank Retail Banking vs. the Market: Housing Loans

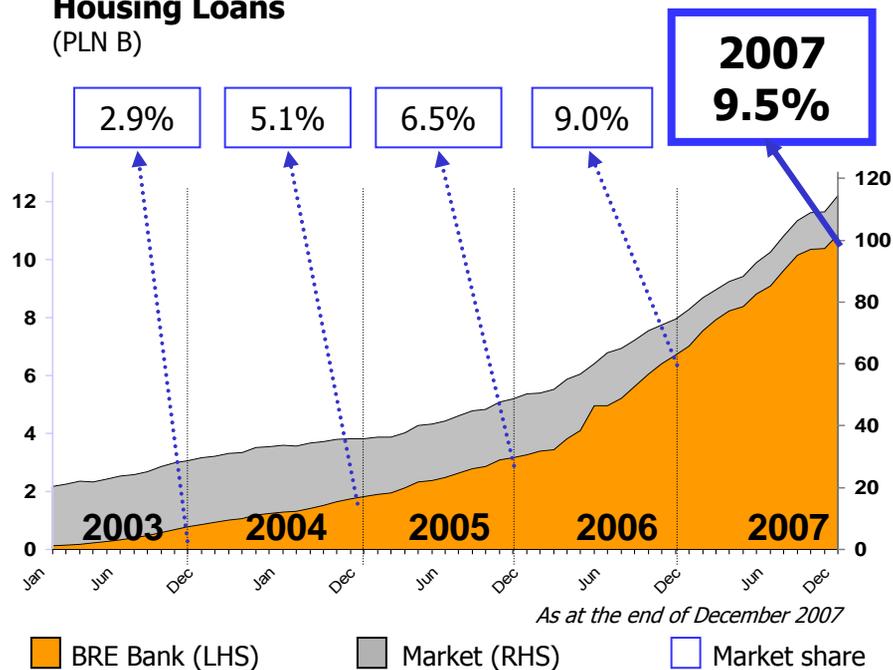
***In 2007 we sold PLN 7.8 B of new mortgage loans,  
remaining one of the top market leaders***

### Mortgage Loans: Market Leaders

by value of sales  
Jan-Nov 2007 (PLN B)



### Housing Loans (PLN B)



\* MultiBank + mBank

# Appendix

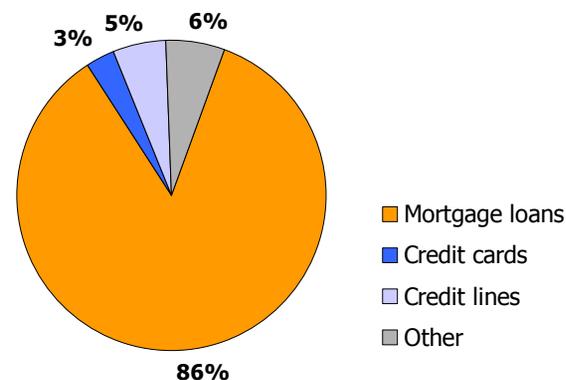
## BRE Bank Retail Banking: Mortgage Loans: Portfolio Structure and Quality

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

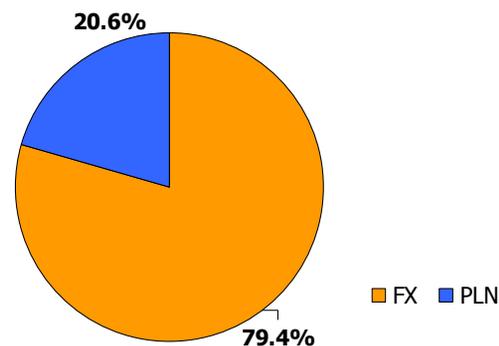
	<b>Total</b>	<b>PLN</b>	<b>FX</b>
<i>Balance-sheet value (PLN B)</i>	10.7	2.2	8.5
<i>Average maturity (years)</i>	23.3	21.4	23.7
<i>Average value (PLN thou.)</i>	176.7	204.3	173.0
<i>Average LTV (%)</i>	62.9	58.4	63.7
<i>NPL (%)</i>	0.4	1.3	0.2

As at 31.12.2007

Structure of the Retail Loans Portfolio  
(Household Loans) as at 31 December 2007



Currency Structure of the Retail Loans Portfolio  
(Household Loans) as at 31 December 2007

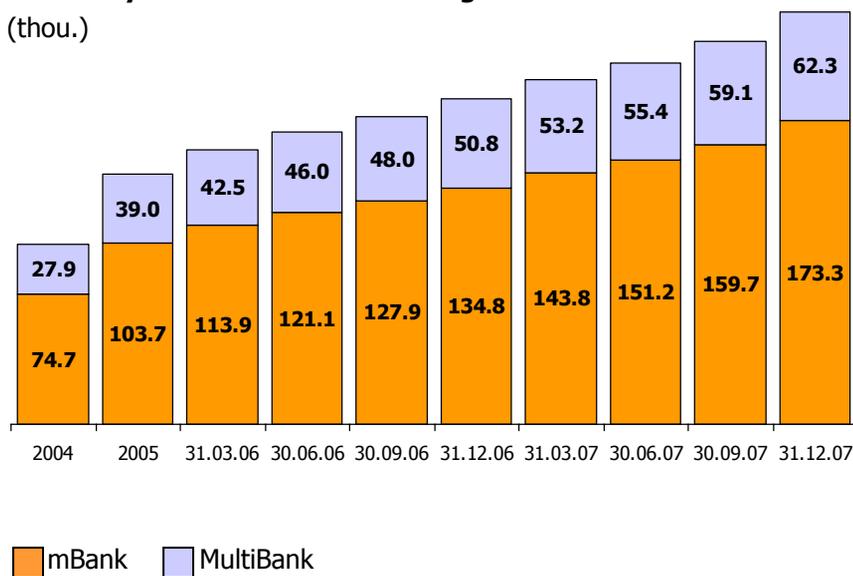


# Appendix

## BRE Bank Retail Banking: Acquisition of Microenterprises



**Number of Microenterprises  
Served by BRE Bank Retail Banking**  
(thou.)



## ***235.6 thousand microenterprises served by BRE Bank Retail Banking***

- Microenterprise customer base up by 50 thousand in 2007
- 16.8 thousand microenterprises acquired in Q4 2007 alone
- Microenterprise loans totalled **PLN 1,147.7 M** at 31 December 2007, of which 34.5% were mortgage loans

*In this case, microenterprises imply self-employed individual customers*

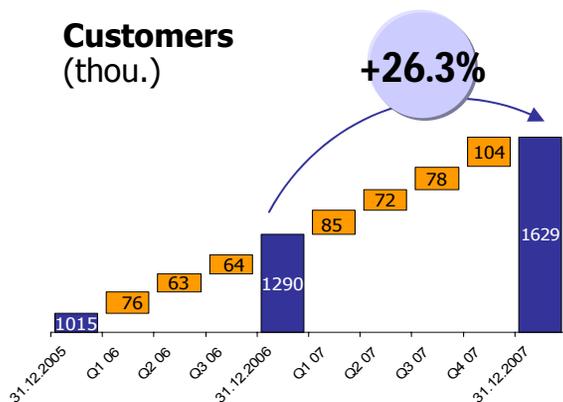
# Appendix

## BRE Bank Retail Banking: Growth of Sales, Q4 2007

### *mBank*

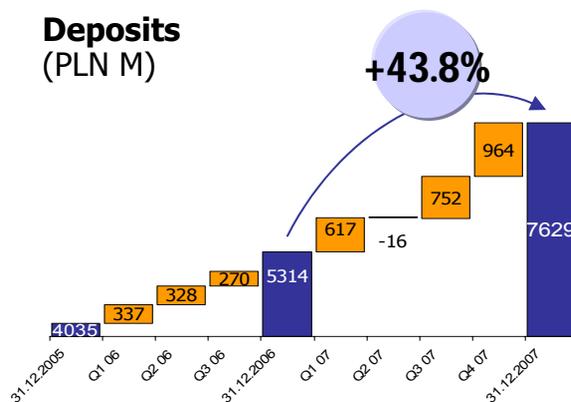
**Customers**  
(thou.)

+26.3%



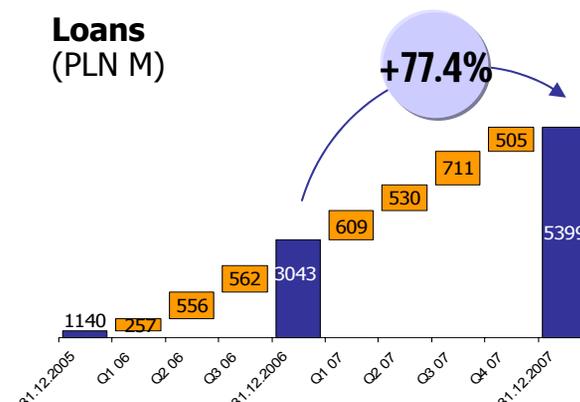
**Deposits**  
(PLN M)

+43.8%



**Loans**  
(PLN M)

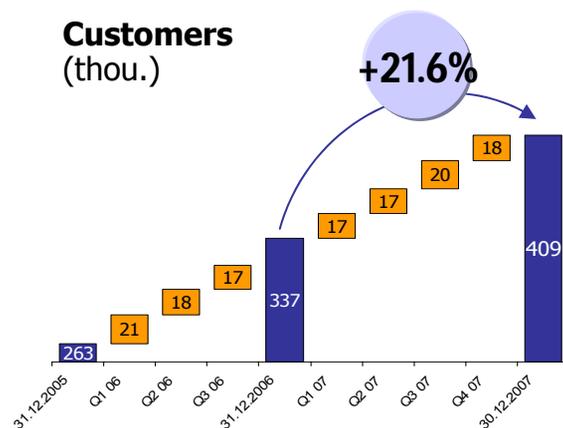
+77.4%



### *MultiBank*

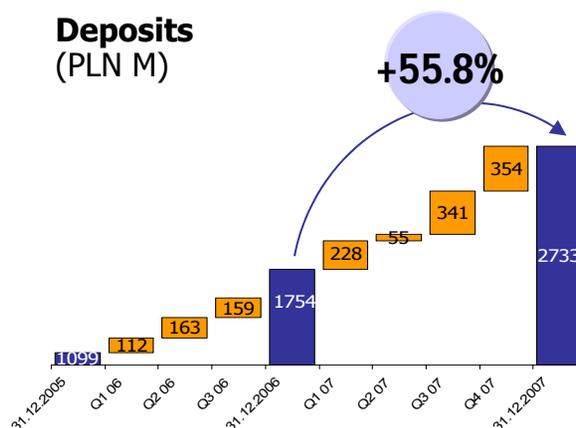
**Customers**  
(thou.)

+21.6%



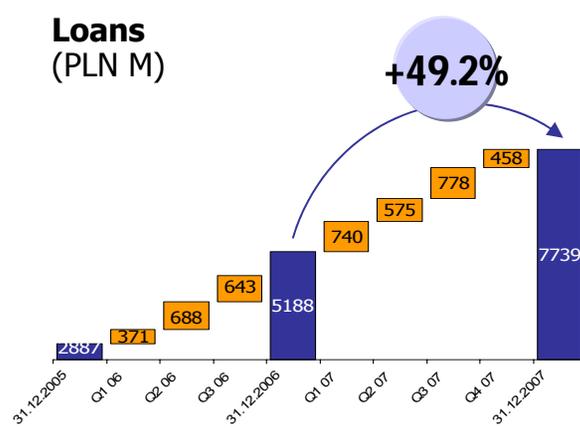
**Deposits**  
(PLN M)

+55.8%



**Loans**  
(PLN M)

+49.2%

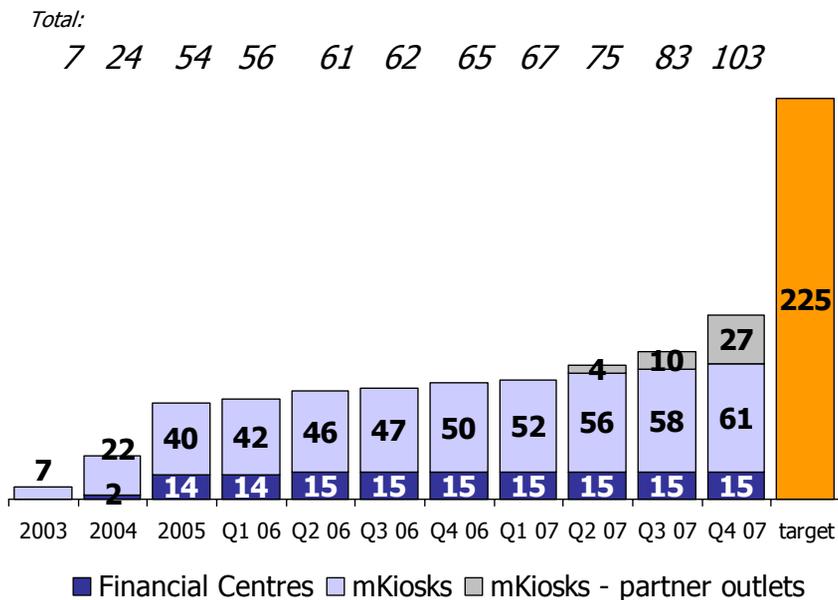


■ Volume ■ Increment

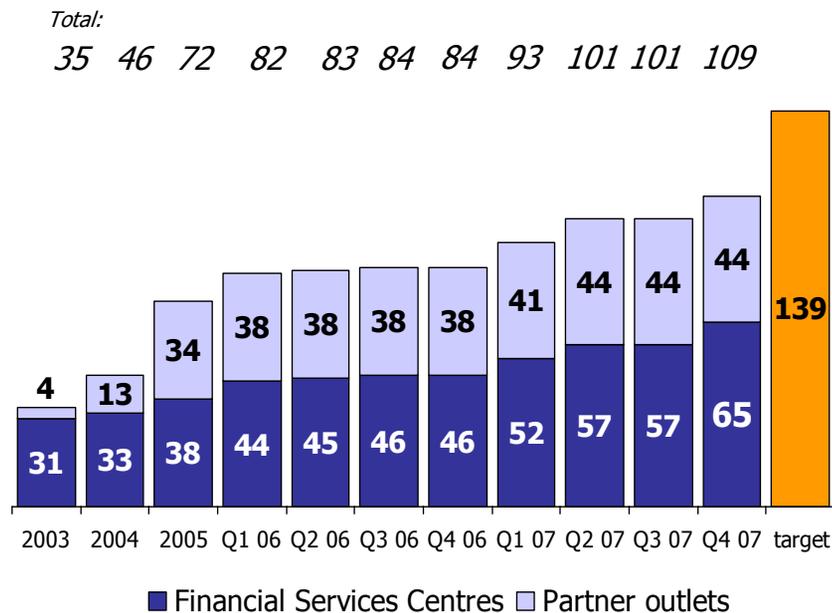
# Appendix

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

### mBank Distribution Network (in Poland)

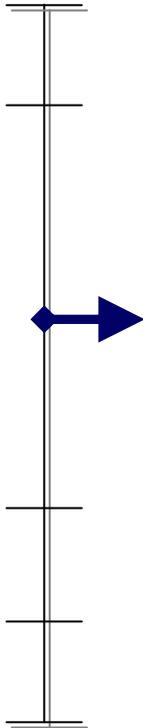


### MultiBank Branches



- *mBank's distribution network in Poland had 103 locations at 31 December 2007*
- *Through transborder expansion, mBank had: 3 Financial Centres + 1 mKiosk in the Czech Rep. and 2 Financial Centres + 7 mKiosks in Slovakia*

- *MultiBank's network had 109 branches at the end of December 2007*



## ***Appendix***

Detailed Results of the Business Lines, Q4 2007

*Retail Banking and Private Banking*

*Corporations and Financial Markets*

- ***Corporate Customers and Institutions***
- *Trading and Investments*

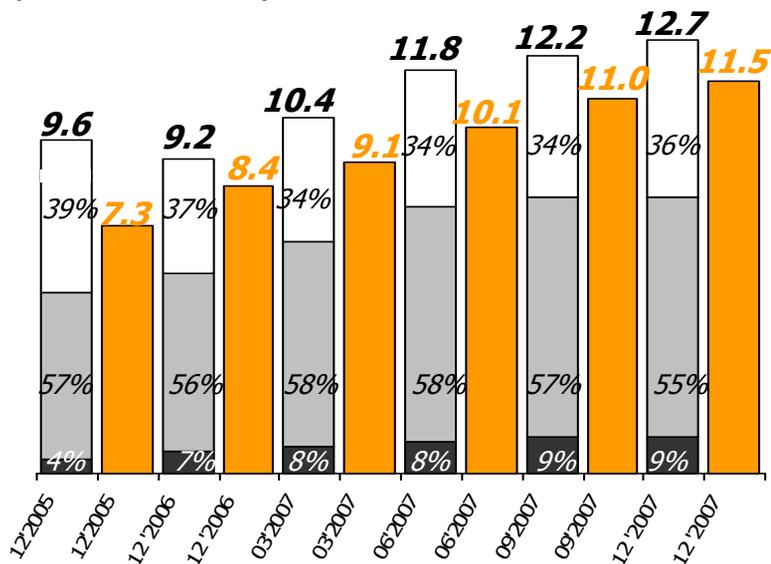
Additional Information: Selected Financial Data

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# Appendix

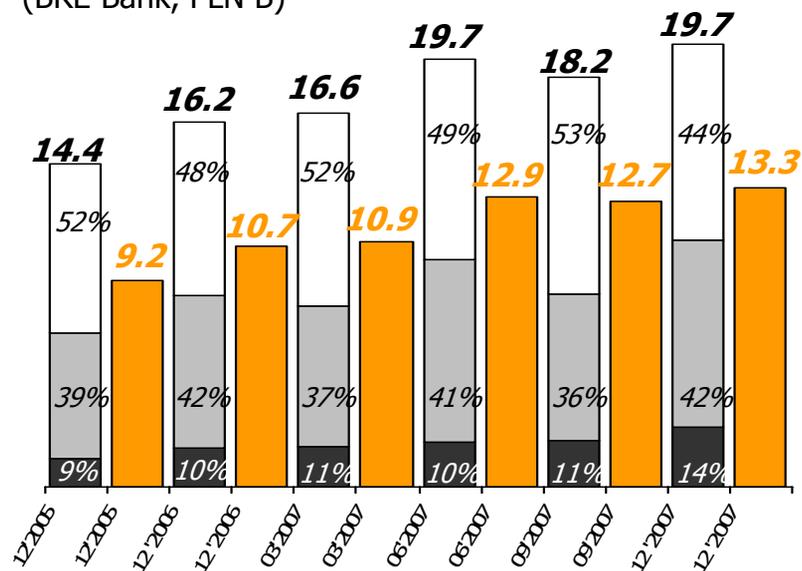
## Corporates and Institutions: Loans and Deposits

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



- Loans (including the public sector, syndicated loans and project finance) were up by **PLN 3.5 B** YoY in 2007
- Loans to enterprises were up by **36.9%** YoY at BRE Bank in 2007; the market grew **24%**

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



- Deposits (including the public sector) were up by **PLN 3.5 B** YoY
- Deposits of enterprises were up by **24%** at BRE Bank; the market grew by **15%**

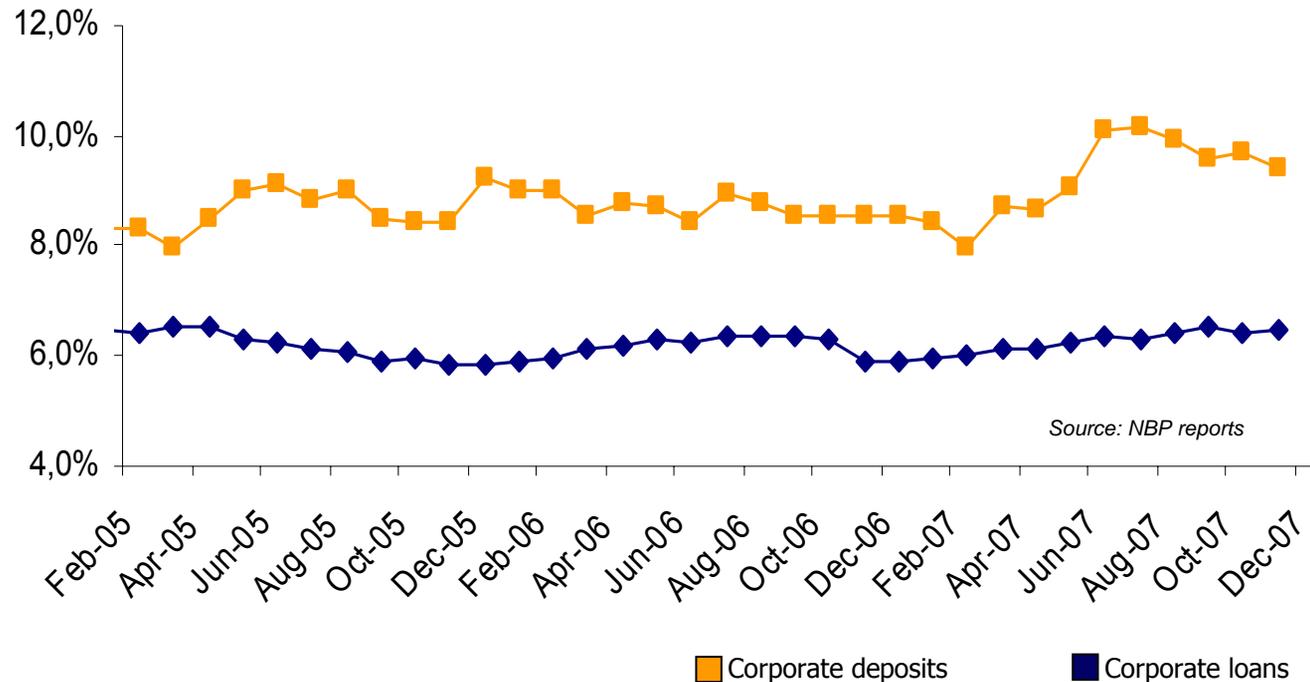
K1
  K2
  K3
  Enterprises

# Appendix

## Corporates and Institutions: Loans and Deposits: Market Share



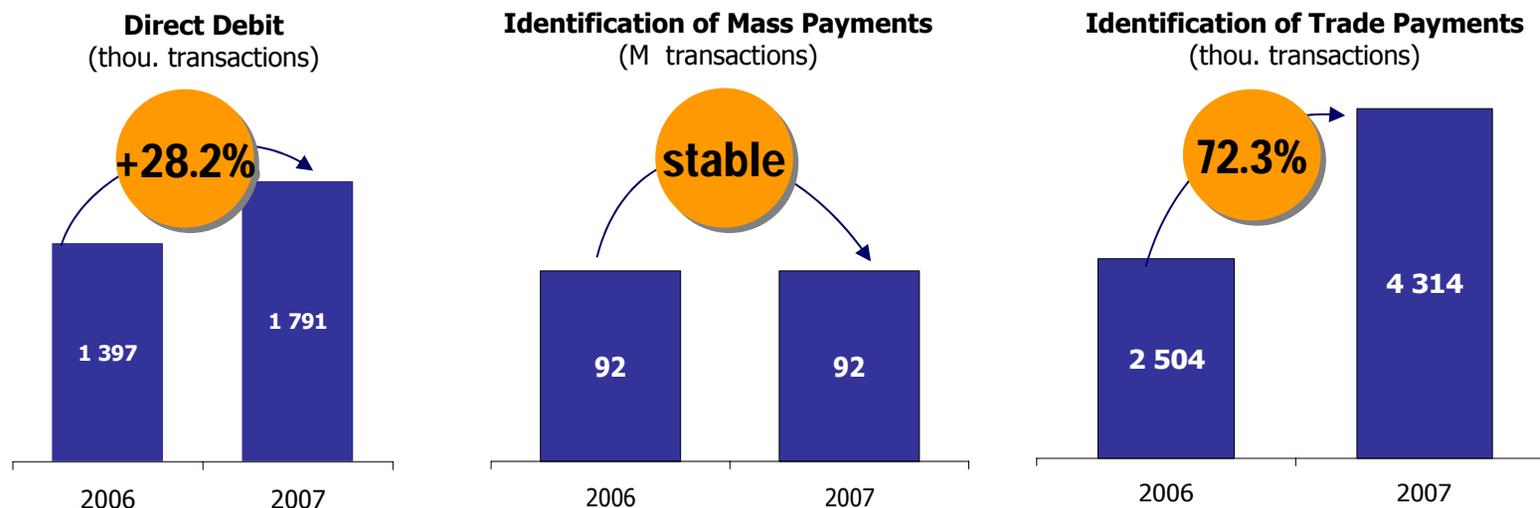
**BRE Bank's Market Share in Corporate Loans and Deposits\***



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



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



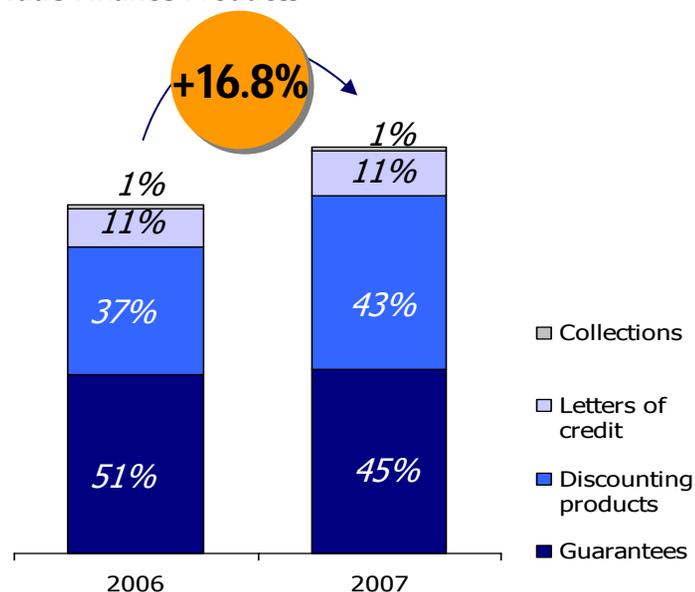
*The extensive cash management service including the identification of payments (Identification of Mass Payments, Identification of Trade Payments, Payment Identification System, added value services for mass suppliers) helped to grow the number of customers using the Identification of Trade Payments service by close to 6% YoY*

# Appendix

## Corporates and Institutions: Foreign Trade Service and Risk Management Products

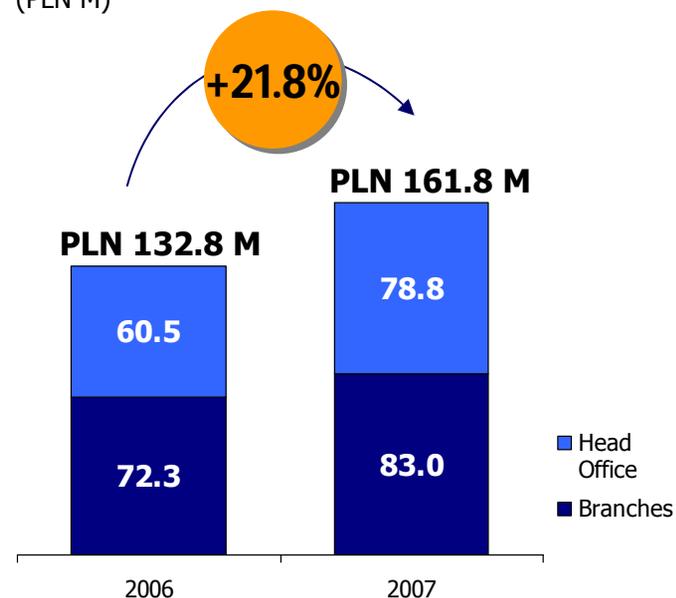
- The market position in foreign trade service and the launch of many innovative product solutions helped to **grow the revenue from trade finance services** by 16.8% year on year in 2007

Structure of Profit on Trade Finance Products



- The **profit on sales of financial instruments** to corporate customers was close to PLN 162 M in 2007
- The profit was **up by 21.8%** YoY

Profit on Financial Instruments (PLN M)



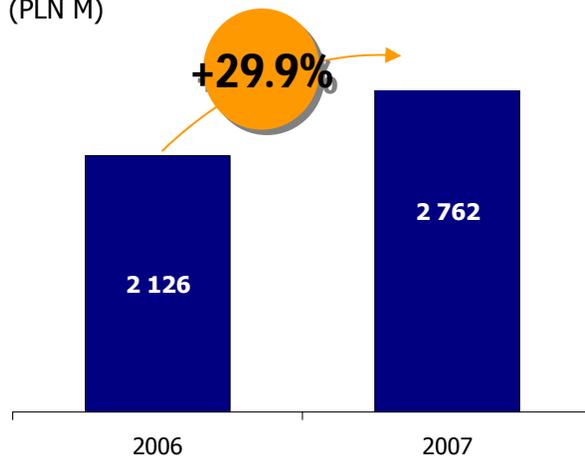
# Appendix

## Corporates and Institutions: Good Market for Leasing and Factoring

### **BRE Leasing**

- #3 in Poland with a market share of 9.4% (at the end of 2007)
- Value of leasing contracts executed in 2007: PLN 2.7 B; up by almost 30% YoY
- Biggest transaction 2007: lease of office property worth PLN 145 M
- Pre-tax profit in 2007: PLN 49.9 M, up by 69% YoY

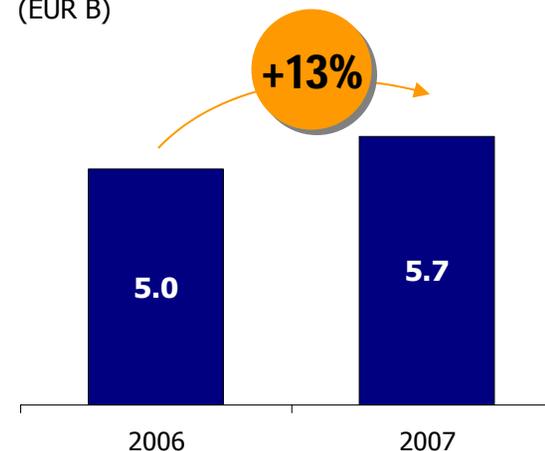
**Value of BRE Leasing Contracts**  
(PLN M)



### **Intermarket Group**

- The pre-tax profit of Intermarket Group companies was PLN 51.9 M in 2007; the pre-tax profit of Polfactor was PLN 12.6 M (up by 9% YoY)
- The sales of Intermarket Group companies were EUR 5.7 B in 2007, up by 13% YoY; the sales of Polfactor were up by 15% YoY

**Sales of Intermarket Group Companies**  
(EUR B)

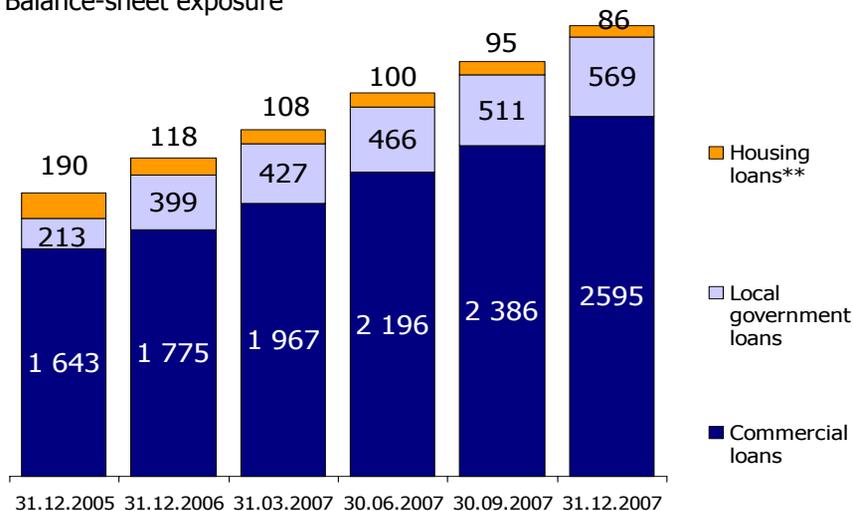


# Appendix

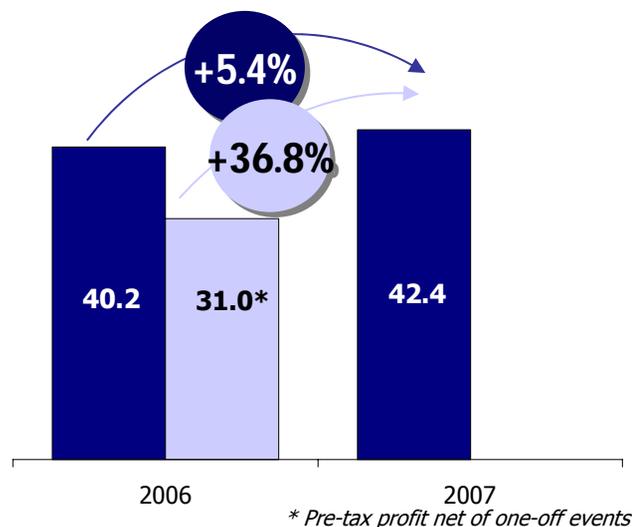
## Corporates and Institutions: BRE Bank Hipoteczny (BBH)

### Loans Portfolio (PLN M)

Balance-sheet exposure



### Profit before Tax (PLN M)



- *BBH's total balance-sheet and off-balance-sheet loans portfolio was **PLN 4.16 B** at the end of 2007, up by 31.6% YoY*
- *BBH's pre-tax profit was **PLN 42.42 M** at the end of 2007, up by 5.4% YoY (up by 36.8% YoY if 2006 pre-tax profit net of one-off events)*
- *In 2007, BBH issued mortgage bonds at **PLN 640 M**, including PLN 470 M of public mortgage bonds, the first such issue in Poland*

*\*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*

# Appendix

## Corporates and Institutions: Dom Inwestycyjny BRE Banku (DI BRE)

- After Q4 2007 gross profit of PLN 53.9 M (doubled versus 2006)
- DI BRE equities trading at 30.7 B PLN after Q4 2007 v. PLN 19.8 bln in 2006
- DI BRE strengthened its position in equities trading from 6.11% in 2006 to 6.6% in 2007
- Further continued growth of DI BRE's customer base: 119.6 thou. accounts
- At the end of 2007 12 transactions on the primary market executed with the total volume of PLN 1.7 B

### # DI BRE Accounts (thou.)

# DI BRE accounts	23.0
eBroker (mBank)	83.9
Brokerage Service (MultiBank)	12.7
<b>TOTAL</b>	<b>119.6</b>

### DI BRE Market Share

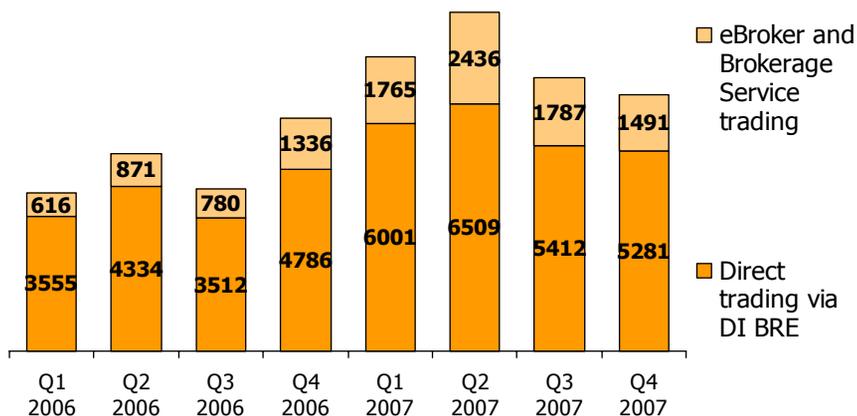
2007, by trading volume\*

Equities	6.64 %	#7
Bonds	2.97 %	#6
Futures	11.66 %	#2
Options	24.92 %	#1

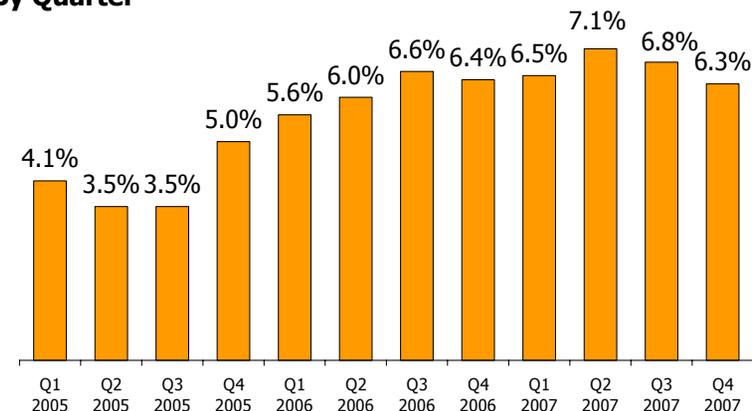
\* Calculations based on WSE, DI data

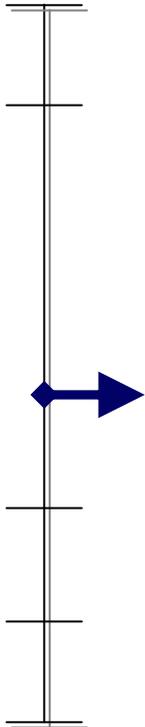
### DI BRE Equities Trading, Q4 2007

PLN M



### DI BRE Share in WSE Equities Trading By Quarter





## ***Appendix***

Detailed Results of the Business Lines, Q4 2007

*Retail Banking and Private Banking*

*Corporations and Financial Markets*

- *Corporate Customers and Institutions*
- ***Trading and Investments***

Additional Information: Selected Financial Data

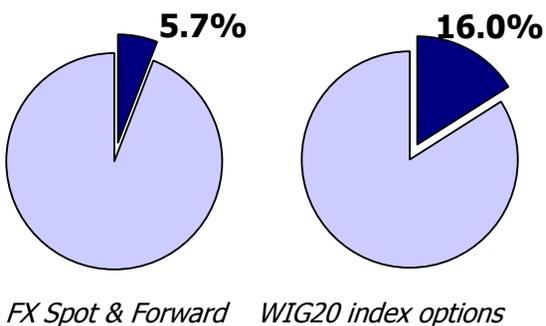
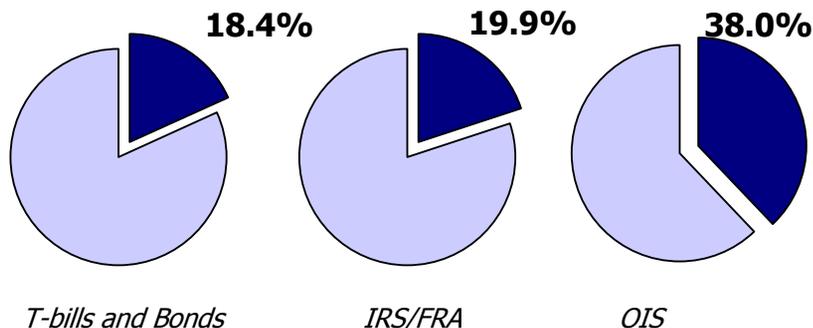
Macroeconomics

# Appendix

## Trading and Investments: Market Share and Position

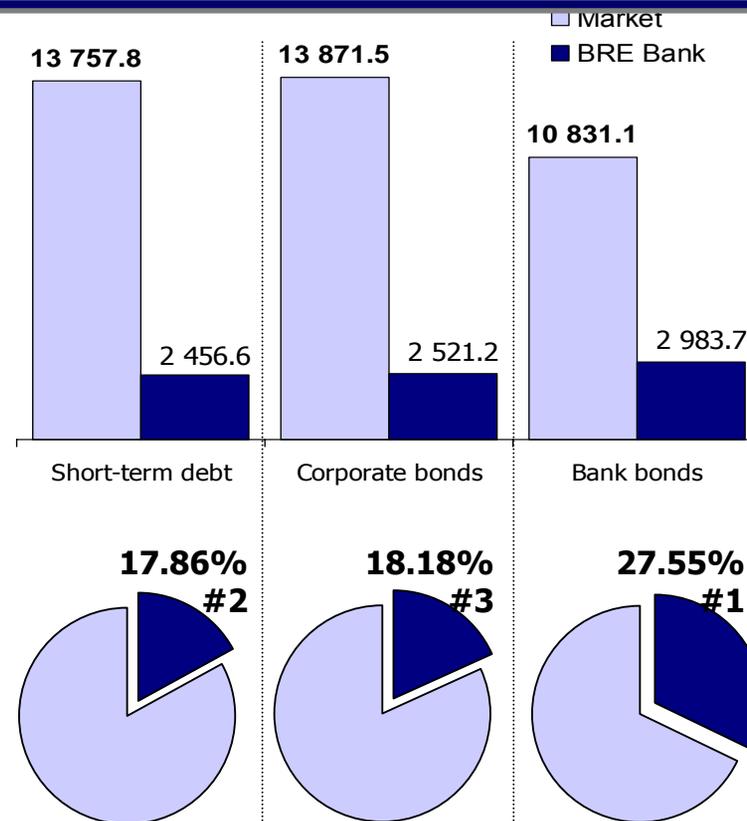
### BRE Bank's Market Share\* in Investment Banking Services

(BRE – in navy blue)



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

As at 31 December 2007 (PLN M)



\* As at 30.11.2007; own calculations based on NBP and WSE figures

\*\* After Fitch Polska S.A., Rating & Rynek, 31 December 2007 and own calculations

# Appendix

## Trading and Investments: Proprietary Investments

- *At the end of 2007, the Bank's **proprietary investments portfolio** was **PLN 434 M** at cost*
- *Compared to the end of Q3 2007, the value of portfolio at cost increased by PLN 156.1 M, because of bond purchases financing the following clients:*
  - *ABC Data Holding SA (bonds with warrants),*
  - *Internet Group SA (bonds with warrants),*
  - *Marvipol SA (convertible bonds),*
  - *JM Holdings S.a.r.l. (exchangable bonds)*
- *Maturities range from 1-5 years with early redemption via capital markets refinancing possible*

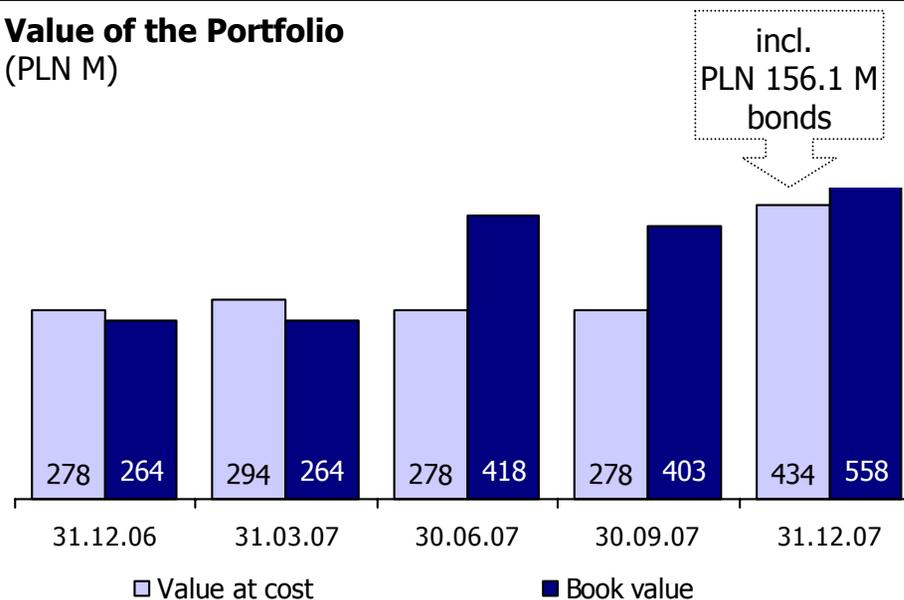
*Major equity investments  
as at 31 December 2007*

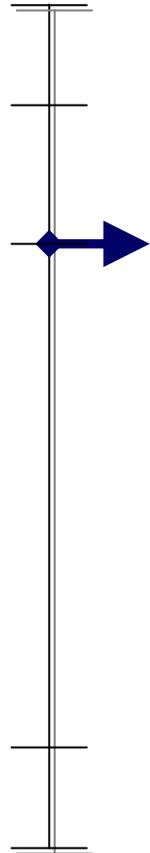
*Equity stake*

<i>Vectra SA*</i>	<i>19.95%</i>
<i>PZU SA</i>	<i>0.76%</i>
<i>Garbary Sp. z o.o.</i>	<i>100.00%</i>

*\*Share in votes: 11.20%*

**Value of the Portfolio**  
(PLN M)





## ***Appendix***

Detailed Results of the Business Lines, Q4 2007

### **Additional Information: Selected Financial Data**

*Consolidated P&L under IFRS*

*Net Interest Income Structure, Interest Margin*

*Net Commission Income Structure*

*Cost Structure*

*Analysis of the Balance Sheet: Assets and Liabilities Structure*

*NPLs*

Macroeconomics

# Appendix

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

<i>PLN'000</i> <i>By quarter *</i>	<i>Q4 2006</i>	<i>Q1 2007</i>	<i>Q2 2007</i>	<i>Q3 2007</i>	<i>Q4 2007</i>
<i>Net interest income</i>	198 777	227 536	241 394	267 770	291 083
<i>Net commission income</i>	127 712	142 857	146 631	139 004	135 721
<i>Dividend income</i>	1 103	-	2 159	78	90
<i>Trading profit</i>	112 924	113 374	144 908	119 798	108 388
<i>Income from investment securities</i>	10 824	7 055	106	(3 249)	(78)
<i>Other operating income</i>	39 420	41 166	35 762	35 449	136 843
<i>Net impairment of credit and loans</i>	(5 761)	(6 944)	1 078	(34 792)	(36 153)
<i>Overhead costs</i>	(243 869)	(245 339)	(276 580)	(252 202)	(329 182)
<i>Depreciation/Amortisation</i>	(43 198)	(42 942)	(45 402)	(46 550)	(41 430)
<i>Other operating cost</i>	(37 122)	(31 205)	(19 208)	(15 077)	(66 362)
<i>Operating profit</i>	160 810	205 558	230 848	210 229	198 920
<i>Share in profits (losses) of associated companies</i>	-	-	-	-	-
<i>Profit before tax**</i>	160 810	205 558	230 848	210 229	198 920
<b><i>Net profit***</i></b>	<b>110 860</b>	<b>157 826</b>	<b>187 631</b>	<b>163 652</b>	<b>151 868</b>

\* Data adjusted for continued operations; data for Q4 2006 based on the quarterly report for Q4 2007

\*\* Profit on continued operations.

\*\*\* Net Profit includes minority interest

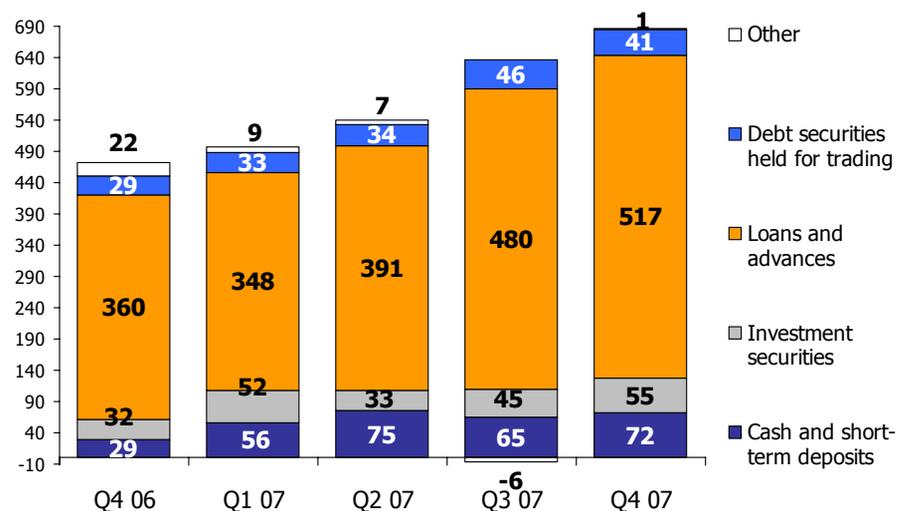
# Appendix

## Additional Information: Selected Financial Data Net Interest Income

- *The net interest income up quarter by quarter: **PLN 291.1 M in Q4 2007 v. PLN 267.8 M in Q3**, PLN 241.4 M in Q2, PLN 227.5 M in Q1 2007*
- *Consolidated net interest income up by 8.7% QoQ in Q4 2007; income up by 41.9% YoY in 2007*
- *The largest item, interest income on loans, up by 7.7% QoQ due to growth of the loans portfolio; interest on investment securities up by 21.0% QoQ*
- ***Interest margin up to 2.3% at the end of 2007 v. 2.1% in 2006***

### Net Interest Income Structure

(by quarter, consolidated figures, PLN M)

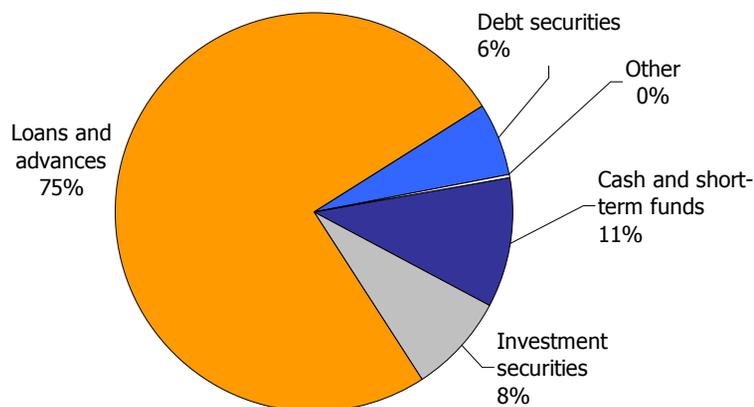


*BRE Bank Group margin as net interest income to average interest-earning assets*

## Additional Information: Selected Financial Data Interest Income Structure

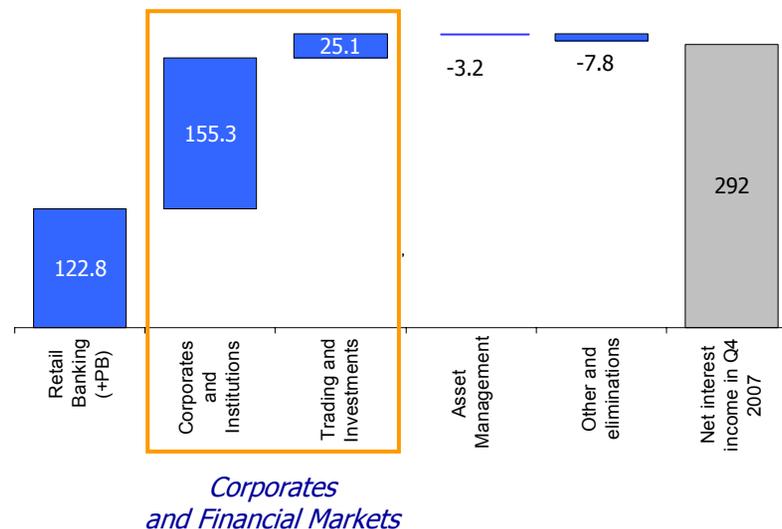
### Structure of Net Interest Income Q4 2007

(consolidated figures, %)



### Net Interest Income, Q4 2007 by Business Line

(consolidated figures, PLN M)



		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	2004	2005				2006				2007			
<b>NIM*</b>	1.3	1.8	1.9	1.8	2.2	2.2	2.1	2.1	2.1	2.3	2.3	2.3	2.3

\* 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 average interest-earning assets
- 2005 data based on 2006 quarterly reports

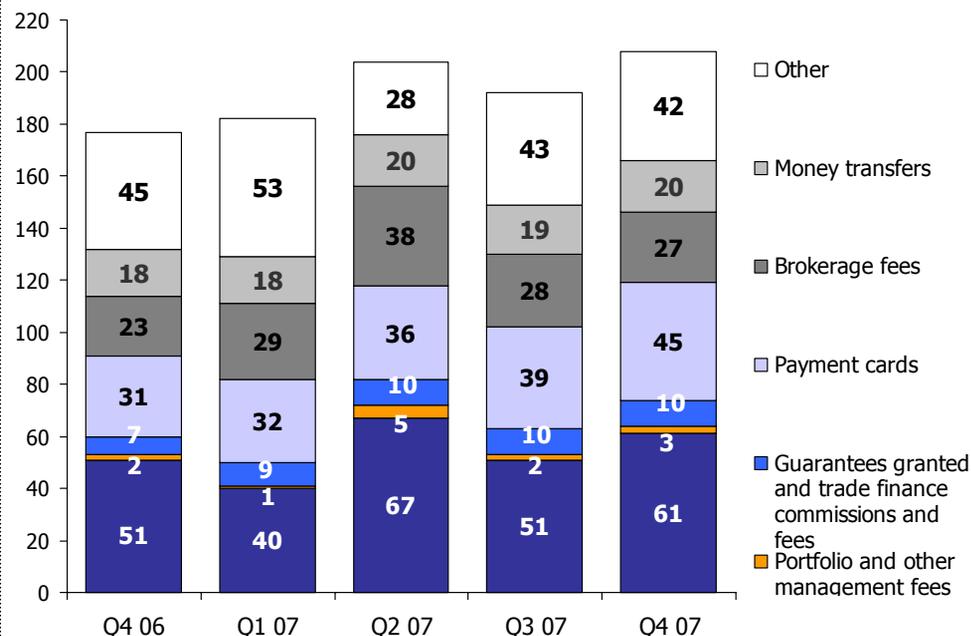
## Additional Information: Selected Financial Data Net Commission Income



- *Net commission income in Q4 down modestly QoQ (by 2.4%) but up by 35.5% YoY*
- *The largest item, lending commissions, up by 20.1% QoQ*
- *Due to weaker conditions on the WSE, broker's fees down by 4.4% QoQ*
- *Payment card fees up by 15.2% QoQ*
- *Commission costs up by 36.5% QoQ in Q4*
- *Payment card service cost up by 22.2% QoQ mainly due to the introduction of microchip cards*

### Net Commission Income Structure

(consolidated figures, PLN M)

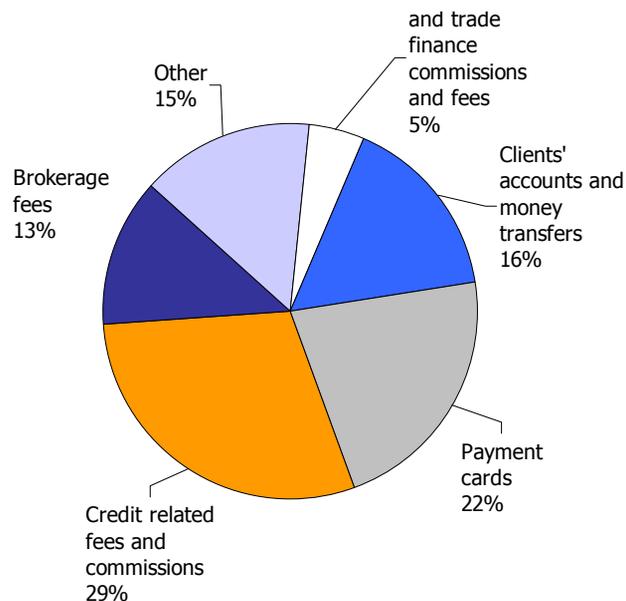


## Additional Information: Selected Financial Data Commission Income Structure



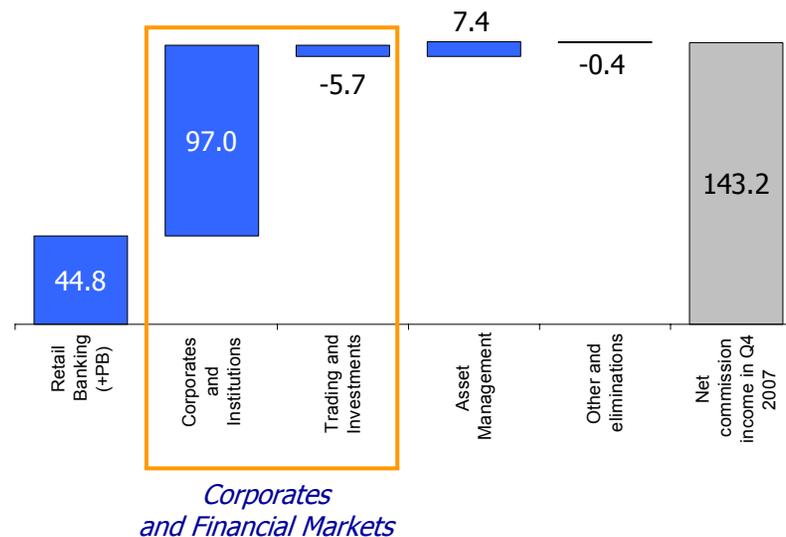
### Structure of Net Commission Income Q4 2007

(consolidated figures, %)



### Net Commission Income, Q4 2007 by Business Line

(consolidated figures, PLN M)

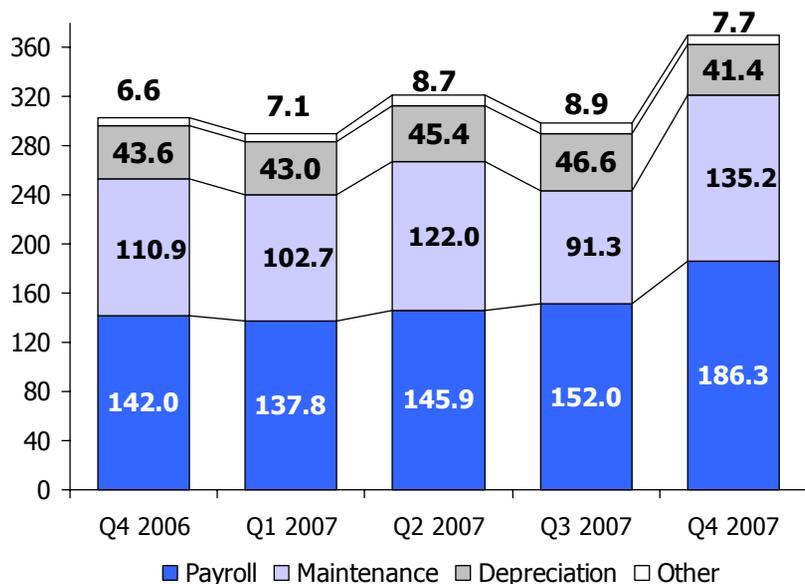


\*Discontinued operations

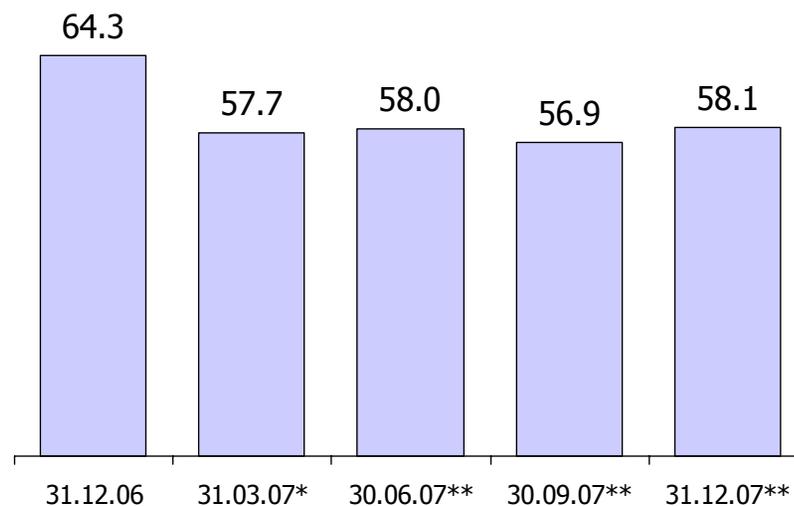
# Appendix

## Additional Information: Selected Financial Data Overhead Cost Structure

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



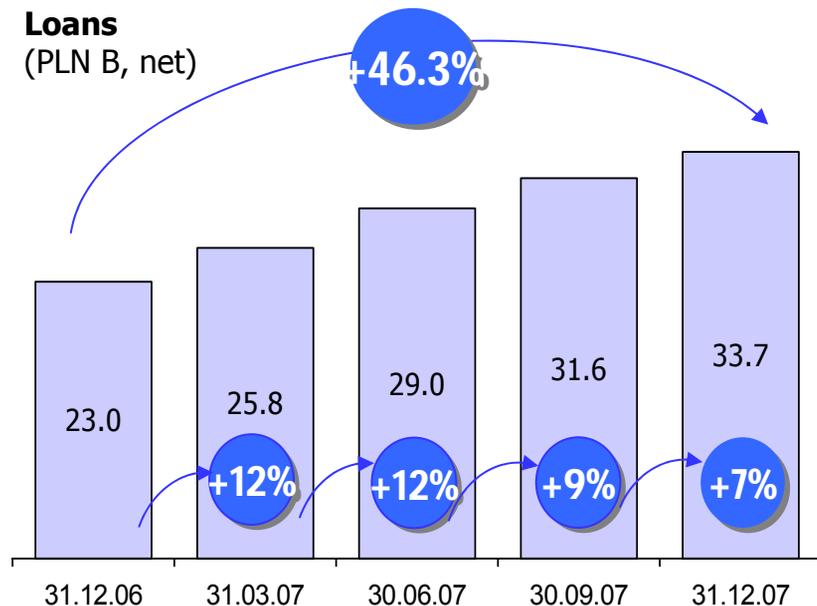
**BRE Bank Group's C/I**  
(based on average balances)



\* Before elimination of the consolidated profit on the sale of SAMH, C/I was 49%  
\*\* For continued & discontinued operations C/I was 53.4% in Q2 2007, 53.7 % in Q3 2007 and 55,5% in Q4 2007

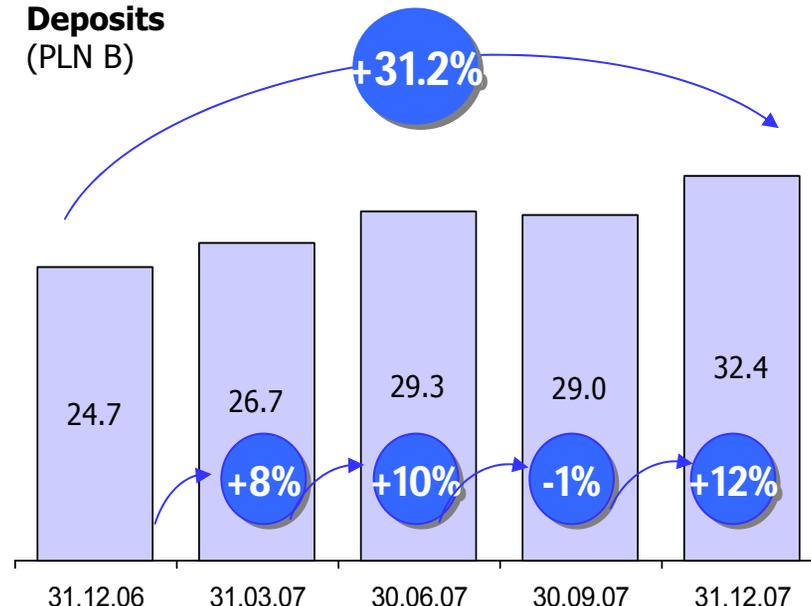
## Additional Information: Selected Financial Data Loans & Deposits

### Loans (PLN B, net)



- **The loans portfolio grew well above the sector YoY** (up by 46.3% v. sector up by 29.6%) mainly driven by mortgage loans expansion and an upturn in corporate loans
- **The loans portfolio grew above the sector QoQ** (up by 6.6% v. sector up by 5.3%) mainly driven by retail loans (up by 9.2% QoQ)

### Deposits (PLN B)

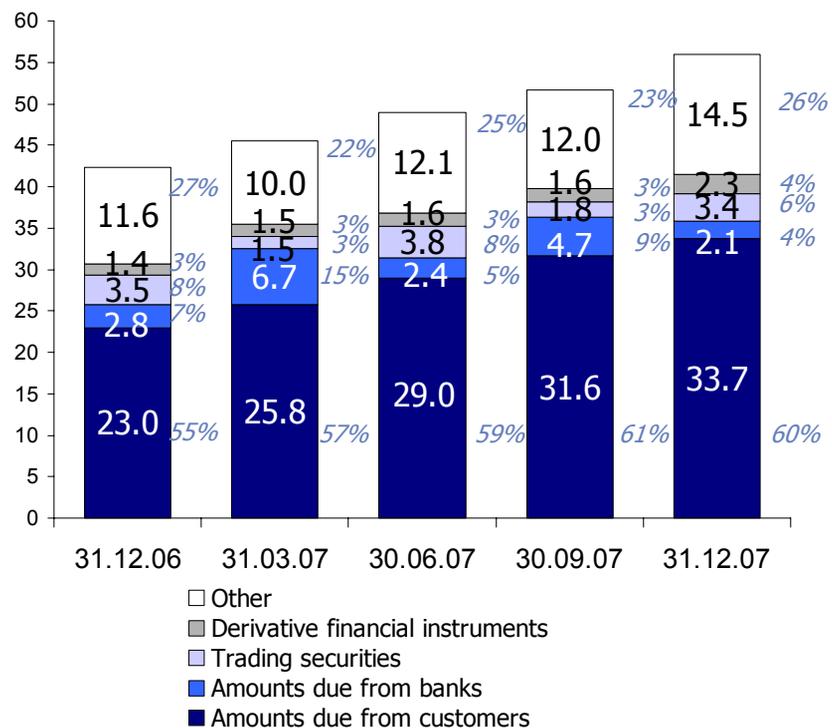


- **Deposits up YoY much above the sector** (BRE Bank up by 31.2% v. sector up by 14.3%) driven by growing corporate and retail deposits
- **Deposits up by a high 12% QoQ in Q4**, vs. sector up by 5.3%

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

### Structure of Assets

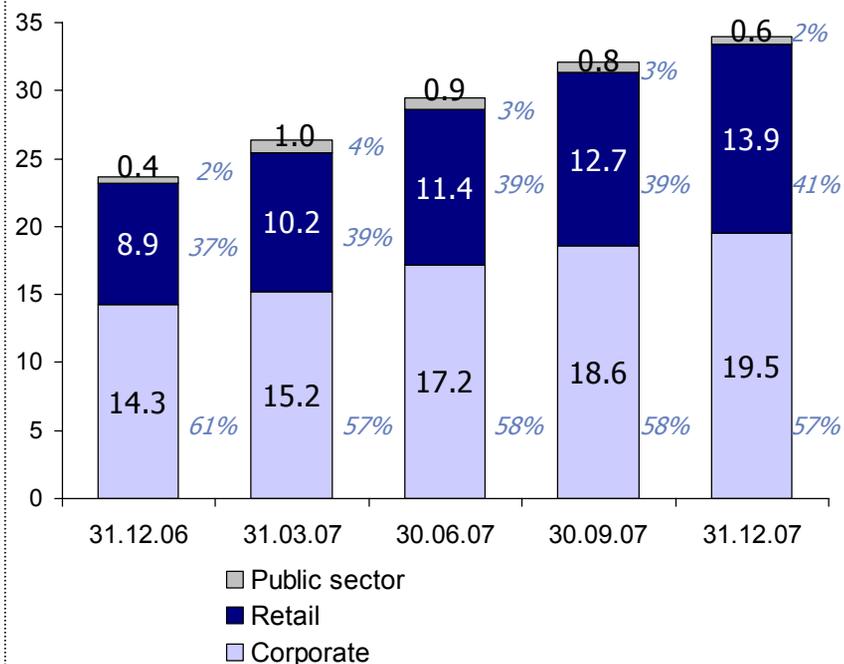
(PLN B)



### Credits and Loans to Customers\*

Portfolio by Customer Category

(PLN B)

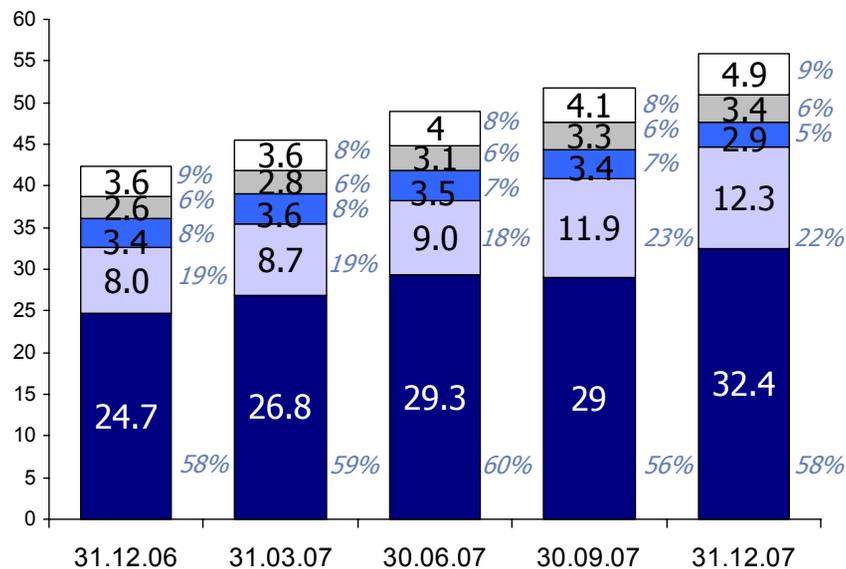


\*Gross credits and loans

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

### Structure of Liabilities

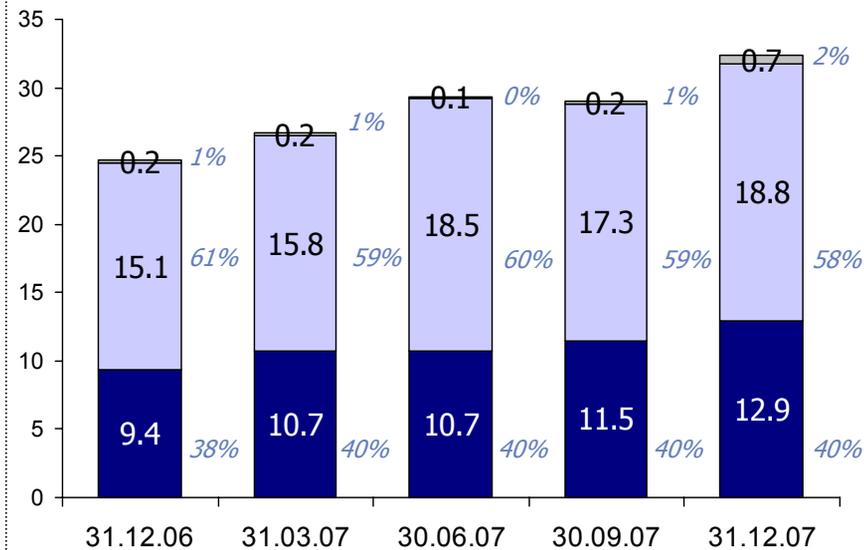
(PLN B)



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

### Structure of Deposits

(PLN B)

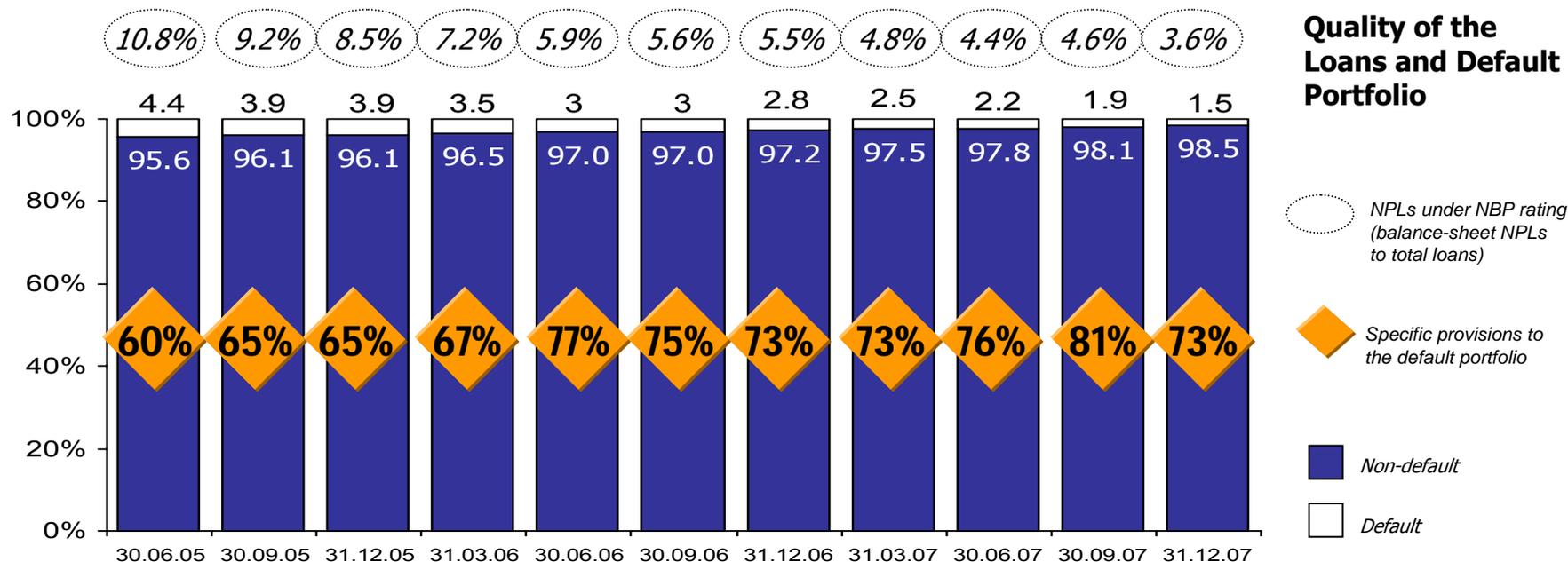


- Public sector
- Corporate
- Retail

# Appendix

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

**Continued decrease of NPLs as a percentage of the loans portfolio,  
falling ratio of provisions to default exposures due to write-off of part of the portfolio**



PLN M	31.12.2007	% share	31.12.2006	% share	31.12.2005	% share
Default	<b>632</b>	<b>1.5</b>	<b>902</b>	<b>2.8</b>	<b>1 046</b>	<b>3.9</b>
Non-default	<b>41 761</b>	<b>98.5</b>	<b>31 156</b>	<b>97.2</b>	<b>25 505</b>	<b>96.1</b>
Total	42 393	100.00	32 058	100.00	26 551	100.00

**Default Portfolio Structure**

# Appendix

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

### *Steadily decreasing share of NPLs in the loans portfolio (balance-sheet)*

31.12.2007

31.12.2006

31.12.2005

	Expo- sure PLN B	%	Provisio ns % coverage	Expo- sure PLN B	%	Provisio ns % coverage	Expo- sure PLN B	%	Provisio ns % coverag e
<b>Regular</b>	<b>26.0</b>	<b>96.4</b>	<b>0.5</b>	<b>18.0</b>	<b>94.5</b>	<b>0.5</b>	<b>13.5</b>	<b>91.5</b>	<b>0.7</b>

*including:*

<b>Standard</b>	25.6	95.0	0.1	17.3	90.8	0.1	12.8	86.6	0.1
<b>Watch</b>	0.4	1.5	25.4	0.7	3.7	10.2	0.7	4.9	9.9

<b>Irregular</b>	<b>1.0</b>	<b>3.6</b>	<b>43.9</b>	<b>1.0</b>	<b>5.5</b>	<b>60.4</b>	<b>1.3</b>	<b>8.5</b>	<b>51.8</b>
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*including:*

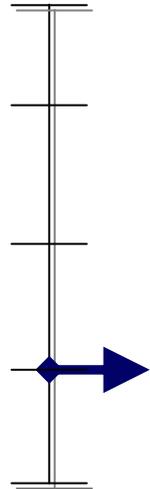
<b>Sub- standard</b>	0.2	0.8	11.2	0.2	1.0	7.9	0.3	2.4	10.0
<b>Doubtful</b>	0.4	1.4	9.7	0.2	1.2	27.2	0.2	1.5	28.3
<b>Loss</b>	0.4	1.4	91.5	0.6	3.3	89.0	0.7	4.6	81.1

<b>TOTAL</b>	<b>27.0</b>	<b>100</b>	<b>2.1</b>	<b>19.0</b>	<b>100</b>	<b>3.8</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 5.5% to 3.6% in 2007 (NBP rating) thanks to the significantly growing loans portfolio and ongoing restructuring, sale and write-off of some of the Bank's NPL exposures**

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



## *Appendix*

Detailed Results of the Business Lines, Q4 2007

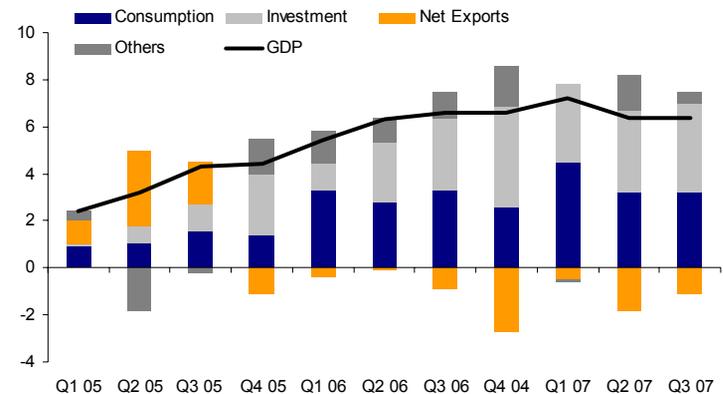
Additional Information: Selected Financial Data

**Macroeconomics**

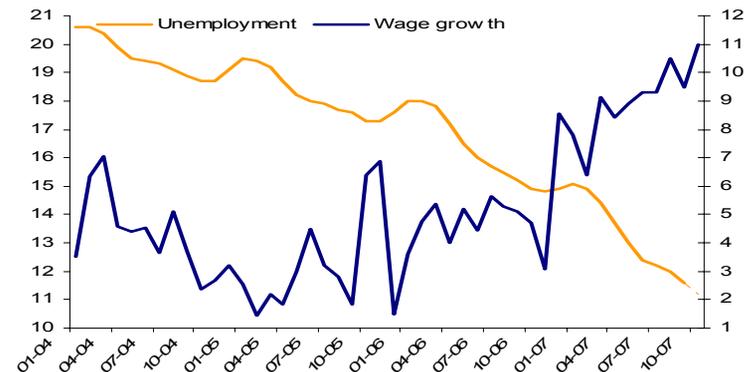
### ***GDP growth: High but less balanced***

- *GDP growth at 6.7% in Q1-3 2007 and close to 6.5% (est.) in all of 2007*
- *Economic growth mainly driven by domestic demand, in particular fast growing investments (up by 19.8% YoY in Q3)*
- *The strong domestic demand and the strong zloty drive imports and result in a negative contribution of net exports to GDP growth (negative 1.1 pp in Q3)*
- *Growing C/A gap (ca. 4% at the end of 2007) as a symptom of growing imbalance*
- *Official unemployment rate at 11.4% in December, employment in the corporate sector up by 4.9% YoY*
- *Wages growth in the corporate sector down to 7.2% YoY in December but high at 9.2% in all of 2007, driving unit labour cost growth*

*GDP growth (%)*



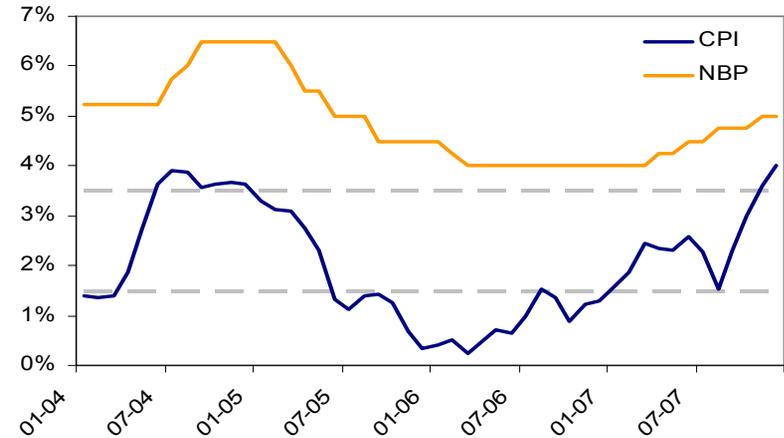
*Official unemployment rate (%)  
and growth of wages in the corporate sector (% YoY)*



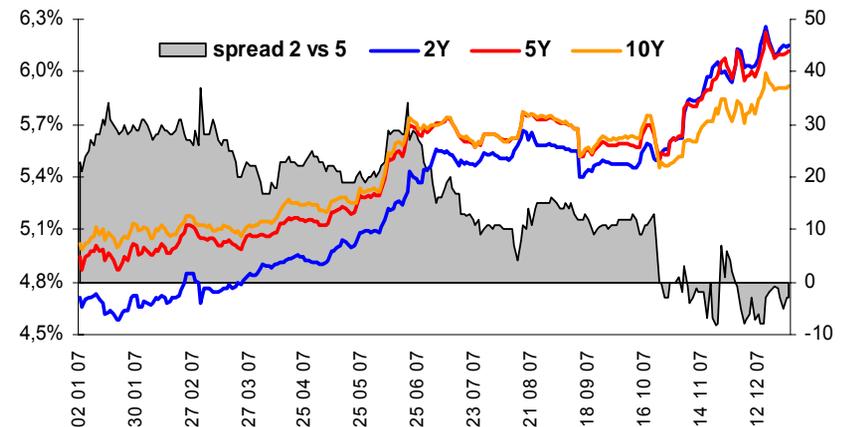
## ***Fast growing inflation forces monetary policy to tighten***

- *CPI crossed the ceiling of the band of allowed deviation from the NBP inflation target in November 2007 and continued to grow reaching 4% in December; inflation accelerated mainly due to fast growing food and energy prices; core inflation was more moderate (1.7% at the end of the year)*
- *Monetary Policy Council hiked interest rates for the fourth time in 2007 in late November bringing the NBP intervention rate to 5%; the monetary policy tightening cycle is expected to continue in 2008*
- *The rising reference rate and market developments drove the yields, especially on the short end of the curve; yields of long-term instruments grew less, and the curve reversed*

*CPI (% YoY), MPP inflation target, NBP intervention rate(%)*



*Yields of 2Y, 5Y i 10Y papers and spread of 2Y v. 5Y papers*



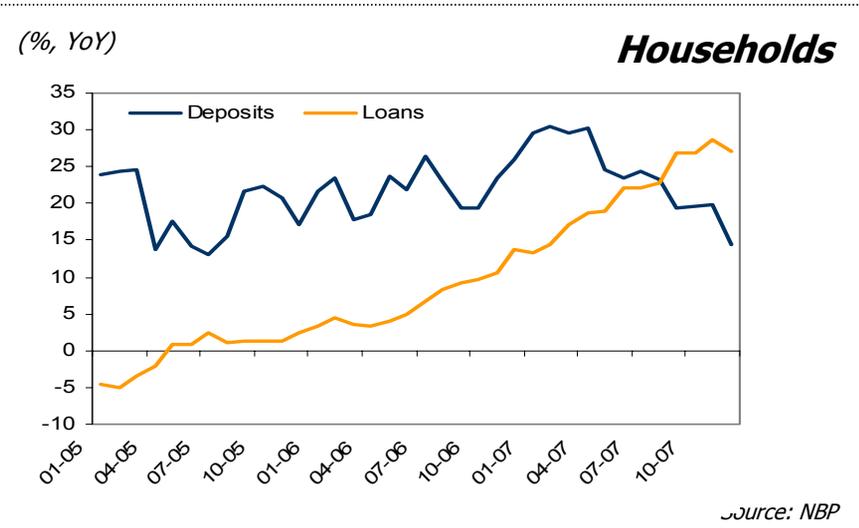
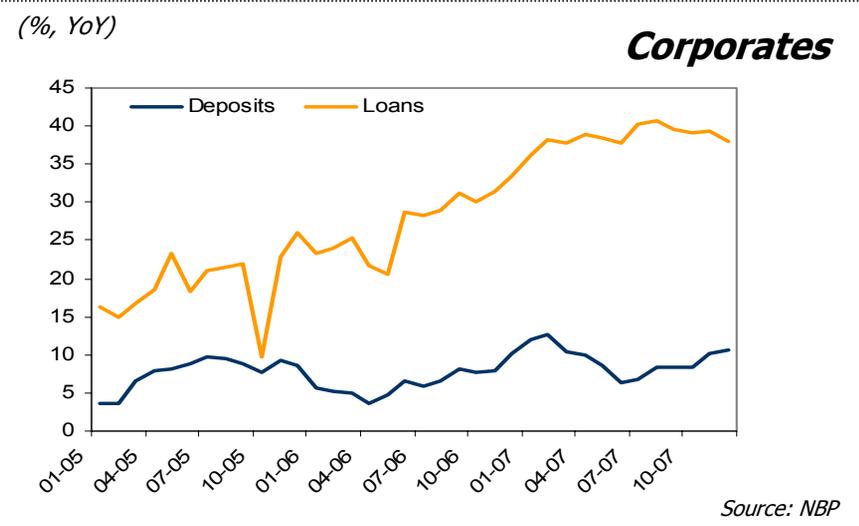
# Appendix

## Macroeconomics

### Loans and Deposits in the Banking Sector

#### ***Growth of loans weakens, growth of corporate deposits slumps***

- *Growing cost of corporates and growing demand for funds necessary to finance investments slowed down growth in deposits from 25.6% at the end of 2006 to 14.4% YoY in December 2007. Growth of corporate loans was down modestly in December 2007 (to 23.4% YoY) but was still much higher than at the end of 2006 (13%)*
- *Crashing stock prices and fast growing household income drove growth in household deposits to almost 10% YoY in December 2007. Growth of household loans gradually weakened after September 2007, especially housing loans (to 37.6% and 50.4% YoY respectively)*





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