



BRE BANK SA

CORPORATE SOCIAL RESPONSIBILITY REPORT
2006



BRE BANK SA

Dear Stakeholders,

I address you on the occasion of the first publication of BRE Bank's Corporate Social Responsibility Report. Annual financial statements published pursuant to reporting requirements binding on listed companies focus mainly on the Bank's financial standing and the growth of its business segments.

We have decided to expand published information to include non-financial aspects of the Bank's activities.

The goal of this publication is to present the other face of the Bank by providing a wide range of information about activities aimed at enhancing:

- Shareholders' trust;
- Customers' satisfaction and loyalty;
- Employees' dedication and commitment to the company and its mission;
- Reliable relations with business partners;
- Positive image in local communities.

Mutual benefits in relations and co-operation with stakeholders including Shareholders, Customers, business Partners and local communities are a very important part of the values and an essential component of BRE Bank's corporate culture. Corporate social responsibility is a fundamental principle of the Bank's relations with its environment.

So understood, corporate social responsibility is key to all activities of BRE Bank. A business should do much more than follow the goals of economic rationality and comply with all legal and formal requirements. In pursuing its business strategy, BRE Bank will opt for solutions which are beneficial not only to the company but also to its Partners and Employees, society and the environment.

BRE Bank will publish regular Corporate Social Responsibility Reports, improving their structure and extending their content, taking account of relevant international reporting standards.

I do believe that this Report will make the Bank's image even more friendly and prove how important you are to the Bank.

Yours faithfully,

Sławomir Lachowski
President of
the Management Board



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I. Corporate Social Responsibility: BRE Bank's Guiding Principle

As a Polish financial institution, BRE Bank is bound by all relevant legal provisions and banking sector regulations. The Bank operates pursuant to its By-laws and a range of internal regulations. As a listed company, BRE Bank complies with the rules applicable to companies listed on the Warsaw Stock Exchange. In addition, the Bank has committed itself to comply with the rules of corporate governance in public companies.

The Bank is a company under the Polish law and a member of the Commerzbank Capital Group. As such, it considers the rules of corporate governance and broadly understood corporate social responsibility as a measure of corporate behaviour and a core element of corporate culture.

The Bank believes that business activity is aimed not only at profit generation but also at social impact, corporate value, and sensitivity to social needs. Corporate social responsibility is a fundamental principle of the Bank's relations with its environment, based on the interests of all stakeholders: customers, investors, employees, business partners, and local communities. Guided by economic rationality, the Bank also strives to ensure transparency of its business, to be a reliable and loyal partner, and to support social development and culture. Its social commitment reinforces its relations with the environment, helps to create a positive corporate image, and improves its perception by investors and customers.

Corporate social responsibility is a must in today's world of business. It is no longer enough for companies to comply with formal and legal requirements. They are expected to voluntarily integrate the interests of all stakeholders in their business strategies; in other words, to implement business options viable not only to the company but also its employees, environment and community at large.

II. Compliance with Corporate Governance Rules

In its business activity, the Bank complies with all binding legal regulations, including the Banking Law and regulatory provisions, as well as internal regulations. As a public company, the Bank observes information requirements under relevant legislation and uses best efforts to inform investors about its performance and short- and long-term business plans.

In addition, the Bank has committed itself to comply with the corporate governance rules adopted by the market. As a listed company, the Bank attaches increasing importance to the transparency of its business in line with the Good Practices of Public Companies 2005.

The Polish corporate governance rules were compiled as "Good Practices in Public Companies" and first adopted by the authorities of the Warsaw Stock Exchange in September 2002. The code contains the fundamental rules of business ethics guiding day-to-day activities of listed companies. The new version of "Good Practices in Public Companies 2005" came into effect on 1 January 2005. A further version is now in the drafting.

The Good Practices contain 53 rules under several headings:

- General Rules;
- Good Practices of General Meetings;
- Good Practices of Supervisory Boards;
- Good Practices of Management Boards;
- Good Practices in Relations with Third Parties.

Companies could declare partial compliance with the rules until 2005 but are now required to declare compliance or non-compliance with each rule.

BRE Bank declared compliance with 52 out of 53 rules of corporate governance in the 2005 version under relevant Resolutions of the Management Board (3 March), the Supervisory Board (15 March), and the Ordinary General Meeting (20 March), later amended in a 2006 Resolution of the Management Board (12 January), the Supervisory Board (20 January), and the Ordinary General Meeting (15 March). The Bank did not declare compliance with only one rule, Rule 20 concerning the independence of Supervisory Board Members. The By-laws of BRE Bank do not require the Chair of the Audit Committee of the Supervisory Board to be an Independent Member of the Supervisory Board. This is the Bank's only non-compliance with Rule 20.

According to the Warsaw Stock Exchange, about $\frac{3}{4}$ of companies declared non-compliance with Rule 20 in 2006.

BRE Bank's declaration of strict compliance with the rules of corporate governance substantiates its traditional policy of transparency in business, including the commitment to respect the rights of all shareholders and to follow a universal code of ethics.



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The most recent declaration of BRE Bank concerning compliance with the Good Practices and the Bank's most recent comments to the rules of the Good Practices are available at BRE Bank's website: http://www.brebank.pl/en/about_bre_bank/BRE_Bank/Lad_Korporacyjny/.

Polish corporate governance ratings are published by the Institute for Market Economy Research (IBnGR) and the Polish Directors Board (PRD) based on slightly different methodologies. The IBnGR ranking generally gives a positive assessment of the banking sector and its individual rates are fairly similar. In subsequent editions of the ranking in 2001, 2003 and 2005, BRE Bank always ranked fourth or fifth in a group of 9-10 rated banks. The PRD ranking (based on institutional investor surveys) includes several categories of review and the rate assigned to BRE Bank rate improves steadily.

BRE Bank's efforts to ensure corporate governance compliance were acknowledged by the Stock Exchange paper Parkiet which nominated BRE Bank for the Top Corporate Governance Performer Award (Parkiet, 6 February 2007).

Compliance with the Transparency Directive

In 2007, Poland should implement the EU Transparency Directive 2004/109 of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market. The Directive will modify information requirements, including a shortening of the period of publication of annual reports, regulation of the mandatory minimum contents of an annual report, obligatory confirmation of annual financial reports by management board members, obligatory publication of reports on the internet, obligatory public availability of reports for 5 years. BRE Bank's information policy meets most of these requirements. Only consolidated semi-annual reports of the Group are published later than two months after the end of the relevant period as required by the Directive (by the end of August). According to the schedule of publications, the H1 2007 report will be published on 10 September 2007.

III. Transparency: The Guiding Principle of Investor Relations

III.1. Who Are Our Shareholders

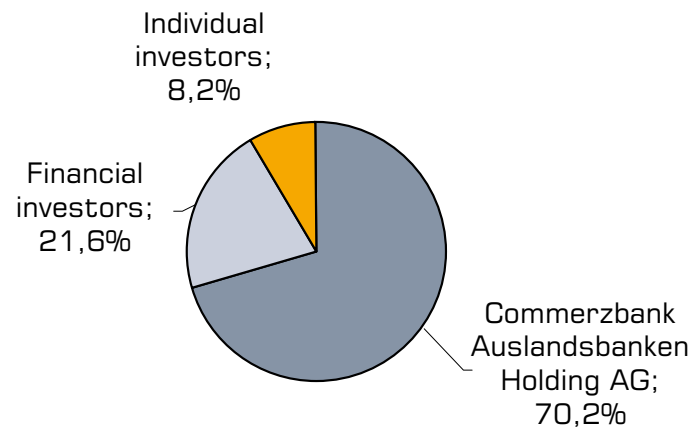
When the Bank was established in 1986, its main founders and shareholders included: the Ministry of Foreign Trade, the Ministry of Finance, the National Bank of Poland, Bank Handlowy w Warszawie S.A., Bank PKO S.A., and Bank Gospodarki Żywnościowej. They acquired 71% of the Bank's shares, while the other 29% was taken up by minority shareholders, mainly foreign trade corporations interested in development of exports.

The shareholding structure has changed significantly over the past 20 years. In 1992, the Bank was privatised through the sale of shares by the main shareholders in a public offer. The Bank's shares have been traded on the stock exchange since October 1992.

The Bank's equity was strengthened and its further growth enhanced by the key decision taken in 1994 to establish co-operation with the leading German bank Commerzbank AG ("CB"). Commerzbank gradually increased its stake in BRE's equity from 21% in 1995, to 50% in 2000, to 70.2% at the end of 2006. In 2005, BRE Bank's shares were transferred to the subsidiary Commerzbank Auslandsbanken Holding AG. This was a purely organisational operation as CB grouped its foreign investments in a holding company responsible for such investments.

The shareholding structure is shown in the chart below:

Structure of the BRE Bank's shareholders at the end of 2006



Over the years, in addition to substantive capital support, BRE has benefited from the transfer of know-how from its German partner. The close co-operation covers the implementation of modern banking standards, recently in particular for risk management and Basel II requirements.

In addition, Commerzbank representatives actively participate in management of BRE Bank: they sit on the Management Board (2 out of 6 Members) and the Supervisory Board (4 out of 9 Members by the end of February 2006, currently 4 out of 8 Members).

BRE Bank and the joint venture BRE Leasing hold CB's Letters of Comfort, which greatly improves their reliability on international financial markets.

III.2. Information for Investors and Analysts

Information is disclosed to Commerzbank under specific rules. The Bank is bound by information requirements as a consolidated member of the CB Group. Information is supplied through many channels, both by virtue of CB representation on the Bank's authorities and in working relations.

From the perspective of communications with the market, it is crucial to provide information to the other investors jointly holding approximately 1/4 of the BRE stocks, as well as to analysts, rating agencies, and journalists who influence the image and perception of the Bank in the business community and in society at large.

Relations with this stakeholder group help to enhance corporate transparency. Relevant activities include conferences held at the publication of quarterly results, events at the Bank and Group subsidiaries, meetings with Management Board representatives held both domestically and during visits abroad, and replies to submitted queries.

In 2006, BRE Bank held 370 investor meetings and attended 12 conferences, among others in London, New York, Paris, and Brussels. The Bank received 1,388 queries from investors and analysts by e-mail and by telephone.

In 2006, BRE Bank intensified its investor relations in several areas previously less attended to. The Bank held the first national roadshow for institutional investors; the Bank was represented at European conferences for mid-cap companies and Global Emerging Markets investors.

The Bank developed spread sheets with financial and business data starting from the first quarter 2005. These are distributed to analysts and investors on a quarterly basis.

These efforts are accompanied by on-going information activities, including compliance with statutory information requirements concerning current and



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periodic reports, as well as the Bank's website which is regularly updated and extended.

This strategy combined with the consistent policy of full transparency (including, among others, public webcasts of conferences on the publication of quarterly results) helped to stabilise the BRE stock price at the time of increased supply.

The Bank's investor relations activities over the past two years are summarised in the table below:

Investor relations	Target group	2006	2005
Annual General Meeting	Institutional and private investors	1	1
Meetings with rating agencies	Rating agencies	4	4
Meetings at the publication of quarterly reports	Analysts, media	4	4
Teleconferences	Analysts	4	4
Road shows	Investors	8	2
Conferences	Investors, analysts	12	7
WSE presentations	Investors, analysts	1	1
One-on-one meetings	Investors, analysts	370	190
Response to queries	Investors, analysts	1,388	480

As a result, the image of the Bank and the BRE Bank Group on the market steadily improves, which is also confirmed by received awards and distinctions. As was mentioned above, the Stock Exchange paper Parkiet recognised BRE for its successful implementation of corporate governance rules, transparent information policies, and professional investor relations.

The Investor Relations Global Rankings organised by recognised consulting and advisory companies, like MZ Consult, KPMG and Linklaters, announced the European winners in Frankfurt on the Main in late February 2007. BRE Bank was one of the five companies in Europe to receive the IR Global Rankings Award in the Disclose Procedure category for the top standard of information disclosed to investors. The other winners in the category were Telekom Austria, Norsk Hydro, UBS, and Danske Bank. The annual IR Global Rankings award five leading companies in three categories:

- Investor relations websites;
- Corporate governance standards;
- Earnings release/disclosure.

III.3. Investors' Participation in the Bank's Profits

Building shareholder value is a primary objective of the Bank's business. Shareholders' participation in the Bank's financial success has two forms: participation through a dividend, and indirect benefits from a growing market stock price.

The Bank paid out a dividend until 2001 (inclusive) to assign - as a rule - one-third of the profit. No dividend was paid for 2002 when a heavy loss was reported, 2003 when the result was unsatisfactory, and 2004 when a loss was generated. In 2005-2006, the shareholders decided to use the generated profit in order to strengthen the equity and thus give the Bank an opportunity of dynamic growth.

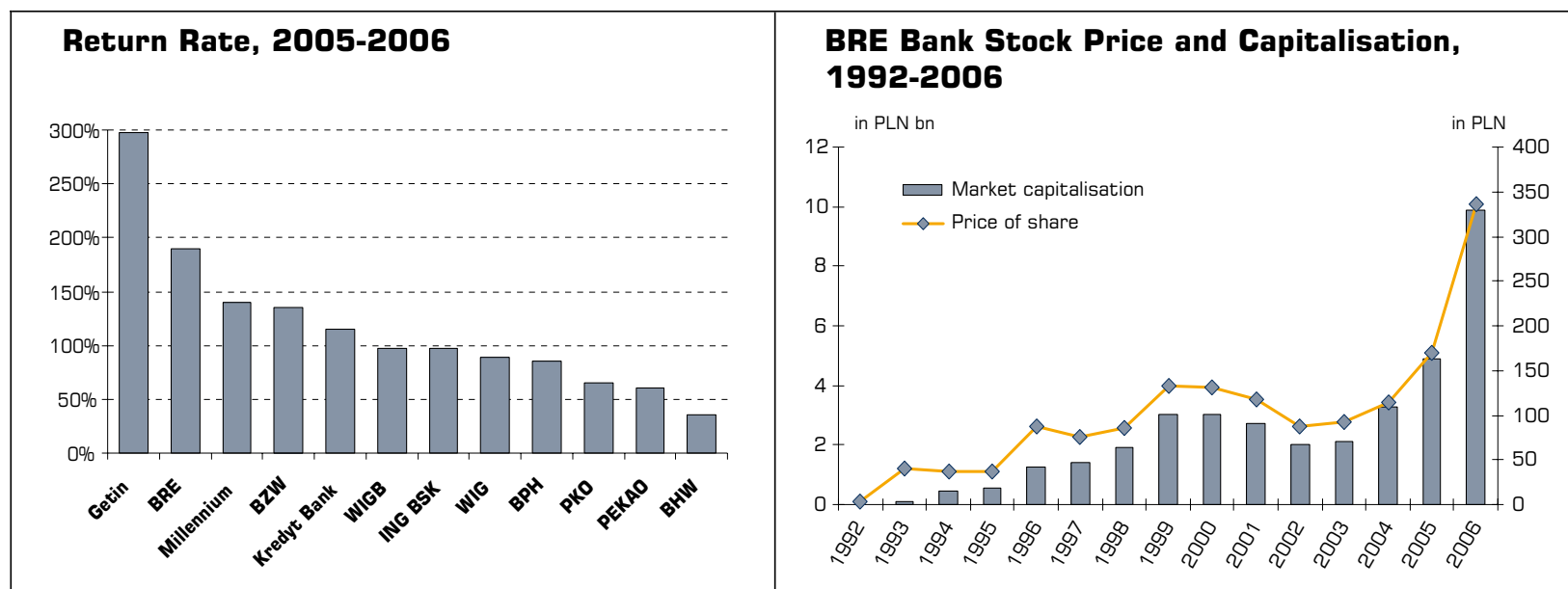
The lack of dividend payment was offset by a significant growth in the Bank's stock price in the market in 2005-2006. The stock price grew from PLN 116 to PLN 169 between the first and the last trading session in 2005, and from PLN 170.5 on 2 January 2006 to PLN 336 on 29 December 2006.

In 2005-2006, BRE Bank's stock price rose 189.7% while the main stock market indices grew as follows: WIG 88.7%, WIG-20 67%, WIG-Bank 97.1%.



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In 2006, the BRE Bank stock price hit historical highs on several occasions. On 18 December 2006, BRE Bank's stocks were quoted at the record-high PLN 367; the lowest annual price of PLN 161 was reported on 14 June 2006. In Q1 2007, BRE Bank's stock price continued to grow ahead of the market and reached another historical high of PLN 479 on 30 March.



IV. Customer Relations

IV.1. Who Are Our Customers

IV.1.1. Corporate Customers

At the beginning of its activity, more than 20 years ago, BRE Bank was focused exclusively on corporate banking. In those early years, its core business consisted in granting fx loans to Polish exporters for the acquisition of investment goods and technologies. With time, the product and service offer was expanded to include foreign trade service, a variety of deposits, and derivative instruments. At the turn of 1992, the Bank implemented an integrated banking system supporting the launch of an electronic customer service system (BRESOK). This was a pioneering solution in Poland. The system has been improved over the years and remains functional. In addition, customers use the Multicash system. Both are off-line systems. Customers can also make on-line transaction over the internet using the electronic platform iBRE. Solutions are currently being developed to integrate iBRE with customers' financial and accounting systems.

At the end of 2006, the Bank had 11.5 thousand corporate customers. The largest customer segment were 7.0 thousand small and medium-sized enterprises ("K3" segment with annual sales up to PLN 30 million); 3.5 thousand customers were larger companies ("K2" with annual sales between PLN 30 million and PLN 1 billion); another 1 thousand were "K1" customers – capital groups and corporations with sales exceeding PLN 1 billion.



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Corporate customers are served by 23 Corporate Branches located in the major cities of Poland.



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THE BEST FINANCIAL INSTITUTION
FOR DEMANDING CUSTOMERS

IV.1.2. Retail and Private Banking Customers

The Bank launched its Private Banking (PB) service for high net worth individuals in 1996. At the end of 2006, the Bank served 7.8 thousand PB customers. In 2007 the Bank launched a comprehensive wealth management service for the most affluent customers. PB customers are served in special offices within Corporate Branches.



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PRIVATE BANKING

The Bank's business profile changed substantially in late 2000 when BRE Bank launched its retail banking franchise mBank – the first Internet bank in Poland serving mass customers and micro-enterprises. With time, small customer service points (mKiosks) were opened, followed by larger Financial Centres (FC) established in the course of offer expansion. At the end of 2006, there were 50 mKiosks and 15 Financial Centres. At the end of 2006, mBank had 1.29 million customers, including 135 thousand microenterprises.



mBank is a leader in internet and mobile banking. It is the first virtual bank in Poland pursuing a mission of maximum comfort and benefits in personal finance. mBank offers a wide range of innovative products to retail customers and microenterprises.



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Another step in retail banking was made in late 2001 with the launch of the second retail project MultiBank. Its customers are also individuals but with a higher income. In addition to remote channels, they are served by an expanding network of local branches: Financial Services Centres (CUF) and Partner Outlets (PO). At the end of 2006, there were 46 Financial Services Centres and 38 Partner Outlets. At the end of 2006, MultiBank had 340 thousand customers, including 50 thousand microenterprises.



MultiBank for demanding retail customers and microenterprises who appreciate professional service. MultiBank offers a unique mix of advisory from state-of-the-art branches with friendly finance management over the internet, WAP, and the Call Centre. MultiBank offers the prestigious Aquarius Club, free-of-charge brokerage service, professional advisory, innovative business products, and credit cards matched to individual needs.

IV.2. BRE Bank's Mission

BRE Bank's Mission

The best financial institution for demanding corporate, retail and microenterprise customers

- BRE Bank is a universal bank and offers a wide range of innovative banking and non-banking products which create an added value for target customer groups;
- Multi-channel, multi-brand business model focused on selected customer groups;
- BRE Bank advisory and products tailored to the needs of the target customer groups;
- BRE Bank Group companies provide relevant complementary products and services (leasing, factoring, brokerage, advisory);
- Open architecture supports the provision of top products and services at the customer's choice.

The Bank's mission quoted above is the best description of the Bank's customer focus. Our business is based on the provision of top quality products and services to customers combined with an individual approach necessary to best understand customers' needs, broadly understood advisory wherever required by the complexity or innovativeness of the product, easy access to banking services, quick response to complaints. This comprehensive approach fosters lasting customer relations and increases customer loyalty and satisfaction with the BRE Bank service.

IV.2.1. Customer care system

BRE Bank was one of the first banks in Poland to offer Account Manager service to corporate customers in the mid-1990s. In the current customer care system, the biggest K1 customers are serviced by Key Account Managers supported by the Head Office for Treasury products, capital markets, trade finance, and by Branches for current operations. K2 customers are serviced by dedicated teams in Branches (Advisors and Risk Product Experts) supported by other product specialists, e.g., trade finance experts, fx dealers, leasing and factoring experts. K3 customers are offered product advisory by Branches.

Private Banking customers and Aquarius Club members (the wealthiest MultiBank customers) have individual Account Managers. Retail customers are offered advisory by Financial Centres and Financial Services Centres; Advisors are also available on the telephone round the clock.



IV.2.2. Education

The Bank offers its customers a wide range of educational activities. These include training for customers on newly launched complex products. In retail banking, which is largely self-service based, customers are also educated through internet portals. For instance, mBank's website features "The Stock Exchange ABC" section, product information, materials and manuals guiding customers through transactions. MultiBank offers similar information and publishes The Savings Centre Information Newsletter.

BRE Bank's internet portal offers corporate customers an Economic Service section with economic commentaries and projections. A separate section focuses on the availability of European Union funding.

BRE Bank attaches great importance to EU funds, both in the virtual and the real world, as it offers SME training on availability of EU funding. To assist its customers planning new investments with EU co-financing, BRE Bank offered information and training for actual and prospective customers in 2006. BRE Bank together with Microsoft and Econet organised a series of trainings in BRE Bank Branches. BRE Bank was also the co-organiser of the Third EUROFORUM of European Funds Consultants "Growth through Innovation: European Best Practices," the largest forum for the exchange of experience of independent European Funds Consultants working for social and economic growth of the EU in this part of Europe.

An important part of educational activities for corporates is the Ranking of Top 500 Innovative Companies organised twice, in 2005 and 2006. More about the Ranking in Section IX, "Bank's Social Commitment."

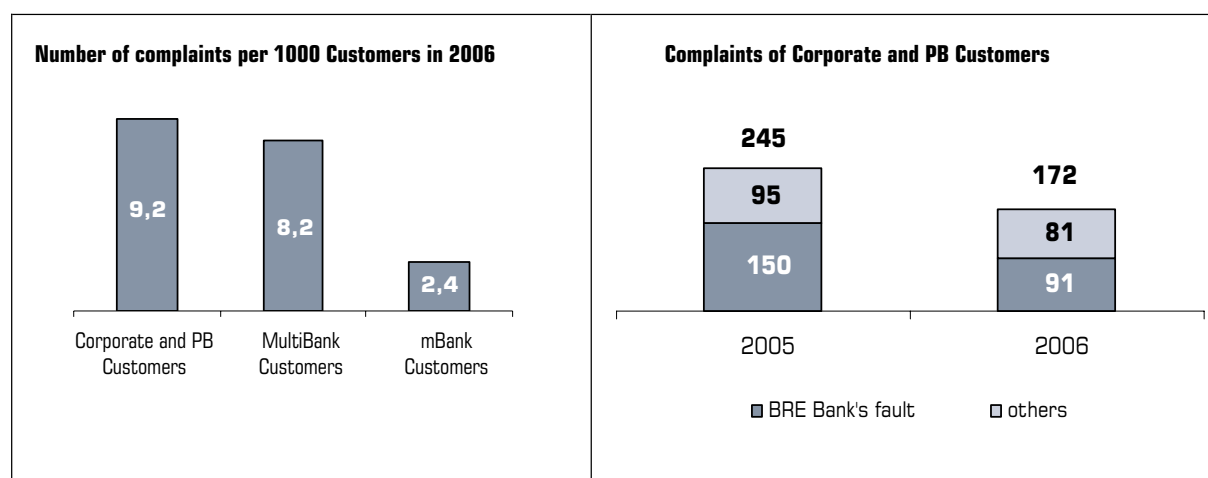
IV.2.3. Complaints Handling Process

Efficient and effective complaints handling is an important part of customer relations and a measure of the Bank's responsibility. The principles of recording, reviewing, and processing complaints are laid down in BRE Bank's Internal Control Rules.

Complaints received by the Bank are handled by the organisational units responsible for the business relevant to the complaint. Timely complaints handling requires that customers receive a reply within 30 days of the notification of the complaint to the Bank.

There are two separate complaints registers, one for corporate and Private Banking customers and the other for retail customers. The latter is supported by the Remedy IT system. The central complaints registers are used to analyse the reasons for the complaints and to take measures in order to improve banking procedures or to modify products. They also support the monitoring of complaints handling.

The Internal Audit Department is responsible for analyses of complaints made by corporate and Private Banking customers.





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On average, there were 13.2 complaints per 1,000 corporate and Private Banking customers in 2005; the average was down to 9.2 in 2006. Of 172 complaints from corporate and Private Banking customers handled in 2006, 162 were replied to within the statutory deadline of 30 days; the deadline was exceeded in 10 cases.

In order to ensure high quality retail customer service and efficient complaints handling, uniform complaints handling strategy and procedures were implemented at the turn of 2003. The key elements of the strategy, adjusted in subsequent years to the expanding business and operations, include:

- Facilitation of the customers' submission of complaints and opinions on provided services by direct contacts with Advisors in Branches, over the internet, a special phone line manned by a Quality Manager. Customers can also communicate their comments directly to the Bank's Managing Director and Management Board Members by e-mail;
- Appointment of a Customers Ombudsman in each Branch, responsible for the quality of complaints handling and customer satisfaction;
- Shortened duration and improved quality of complaints handling at all stages of the process:
 - ✓ Average complaints handling period was 11 days in 2006;
 - ✓ 72.6% of complaints were handled within less than 8 days;
- Analysis, diagnosis, and improvement of processes most frequently indicated by customers in complaints. As a result of these efforts, while the number of customers and transactions grew in 2006, the following indicators remained stable:
 - ✓ the number of complaints per 1,000 customers was 8.17 at MultiBank and 2.4 at mBank in 2006;
 - ✓ the number of complaints per 1,000 transactions was 0.59 at MultiBank and 0.26 at mBank;
- Implementation of the 6Sigma system for complaints handling processes;
- Co-operation with Regional Consumer Rights Offices to exchange experiences and to implement customer-friendly solutions.

In 2006, the Bank initiated customer satisfaction surveys among customers who submitted complaints. The survey will be carried out in H1 2007. The survey monitoring indicator will be a part of the strategic indicators of customer service quality.

IV.2.4. Greater Availability of Services

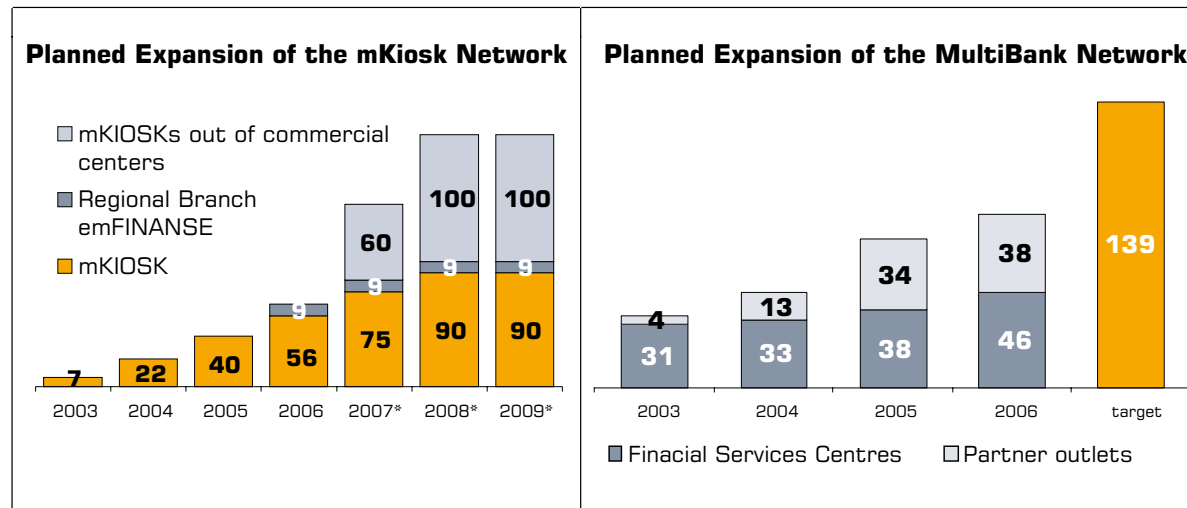
In corporate customers service, the Bank is planning to expand corporate network by creating new business offices in the framework of existing 23 local branches. 20 business offices is planned to be opened to the end of 2008. In 2006, the Bank initiated a project to optimise and rearrange the corporate network by changing the functionality and the image of the branches. The functional change mainly consists in the evolution of branch functions to become a business centre and a venue of business meetings and events including video-conferences and customer training. The first branches designed according to the new model are the Second Warsaw Corporate Branch and the Corporate Branches in Gdynia and Olsztyn.

The Bank is working to increase the availability of a growing number of products and transactions over the electronic platform, supporting the service of customers located far from a branch at a consistent service standard without the need to travel. Work is underway to roll out trade finance operations in the iBRE system.



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In 2006, the Bank made important decisions to expand the retail banking network, especially mKiosks, following the entry into the consumer credit market. The planned expansion of the mKiosks network is shown in the chart below:



The plan provides for fast expansion of the mKiosks network outside shopping malls in cities with less than 150 thousand people to comprise 100 mKiosks by the end of 2008. The distribution network will then include nearly 200 POS and over 400 intermediaries co-operating with emFinanse.

The Bank also decided to grow the MultiBank Financial Services Centres network by 56 branches. The MultiBank branch network expansion will supplement the existing network of Financial Services Centres and Partner Outlets in the cities with the greatest potential (30 new branches in cities with more than 100 thousand people) and help the entry into the corporate banking market in smaller towns and cities (26 branches in towns and cities with 20-100 thousand people). The improved branch model (Branch of the Future) will help to adjust the network to servicing customers of the strategic segments (mainly mass affluent), shifting main functionalities towards sales and advisory.


These efforts are mainly aimed at growing the customer base but combined with expansion of the product range and improvement of the quality of service they will ensure increasingly easy and comfortable use of offered products and services by existing customers, raising customer satisfaction.



IV.2.5. Customer Satisfaction Surveys

Surveys of customer opinions about the Bank and of their satisfaction are a part of the regular monitoring process. An understanding of customer behaviour is a starting point in building customer loyalty necessary to attract and retain the target customers.

Corporate customer surveys carried out over the past 2 years by external consultants also included a review of customer satisfaction. In the 2006 IPSOS survey, the average rate given to the Bank by customers was 4.4 on a scale of 5 grades; the percentage of customers satisfied with the BRE Bank service was 93% of respondents. The following is a summary of the survey conclusions on opinions about the Bank:

Conclusions

BRE's Image among BRE customers

- ❖ Corporate customers using the BRE Bank service evaluate service quality as high.
- ❖ The Bank's strengths include:
 - ❖ Broad product offer which helps to satisfy diverse customer needs. At the same time, BRE is perceived as a bank with an individual approach to customers which offers services tailored to the company's needs.
 - ❖ High flexibility – the Bank is open to negotiations and strives to understand and to satisfy customer needs. This is confirmed by employees serving corporate and home banking customers who say that BRE can offer completely new services to some customers if the company's sales are sufficiently high to make the services financially viable.
 - ❖ Very high quality of service, mainly speed of service delivery, good access to accounts and possibility of ongoing monitoring of transactions, and highly skilled advisors.
 - ❖ Good value for money.
- ❖ Emotionally, the Bank is perceived as stable, safe, reliable, prestigious, and classy. The fact that BRE clearly targets companies with its services seems to be an important asset to customers. A large group of customers are aware that the Bank also offers a retail banking service under the MultiBank and mBank brands.

The very good perception of BRE Bank among SME customers was confirmed by the 2006 title of an Entrepreneur-Friendly Bank. The competition promotes best practices in SME banking and recommends banks which offer top quality products and services matching SME needs. It is organised by the Polish Chamber of Commerce, the Polish-American SME Advisory Foundation, and the Warsaw Institute for Banking.

Banks were rated by the competition organisers and by customers. The rating covered 20 key aspects of banking service. The traditional customers using bank branches rated, among others, the price advantage of the offer, credit products, ease of access to the bank and the branch, and availability of individual account managers. Electronic banking customers rated, among others, the reliability of access, user safety, quality of security solutions, and the scope and comprehensiveness of the offer, including the number of available financial products.

According to the organisers, state-of-the-art technologies and a wide product offer are not intrinsic qualities to business customers. An Entrepreneur-Friendly Bank should also offer a comprehensive range of products and services matching SME needs supported by expert staff, consider businesses as key customers, and provide professional advisory.

Retail customers satisfaction surveys are carried out on a regular basis, helping to implement and continually improve procedures. Customers' opinions are thoroughly analysed. As a result, the majority of customers are satisfied or very satisfied with the service. This is confirmed by the results of satisfaction and loyalty surveys which clearly indicate a high rating of the offer and the service. The overall retail customer satisfaction index is over 90%. Customer satisfaction is defined on the basis of customers' rating including among others: preferred access to the bank, product range, product features, security, and staff qualifications.

Quality service monitoring includes regular Mystery Shopping surveys where services are assessed by objective secret observers independent of the service provider. The survey is used to assess the entire sales/service provision process and not only its end result. The advantage of Mystery Shopping



is the natural setting of the survey. The process is a valuable and cost-effective tool of collecting information about the actual customer experience with the Bank. The results of the surveys are used to improve effective customer service.

V. Safety and Security

One of the main measures of social responsibility of banks as institutions of public trust is the guaranteed safety of funds invested by customers and shareholders. Complete safety of all business operations is BRE Bank's major concern. The Bank always complies with all safety requirements under the Banking Law and regulatory provisions, including compliance with limits, setting up loan provisions, risk management, etc. BRE Bank participates in the obligatory deposit guarantee system pursuant to the Banking Guarantee Fund Law.

V.1. Security Policy

In its ongoing operations, BRE Bank takes a range of measures to ensure the security of transactions as well as the security of customers and employees, Bank assets, funds entrusted to the Bank, as well as data of customers, business partners, and employees.

The basic documents which regulate security issues are the BRE Bank SA Security Policy as well as the Personal Data Security Policy. BRE Bank's security policy comprises a range of measures aimed at optimum customer service taking account of operating risks of criminal activity as well as errors and irregularities of Bank employees. The security policy enables management of the Bank's business at a risk level acceptable to the Bank's Management Board. The security policy incorporates the requirements of legal provisions, Polish and international standards.

The security policy includes:

- security of persons;
- security of the Bank's property and funds entrusted to the Bank;
- security of applied IT systems, in particular information subject to bank secret, and personal data.

BRE Bank has developed and implemented procedures for the protection of information subject to state and business secret under the provisions of the Classified Information Protection Law.

The approach of the Bank in regard to applied security systems is based on the recognition of the superior role of security measures based on state-of-the-art technical and technological solutions while limiting the role of physical security services provided by armed guards.

The security policy is constantly improved based on the Bank's Management Board's assessment of the security performance of organisational unit managers.

Each event or incident posing a challenge to the Bank's security and all new threats are analysed in order to adjust existing procedures and to implement new tools and security systems.

V.2. Monitoring of Operating Risk

One of the tools used to increase security is the monitoring of operating risks arising in the Bank's ongoing operating business. Each organisational unit of the Bank is required to identify and to record operating losses in a central database created and supervised by the Financial Risk Department. The main purpose is to develop a sufficiently extensive set of historical data concerning loss events occurring at the Bank in order to be able to identify, analyse, monitor, and control operating events and losses which occur in particular business areas of the Bank. This approach is consistent with the requirements of the New Capital Accord (Basel II).

Depending on the value of losses relating to the respective loss event, the organisational units of the Bank which were involved in the generation of the loss-related event are required to determine actions to be taken in order to prevent the occurrence of similar losses in the future. Such actions comprise, depending on the magnitude of the loss arisen, the definition of control mechanisms intended to prevent the emergence of similar events in the future, development of new operating procedures, and independent process audits conducted at the respective organisational units by the Internal Audit Department.



BRE Bank has implemented the process of self-assessment of operating risk, which is carried out in all organisational units of the Bank once or twice a year.

V.3. Business Continuity Plans (BCP)

An important part of security is a system supporting continuous operation of BRE Bank in the event of an occurring contingency. The Bank has defined Business Continuity Plans (BCP) which specify the measures to be taken by organisational units and employees as well as necessary supplies. BCPs include scenarios involving the occurrence of different types of contingencies.

BCPs provide for back-up technical infrastructure, mainly IT infrastructure: a back-up server room, connections, data storage.

V.4. Insurance System

In addition to traditional insurance, including insurance of property, electronic equipment, and liability insurance, the Bank is insured against banking risks and computer crime. The Bank is insured against banking risks including losses resulting from employee misconduct, cheques and securities fraud, loss, damage or destruction of property in insured buildings and in transport, damage to buildings. The Bank is insured against computer crime including computer systems, computer software, data and media, damage caused by computer viruses, electronic communications, electronic transmission, electronic securities, orders placed by telephone, and banking services over the internet.

V.5. Security of On-line Transactions

As most transactions of retail customers and a growing proportion of transactions of corporate customers are made over the internet, the Bank continuously improves security system to ensure the security of on-line transactions.

Retail customers' funds and data stored in the Bank's systems, including personal data, are fully secure. Customers have easy and secure access to accounts and funds at maximum security. We rely on state-of-the-art encryption standards used by internet banks globally including:

- Server certification (from the world's largest certification provider VeriSign);
- Encryption of all transmitted data;
- One-off passwords and sms codes as additional security of all financial transactions, encrypted with the SSL (128 bit) protocol ensuring the security of data exchanged between the Bank and its customers.

In addition, the following measures are used:

- State-of-the-art IT system security (firewalls, activity monitoring and recording);
- Strict operating procedures for administrators and employees;
- Session identification with unique temporary cookie files.

One-off passwords and sms codes are used to authorise transactions as an additional security in the on-line transaction service. All transactions in the account require this authorisation. One-off passwords are generated using cryptographic methods and distributed to customers as hard-copy lists of 50 passwords each. Sms codes are sent to the customer's mobile phone when the customer orders the transaction; the phone number is communicated to the Bank at the time of registration of data and verification of the customer's identity.

Customers' personal data are only used to the extent necessary for transactions in the account. The data are protected in line with applicable legal requirements and never disclosed to third party institutions. The customer's consent for the data to be used for marketing purposes is not necessary to open an account but it gives customers the opportunity to be informed about new products and services.



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Corporate customers using the iBRE system have a user identifier to log on to the system. To ensure top security, user authentication at the log-on and transaction authorisation require a cryptographic device: the ActivCard Token. The cryptographic token is protected with a four-digit PIN defined by the user. The connection with the iBRE system is encrypted with the SSL (128 bit key) protocol. This ensures the security of data exchanged between the Bank and its customers. Before using the log-in and password, the customer should at each time verify the certificate of the log-on website to make sure that he is connected with the Bank's system.

V.6. Money Laundering Prevention and Compliance

BRE Bank complies with the legal requirements on prevention of crimes which may arise in the banking sector. This includes prevention of money laundering and financing of terrorism, and prevention of potential abuse of confidential information. Confidential information is such information whose disclosure may cause a change of the Bank's stock price on the regulated market or a change of the price of financial instruments linked to the stocks.

In both cases, the Polish law provides for special responsibility of banks: some functions of the state administration relating to the identification and prevention of crimes are delegated to financial institutions. Banks are considered to be institutions of public trust. BRE Bank is aware of this status and takes measures to comply with relevant standards. These include standards under EU legislation, a shared responsibility of BRE Bank and its major shareholder Commerzbank.

In the prevention of money laundering and financing of terrorism, as of Q3 2005 BRE Bank has implemented a comprehensive programme which defines the tasks of its employees and organisational units. A new unit was established, the Compliance Monitoring Bureau, responsible for prevention of money laundering and financing of terrorism and prevention of illegal use of confidential information.

V.6.1. Prevention of Money Laundering and Financing of Terrorism

BRE Bank identifies several dozen cases of suspected money laundering each year. Pursuant to legal regulations, the Bank notifies each case to the General Inspector of Financial Information (GIIF), a special institution of the state administration. Information provided by BRE Bank helped to detect and evidence cases of money laundering subject to prosecution.

Information about organisations and individuals suspected of involvement in terrorist activities provided by GIIF is used regularly in order to review potential abuse of the Bank for the purpose of financing terrorism.

V.6.2. Prevention of Illegal Use of Confidential Information

BRE Bank has a system of internal regulations used to prevent illegal use of confidential information. The objective is to prevent the use of confidential information by Bank employees and their close persons as well as by the Bank in violation of the principle of equality of rights of all participants of trading in the organised capital market. The prevention system is based on two basic mechanisms: closed periods and watch lists.

In closed periods, employees are prohibited from trading in the Bank's stocks and derivative instruments before the publication of regular reports on the Bank's results.

Watch lists contain confidential information available to a selected group of Bank employees. Employees on the watch list cannot trade in the stocks of the Bank or another company covered by the information until the information is no longer confidential following its disclosure.

BRE Bank conducts regular employee training in order to update their expertise and to raise their awareness both for the prevention of money laundering and financing of terrorism and the prevention of abuse of confidential information.



VI. BRE Bank: A Responsible Employer

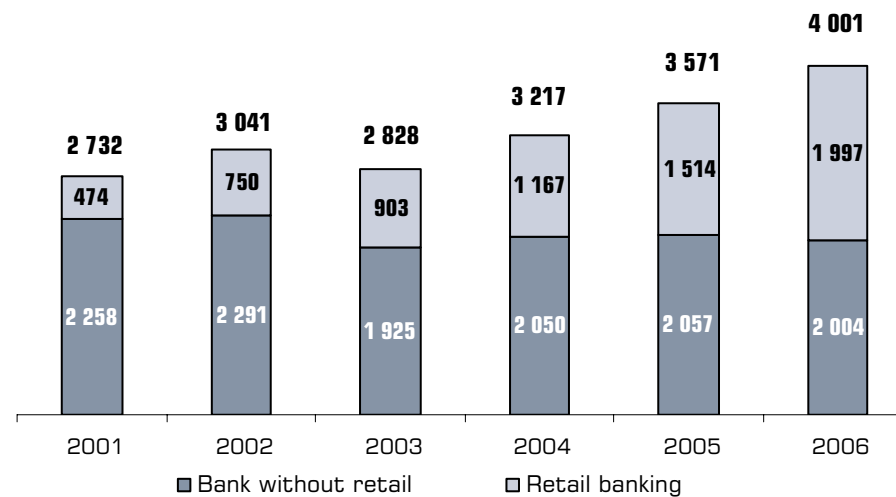
“Our People Make The Difference” is one of BRE Bank’s guiding principles: our people are our major asset. It is thanks to their activity and commitment, expertise and professionalism that all of our businesses grow, customers can use an increasing range of services and enjoy improved customer care, and the company’s shareholder value rises.

The quality of human resources is an area of increasingly fierce competition among companies. With this in mind, BRE Bank pursues an HR policy aimed to attract, retain, and grow gifted employees whose competences match current and future needs. This is helped by a bonus system which guides the professional and personal growth of employees, by career paths defined depending on employee skills, talents, and abilities, and by employee competitions which distinguish and award top performers.

The employee focus requires substantial investment in human resources. This includes the funding of qualification improvement through training and post-graduate courses, as well as social benefits: health care, additional pension savings, and active recreation.

VI.1. Employment Profile

Employment in BRE Bank 2001-2006

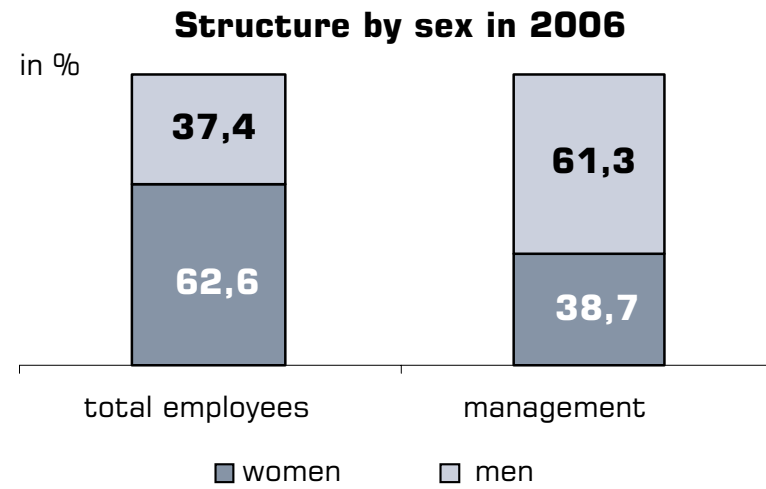


The chart presents the evolution of employment at BRE Bank as of 2001, the first full year of the retail banking operation. The headcount grew mainly in this newest business line which employed 49,9% of all staff (42,0% FTE) at the end of 2006.

At the end of 2006, BRE Bank’s headcount was 4,001 persons, equivalent to 3,320 full-time employees. The difference is due to part-time employment of a large group of staff, especially in retail banking. In particular, this concerns partners and employees at MultiBank Partner Outlets who are employed by BRE Bank at 1/10 of a full-time position.

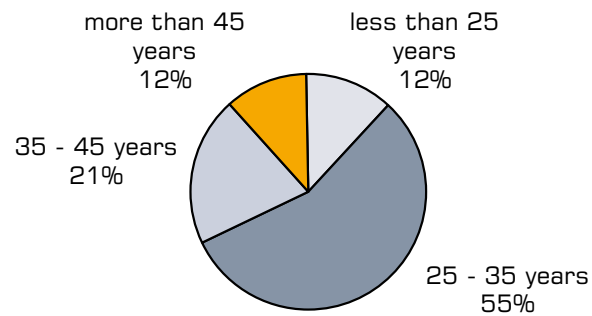
The Bank’s employee turnover (hired employees less leaving employees to average annual headcount) was 11.23% in 2006.

Most employees (62.6%) were women. The proportion of women among managers (including Management Board Members, Department, Bureau, and Branch Directors and Deputy Directors, and Division Managers) was 38.7%.

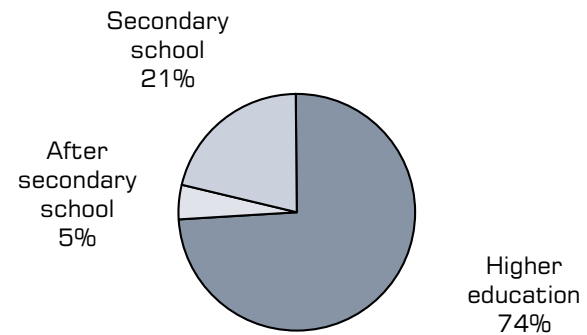


The Bank's employees are relatively young: 55% are between 25 and 35 years of age. They are well educated: 74% of all employees have higher education. The proportion of employees with university education is growing: it was 63% in 2001.

Structure of employment by age



Structure of employment by education levels





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VI.2. Cannon of Corporate Values

In 2005, BRE Bank implemented the Cannon of Corporate Values **DROGA**. Its name is the Polish abbreviation of the most valuable employee characteristics: **Perfection, Execution, Responsibility, Readiness, and Commitment**. The Cannon of Corporate Values is a code of most valuable employee attitudes and behaviours and sets standards which define the guiding principles to be followed in professional work, relations with colleagues, business partners, and the environment. Employees are expected not only to achieve results; they should also perform their tasks in the appropriate manner. Employees' compliance with attitudes and behaviours defined in the Cannon of Corporate Values will enable BRE Bank to tap its full potential and to achieve long-term goals.



The best financial institution for demanding customers is a creation of the best employees.

BRE Bank's Cannon of Corporate Values sets the following expectations for employees:

Perfection – to strive for best results, to acquire new knowledge and skills;

Execution – to complete all tasks successfully, to manage tasks effectively, to have a business awareness;

Responsibility – to own tasks, to anticipate and to accept the consequences of own actions, to question the status quo;

Readiness – to be ready to take up challenges, to co-operate with other members of the organisation actively, to channel own energy effectively;

Commitment – to be active and dedicated, to influence others, to identify with the organisation.

Excerpt from the letter of CEO Sławomir Lachowski to Employees

You may ask about the BRE Bank Cannon Of Corporate Values: What is it? What is it for? In professional life, like in personal life, values set a direction to keep us on course and to help us reach the destination. Life lived in accordance with the fundamental values gives personal satisfaction and inspires respect in others.

Companies which follow values in their business and require employee behaviour in compliance with such values are more competitive, more successful, and more appreciated by employees, owners, business partners, and competitors.

The road leading to the destination may be as important or perhaps even more important than the destination itself. The achievement of goals may provide satisfaction, a sense of being part of something important; it may help to grow our skills and interests. To make this possible, a company has to define a code of values describing the attitudes and behaviours which foster co-operation, openness, readiness to assist others, fair competition, transparency, dedication, and commitment to the achievement of best possible results.

Some say it makes no sense to define a BRE Bank Cannon of Corporate Values because everyone knows what the Bank is about: after all, it has been in business for 20 years. Yet I believe that we have to state the obvious in order to challenge the belief that we learn all important values in childhood and only forget some of them later.

BRE Bank's values define our aspiration for Perfection, effective Execution of tasks, Responsibility, Readiness for challenges, and Commitment to the Bank's mission.



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This code of fundamental values is our Cannon. It entails the expected behaviours and attitudes which in their diversity create the unique corporate culture of BRE Bank. If we are all committed to compliance with these values, then I am positive that we will be co-operating much better. Each of us will derive more satisfaction from their work and as an organisation we will certainly gain a competitive advantage and make a success.

It is a necessary condition for the survival of BRE Bank's corporate culture that we follow the Cannon of Corporate Values in Practice. This will be necessary at BRE Bank always and everywhere. Recruitment principles will define the profile of prospective employees by integrating the main features of our corporate culture. Self-assessment and feedback from superiors will be based on the criteria of BRE Bank's Code of Values. Decisions to dismiss employees will be based on a mismatch between their everyday attitudes and behaviours with the corporate values.

I am certain that we will take pride in working for an organisation where the values of the Cannon underlie interpersonal relations and actions."

VI.3. BRE Bank's Incentive System

The remuneration policy is a key component of a company's HR strategy. It plays a crucial role in the development of corporate culture. The remuneration policy is also a basic tool of implementing BRE Bank's HR mission "Our People Make The Difference."

BRE Bank works to ensure the transparency of remuneration rules and to create conditions of employment conducive to the recruitment and retention of the best employees.

BRE Bank's Incentive System comprises:

- Basic salary;
- Variable pay (performance bonus);
- Sales competitions;
- Training funds;
- Employee benefits package.

BRE Bank's remuneration policy is a tool of building a competitive advantage in the market by recruiting and retaining competent employees able to achieve the Bank's ambitious targets. BRE Bank's remuneration policy is unique in its relatively high share of the bonus in total pay. The close link between the total pay and the Bank's financial results and quality standards strengthens the motivation and active involvement of employees and the Bank's competitiveness by ensuring a high level of remuneration while keeping fixed payroll costs under control.

Core Principles of BRE Bank's Remuneration Policy:

- Employee pay consists of the basic salary and the variable pay (bonus);
- The variable pay depends on the performance of the unit, team, and company – it is paid for the achievement of targets set in the annual budgeting process;
- Top Performers – employees achieving the best performance and top rating under BRE Bank standards – are paid according to the top market benchmark.

In addition, the incentive system also includes a stock option scheme for the Bank's key managers.

BRE Bank's bonus system awards for the achievement of quantitative targets taking account of the assessment of performance under the Cannon of Corporate Values as an important condition of bonus payment.

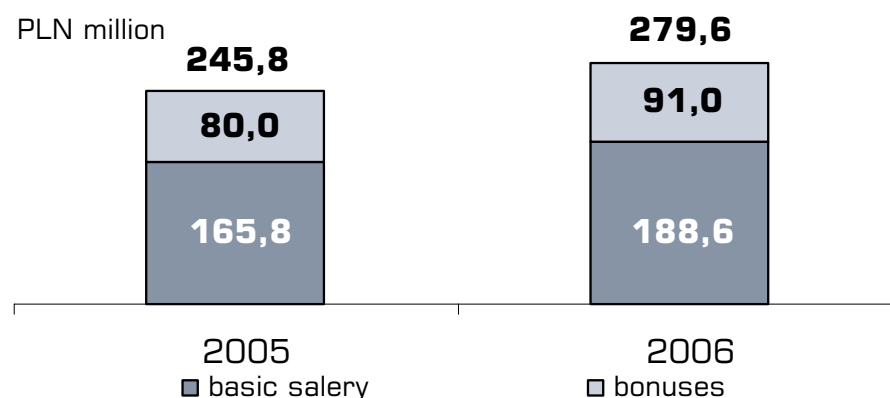
The key feature of the system is that employees have an impact on their own bonus through the achievement of set targets and top quality of performance. The Bank awards employees for both individual and team efforts based on a system of differentiated individual and team target weights.

The achievement of individual targets and compliance with the Cannon of Corporate Values are reviewed in the employee appraisal process.

Communication of transparent rules of remuneration enables effective management of employee expectations and dedication. The payroll cost in 2005 and 2006 broken down by basic salary (fixed under the employment contract) and bonus is shown in the chart below. The share of the bonus was at approximately one-third of payroll cost in both those years.



Structure of remuneration costs in BRE Bank



The incentive system is supported by employee competitions. These are designed to boost sales of specific product categories and to award employees for innovative concepts and above-average commitment.

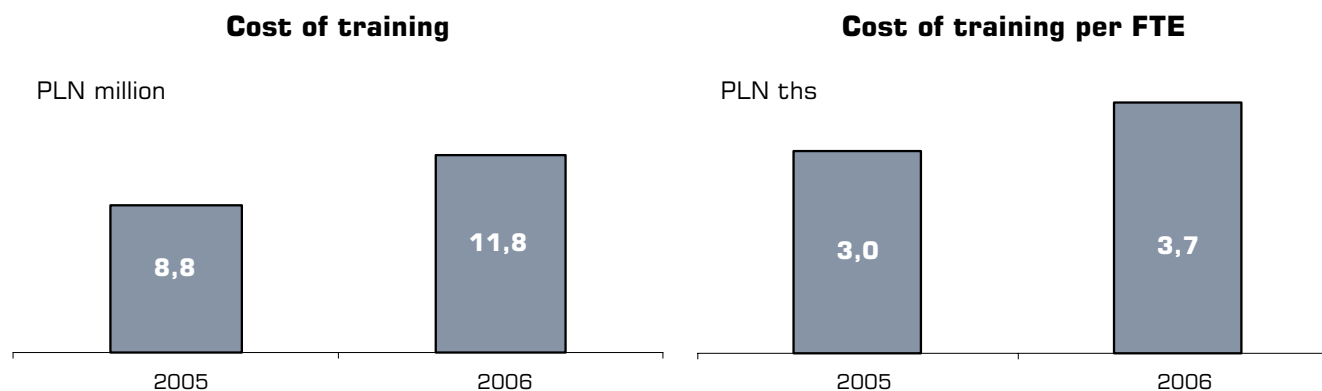
VI.4. Training

The Bank attaches great importance to training because improvement of employee competences is a key growth driver of an organisation. Employee growth and training are planned and structured under the Bank's Corporate Growth Programme. Employees undergo training according to a scheduled training path. The Programme is developed as follows: employees provide information about their growth needs and aspirations at the self-assessment stage; managers develop individual employee growth plans during employee appraisal based on the competences specific to the position and the Canon of Corporate Values. The Corporate Growth Programme defines the training standards and recommendations for various professional groups, for instance, managers.

All employees can participate in different kinds of training, both in-house and from external providers. Many BRE employees are graduate and post-graduate students. The Bank co-finances their studies. The cost of courses of 40 employees was funded in 2006.

In 2006, BRE Bank launched an MBA programme BREmba. Candidates are selected in a competition. The selected employees with a high potential of expertise and leadership skills have taken up studies in leading universities and training centres in Poland and abroad.

The Bank's total training expenses (including in-house training, training from external providers, reimbursement of the cost of studies and reimbursement of the cost of language training) are shown in the charts below.



As the charts indicate, the training budget grew in 2006 both as a total amount and per FTE.



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BRE Bank's training programmes are co-ordinated separately for the Bank excluding the Retail Banking Line ("Bank less RBL") by the Organisation Development Department, and separately for the Retail Banking Line by the Retail Banking Human Resources Bureau. The data below are also shown separately for the two programmes.

The majority of training at the Bank less RBL was in-house training (85% of man-trainings). Most employees were trained in the following areas:

- Bank accounts (Corporate Branch Staff, 354 persons);
- New corporate customers rating system (corporate customers service units staff, 173 persons);
- Sales techniques with elements of negotiations (Account Managers, 137 persons);
- Application of financial statements in the economic and financial analysis of borrowers (Corporate Account Managers and Analysts, 134 persons).

Other training held included management training on the Individual Performance Process in task performance management and the appraisal process.

The Bank's in-house training programme in the school year 2006/2007 included an intensive one-year course in English at different levels. The training was offered to 343 persons. The course was preceded by a review of participants' language skills in a TOEIC exam. The course will end with a final exam to evaluate the results of training.

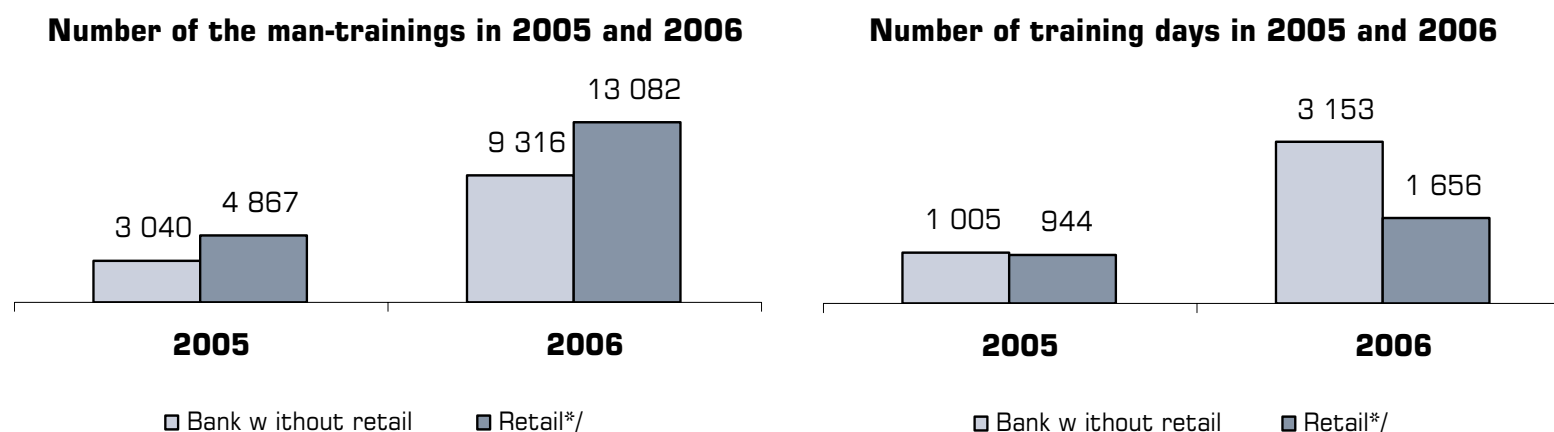
Training provided by third parties covered mainly MS Microsoft, the International Accounting Standards, the New Basel Accord, corporate audits, and risk management in an organisation.

Employee growth and training in the Retail Banking Line mainly included the following areas:

- Capital of knowledge: raising the product competences of employees (currently 80% of training in this area is executed over the e-learning platform);
- Management competence development: preparing managers for improved team management. Leadership programmes were opened for successors to top managers and private banking managers;
- Management training on customer care quality standards;
- Enhancement of the culture of a learning organisation by expansion of the Learning Zone website (number of hits up by 70 year on year, 187 hits per day in December 2006), launch of the Topic of the Month (8 topics), involvement of employees in knowledge sharing;
- Language training financed by the EU, offered to 100 employees;
- Implementation of training over the e-learning platform (112 in-house courses completed in 2006, including product training, training on the FX Law, the Banking Law, and prevention of money laundering).

In 2006, 120 employees participated in training from external providers in Poland, another 17 employees in training abroad.

The implementation of a wide range of training over the e-learning platform helped to increase the number of RBL in-house ratings (measured as individual training events) by 44% and enabled a strong growth in the number of man-trainings as shown in the charts below.



*/ For Retail in 2006 including e-learning trainings which accounted for 8,448 man-trainings and 112 training days



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The number of man-trainings per average headcount in 2006 in the Retail Banking Line was 7.4 trainings per employee, including 2.6 traditional trainings and 4.8 e-learning trainings. The index for the Bank less RBL was 4.6 traditional trainings per employee.

Since 2005 the Retail Banking Line has implemented a Succession Programme aimed at identification, appraisal, and offering of growth and training programmes for successors to managers. Of 82 persons nominated to the Reserve Management Pool, 19 were selected as successors to organisational unit directors in the Succession Programme and 12 as successors to middle managers and MultiBank branch managers. The Leader Preparation programme has been implemented for successors to middle managers. 80% of programme participants were appointed managers during or immediately after the programme.

“Good BRE Leadership” is an annual growth programme launched in September 2006 for 19 successors to organisational unit directors. It is a unique programme whose key component is to support managers. On the completion of the current issue, the programme will be launched as a Bank-wide project. Experience shows that the participation of three Business Lines (mBank, MultiBank, Private Banking) in the training programme has helped to improve internal communications and relations between the Lines, and to develop interesting business solutions.

The high effectiveness of training is confirmed by the results of training evaluation by participants: the average rate of all trainings was 5.49 on a scale of 6 grades.

VI.5. Employee Health Care, Social Security, Sports and Recreation

Health Care

The Bank ensures employee health care provided by private medical centres. The Bank funds employee health care fees with private medical company. The fee covers a wide range of medical services: consultation with physicians of all specialisations, basic and special checks, rehabilitation.

Health care covers all of the Bank's current and retired employees (109 retirees at the end of 2006). Employees can pay health care fees for family members. All employees undergo regular medical checks.

Additional Life Insurance with an Investment Fund

In addition to obligatory social security contributions of employees (a significant amount of PLN 42 million in 2006 or 12% of the cost of all employee benefits), BRE Bank offers a voluntary scheme of life insurance with an investment fund as of 1995 (for 12 years now). Participation in the scheme requires 4 years of service with the Bank. The contribution paid by the Bank is 7% of the eligible employee's basic salary. This is part of the employee's taxable income.

At the end of 2006, 870 persons participated in the additional insurance scheme.

Sports and Recreation

The BRE CLUB has operated at BRE Bank for 12 years. It has 18 sections (including skiing, sailing, horse-riding, rod-fishing, swimming, cycling, fitness, marathon running) which bring together approximately 650 employees interested in sports and recreation. The BRE CLUB organises employee recreation activities and integration events, and promotes the Bank by participating in interbank games and tournaments. These events are also open to employees of BRE Bank Group Companies. The annual sports picnic gives employees and their families a chance of rivalry in the sports field.

There were 72 special and regular events in 2005 and 77 events in 2006, including dance classes, rod-fishing and basketball tournaments, mountain hiking, skiing in the Alps, marathon running, race sailing, and diving in Croatia.



VI.6. Employee Council

The BRE Bank Employee Council operates at the Bank as of the end of 2006 pursuant to Article 11.3 of the Law on Employee Information and Consultation of 7 April 2006.

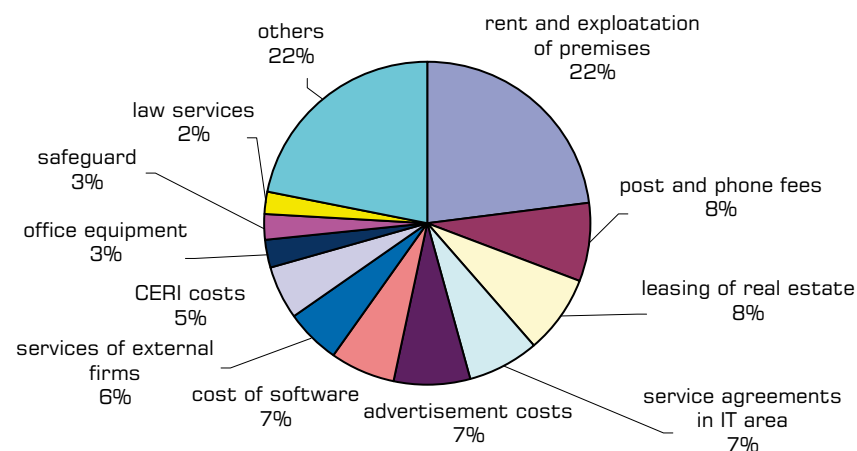
The main objective of the Employee Council is to offer consultations with the employer about the activity and financial position of BRE Bank, the status, structure and planned changes of the headcount, and activities aimed at maintenance of the headcount level, as well as activities which may cause significant changes in the organisation of work and the basis of employment. The Employee Council communicates with employees via a website; employees may use a dedicated e-mail address to approach the Employee Council with queries and motions.

VII. BRE Bank: A Responsible Business Partner

As a large and complex organisation which offers a very wide range of complex services and operates a big network of branches across Poland, the Bank is the buyer of many different goods and services. Corporate responsibility and business ethics play a role in the Bank's activities as a partner in many transactions with businesses.

The chart below presents the main cost categories in 2006 and lists our main partners and suppliers: real estate owners, postal and telecommunications providers, a leasing company, IT companies, advertising agencies, law firms, security companies, and many others.

Structure of material costs in BRE Bank in 2006



The Bank sources all products and services under ethical and transparent procedures. Suppliers for larger contracts are selected in tendering procedures.



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The principles of sourcing goods and payment for construction works of a high value are laid down in the Bank's internal regulations. If the purchase is worth between PLN 50 and 150 thousand, it is closed in a limited tender or a call for proposals; a purchase worth more than PLN 150 thousand is closed in an unlimited tender. All purchases worth between PLN 150 and 500 thousand are subject to approval of the Cost Controlling Manager, and those between PLN 500 thousand and PLN 2.5 million of the Managing Director or a Management Board Member. All purchases worth more than PLN 2.5 million are approved by the President of the Management Board.

Starting with office supplies, sourcing has been centralised and unified on an electronic buy site platform. A single supplier was selected in a tender for the whole Bank. In 2006, 200 organisational units of the Bank, including Retail Banking Branches, participated in the electronic buy site system. Orders are placed over the internet and delivered on the next day. Payments will also be centralised: the supplier will issue a single electronic invoice for a period, reducing the accounting workload. Further centralisation of IT supplies is in progress.

Some of the Bank's relations with business partners are based on outsourcing contracts where the Bank delegates its operational processes to special third-party providers who can deliver them more effectively than the Bank itself. The rationale for outsourcing includes the drive to reduce costs and to avoid corruption.

The Bank increasingly uses outsourcing, as indicated by the number of contracts: 93 were signed in 2004, 508 in 2005, and 620 in 2006. The total number of contracts was 1,221 at the end of 2006. Most of the contracts (approximately 85%) were operational in the Retail Banking Line (mBank and MultiBank), mainly with intermediaries in customer acquisition. The remaining contracts were in IT: system operation and maintenance, etc. Outsourcing contracts are also signed for debt enforcement.

The largest outsourcing contract concerns payment settlements and document filing. These functions were outsourced to the company CERI in Aleksandrów Łódzki. CERI offers an electronic archive and a paper archive, identification of mass payments, a payment identification system, data input, mass mailing. The company was established by the Bank in 2003; BRE Bank contributed its equity and transferred several hundred employees. The company services a growing number of third-party customers.

VIII. Environmental Protection

Thanks to the specificity of its business, the Bank has no detrimental impact on the environment, unlike manufacturers responsible for emissions, industrial waste and other pollutions.

Following Poland's accession to the European Union, the national environmental legislation had to be harmonised with EU standards to meet relevant requirements.

VIII. 1. Waste Management Plan

The new legal regulations imposed a range of requirements on businesses, including environmentally rational and fully evidenced waste management. The main act of national legislation defining waste management requirements, including the obligations of waste owners, is the Waste Law of 27 April 2001 (Journal of Laws No. 62, item 628, as amended). Other acts which set environmental requirements include:

- The Environmental Protection Law (Journal of Laws from 2001, No. 62, item 627, as amended);
- The Waste Electric and Electronic Equipment Law (Journal of Laws from 2005, No. 180, item 1495, as amended);
- The Second State Environmental Policy;
- The National Waste Management Plan (Polish Monitor from 2002, No. 11, item 159).

This environmental legislation imposes a range of waste management requirements on all businesses, including the Bank.

To this purpose, the Bank has developed a Waste Management Plan which includes:

- Proposed short-term actions to immediately implement and comply with legal requirements for waste management;
- Proposed strategic initiatives preparing the Bank for the implementation of the EU Eco-Management and Audit Scheme EMAS.



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BRE Bank has initiated reorganisation of its waste management. Special attention is paid to implementation of waste segregation, including packaging waste, and compliance with the proximity principle in the delivery of waste for recovery and disposal. Hazardous waste under close surveillance at the Bank includes:

- Waste electric and electronic equipment: used toner, cartridges, mobile phones, audio and video equipment, computers, printers, screens, cordless electric kettles, incandescent and fluorescent light bulbs;
- Ethylene glycol used as a heat carrier in AC equipment, replaced after expiry date according to the Safety Data Sheet;
- Waste (sludge) from cleaning of sedimentation tanks for oil products BCPT/BCS (indoor waste water installation components).

All waste is recorded in special sheets and rendered for disposal under waste delivery reports. The reports are delivered annually to relevant authorities which compile regional statistics.

In order to prevent the production of waste and to reduce the quantity of waste and its negative environmental impact, BRE Bank's organisational units take the following environmental measures:

- Use of energy-efficient durable incandescent lights;
- Increasing share of state-of-the-art equipment complying with environmental standards (mainly mobile phones, computer hardware);
- Rational use of equipment.

Wherever the Bank has redundant computer hardware or furniture in useful condition, these are donated to institutions like schools, orphanages and cultural centres for further use.

VIII.2. BRE Bank's "Electrical Guarantees"

BRE Bank is working for waste recycling in many ways. It was the first bank in Poland to address the needs of businesses under the new Waste Electric and Electronic Equipment Law (concerning refrigerators, television sets, household equipment, etc.) and to offer a special bank guarantee used to finance the recycling of electric and electronic equipment.

The legal regulations which came into force on 1 July 2006 require businesses which market equipment (manufacturers, sellers, importers) to organise and to finance the collection of waste equipment and its treatment and recovery, including recycling and disposal.

Businesses can either use the services of organisations responsible for recovery of electric and electronic equipment or organise the recovery on their own. In the latter case, they are required to provide a collateral for the current calendar year in the form of a bank guarantee, a deposit, or liability insurance. Pursuant to the Law, guarantees may only be issued by financial institutions authorised to guarantee customs debt. BRE Bank is allowed to issue such guarantees.

VIII.3. Working Towards EMAS Certification

The Eco-Management and Audit Scheme is an EU instrument introduced under the Regulation of the European Parliament and of the Council aimed at improvement of environmental performance of organisations.

In practice, the implementation of EMAS at BRE Bank will require the following measures:

- To identify the areas where the environmental management system should be developed, improved or enhanced;
- To seek ways of practical reduction of environmental impact and to adopt new environmental targets;
- To identify and eliminate non-compliance with external and internal requirements;
- To identify environmental issues for monitoring or improvement;
- To train staff in order to improve environmental performance;
- To benchmark to peer companies and institutions.

These functions may be performed by specially trained Bank staff or outsourced to a service provider subject to confidentiality of transferred data. Due to the specificity of the Bank's business, the tasks will mainly concern compliance with legal requirements for waste management.

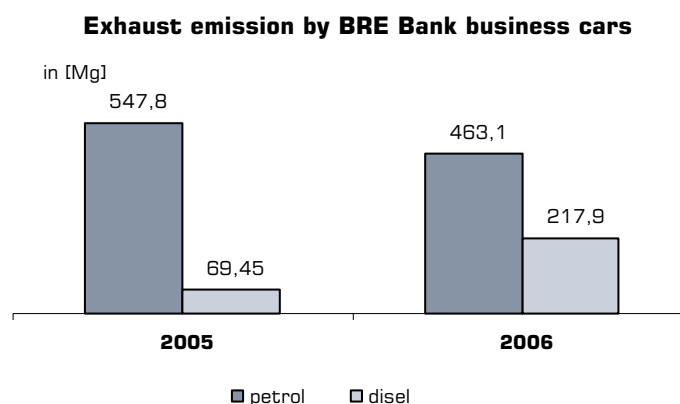


The EMAS certificate will be a guarantee of business operation in compliance with EU and national environmental legislation and a symbol of the Bank's environmental awareness and compliance.

VIII.4. The Bank's Other Environmental Impact

VIII.4.1. Exhaust Emission Fees

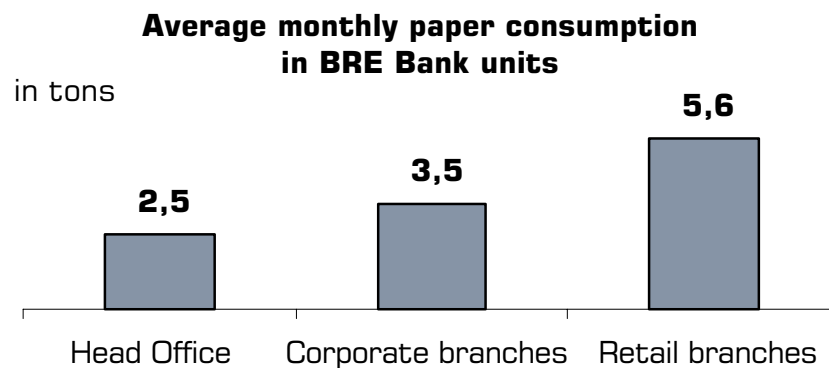
As the owner of a large car fleet, the Bank pays annual emission fees for business cars used by Bank employees. The Bank's company cars consumed 613.4 thousand litres of petrol and 259.4 thousand litres of diesel in 2006. Exhaust emissions were 463.1[Mg] for petrol and 217.9[Mg] for diesel.



The Bank pays statutory environmental fees for the emissions. The exhaust emission fee was PLN 8 thousand in 2006. The fee is paid to the Marshal's Office of the Mazovian Region.

VIII.4.2. Paper Consumption Savings

Paper consumption and paper recycling is another environmental concern. Despite increasing use of the internet and electronic generation of documents, the Bank continues to use much paper as many incoming and outgoing documents are hard copies. The Bank's estimated paper consumption is approximately 139.4 tons per year. Many documents which need not be kept on file are shredded. The Bank's Head Office and Warsaw Branches shredded 30 tons of paper in 2006. Shredded paper is recycled, among others to produce building insulation.



The Bank works to reduce the consumption of paper thanks to increasing use of electronic documents. Account statements are now delivered to corporate and retail customers in electronic form. With over 1.6 million customers, the Bank saves dozens of tons of paper each year.



IX. Bank's Social Commitment

IX.1. BRE Bank: A Patron of Culture, the Arts, and Education

As a patron of Polish culture and arts and a promoter of many educational, social, and charity projects, BRE Bank has for years worked on non-commercial initiatives guided by the understanding of growing importance and impact of sponsorship and charity work. The Bank has promoted many artistic and cultural events and supported social institutions (e.g., orphanages and hospitals), reinforcing its corporate social responsibility.

By supporting culture, the arts, and education, and in its charity work, the Bank takes initiatives understood and endorsed by its shareholders and customers who also participate in its projects. This allows the Bank to be a responsible citizen, sensitive to social needs and problems, actively involved in social initiatives.

Over the 20 years of its business, BRE Bank has amply demonstrated its commitment to culture and the arts. The Bank has supported, among others, the National Museums in Warsaw and Gdańsk, the National Art Gallery "Zachęta", the Wilanów Museum and Palace, the Frederic Chopin Academy of Music in Warsaw, the Polish National Committee of the International Council of Monuments and Cities ICOMOS, the Union of Polish Art Photographers, the "Kordegarda" Gallery. The Bank has also sponsored exhibitions and purchased works of art for museums.

BRE Bank and the BRE Bank Foundation have for years supported numerous research and educational projects promoting economics. The Bank supports initiatives which make an important contribution to the science of economics and the research on the Polish economy. This includes funding of courses in economics at selected secondary schools, sponsorship of the educational programme "Internet at School," funding of the Economic Scholarship for Journalists who specialise in economics in order to promote knowledge about banking and finance.

BRE Bank co-operates with the CASE Institute in organising seminars and conferences for scientists, businessmen, journalists, students, Bank customers and employees. Meetings are open to free-of-charge participation. Each meeting is attended by an audience of 60-100 visitors. The scientific journal BRE Bank-CASE Newsletter is published after each seminar. While seminars mainly focus on issues relevant to financial markets and the banking sector, over the past years they have also covered other issues of relevance to the economy, including tax reforms, the housing and insurance market, the energy market, and business ethics.

As of 2005, the Bank has mainly focused on supporting entrepreneurship, competitiveness, and the quality of the business environment, as well as promotion of innovative business solutions.

The key project was the ranking of Top 500 Innovative Companies, organised twice, in 2005 and 2006, in co-operation with the Institute of Economics of the Polish Academy of Sciences and the newspaper Gazeta Prawna.

The ranking was presented at regional Innovation Galas held in Katowice, Gdańsk, Poznań, Wrocław, and Łódź. Dedicated seminars on innovation brought together more than a thousand participants who discussed barriers to innovation, patent law, and financing of innovative projects.

The Bank supports education in economics and has recently sponsored the publication of two important books: Winning by Jack Welch in 2005, and The Third Wave by Alvin Toffler in 2006. The Bank was also a Partner of the conference titled "How the IT Revolution Changes the Rhythm, Structure, and Business Models of Modern Companies and Sectors."

The total expenses of the BRE Bank Foundation, mBank and MultiBank in these areas in 2006 amounted to PLN 3.4 million, including 1.4 million for education and science, PLN 1.1 million for culture, PLN 0.6 million for health care and social welfare, and PLN 0.3 million for other initiatives.

IX.2. The BRE Bank Foundation

The BRE Bank Foundation is a main pillar of BRE Bank's sponsorship and charity work. The Foundation was established under the Resolution of the Bank's Supervisory Board of 20 October 1993 and started its operation in 1994. BRE Bank was its only founder. The Foundation has the status of public charity since 2005, so taxpayers can donate 1% of their income tax to the Foundation.

The BRE Foundation supports education, science, entrepreneurship, culture, the arts, and charity initiatives. The Foundation co-operates with other charity organisations aiding sick, disabled, unprivileged children and others.



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FUNDACJA — B R E B A N K U —

The statutory goals of the Foundation include:

- 1/ To support the state administration, social and professional organisations, and social initiatives in raising the education of society, in particular knowledge of economics and banking;
- 2/ To support initiatives aimed at improvement of the health status of society, in particular children and youth;
- 3/ To support institutional and social initiatives for the environment;
- 4/ To assist the protection of cultural goods;
- 5/ To work for the promotion of social initiatives in the banking and financial community.

Between the beginning of its operation in June 1994 and the end of 2006, the Foundation expensed PLN 9.5 million in its statutory activity. Over the past years, the Foundation has spent approximately PLN 1.5 million each year.

The Foundation mainly finances the following types of projects:

- **Health care and social protection** (aiding sick and disabled children, health care and social protection institutions);
- **Education** (aiding schools and scientific institutes, sponsoring research and publications, funding awards);
- **Culture** (funding cultural events, publications, artists, erection and repair of monuments and churches).

Health care and social protection projects accounted for the major part of the Foundation's spending in previous years (64% in 2004, 57.3% in 2005). In this category of initiatives, most were aimed to aid sick children (cost of surgery, rehabilitation, therapy). This kind of assistance was provided mainly through special organisations: The "Timely Help" Foundation for Children, the Synapsis Foundation, and others.

In its statutory activity supporting education, the Foundation provided regular funding to many primary and secondary schools across Poland to buy teaching aids, computer hardware, meals for children from poor backgrounds, etc. The Foundation funded awards in competitions and olympics (e.g., the Olympics in Economics). The Foundation also assisted orphanages and schools across Poland, mainly by funding summer and winter holidays for children.

The Foundation provides regular funding to several beneficiaries including:

Health care and social protection:

- Polish Social Aid Committee;
- The Synapsis Foundation;
- The "Food Is A Gift of the Heart" Foundation;
- The Polish Association Against Handicaps;
- The Mokotów St. Cross Hospice;
- The "Timely Help" Foundation for Children;

and other foundations and associations which raise money for surgery, therapy, and rehabilitation of children with cerebral palsy, autistic children, children awaiting a liver transplant, etc.

The BRE Bank Foundation received the Summa Bonitas ("Superior Good") award for benefactors supporting the "Timely Help" programme.



Education and science:

- The Semper Polonia Foundation;
- The National Fund for Children;
- The Central Committee of the Olympics in Economics at the Polish Association of Economics;
- The Polish Brotherhood of Guttenberg Knights;
- Schools and educational institutions: the Association of Children's Friends in Góra, the Educational Centre in Maków Mazowiecki, orphanages, the School for Children with Visual Impairment in Warsaw, and others.

Culture and protection of monuments:

- The Singing Association HARFA;
- The "Pro Musica Antiqua" Association;
- The "Paderewski In Memoriam" Foundation;
- The Polish Writers' Association;
- The Social Committee for the Care of the Powązki Cemetery.

According to the strategy and financial plan, in 2006 the Foundation shifted its focus from health care and social protection to education and science; 60% of total expenses were allocated to the latter area, compared to 22% in 2005.

Major projects financed by the Foundation in 2006:

1. Foundation for Education in Entrepreneurship (FEP) – support of a Bridge Scholarship Programme 2006/2007 (assistance to freshmen students from unprivileged backgrounds). The BRE Bank Foundation funded 40 scholarships and participated in the FEP Scholarship Board;
2. University Entrepreneurship Incubators Foundation – BRE Bank Foundation funded a business plan competition for students organised by University Entrepreneurship Incubators;
3. The BRE Bank Foundation organised a "Modern Banking in United Europe" MA theses competition on the 20th anniversary of BRE Bank in 2006;
4. The BRE Bank Foundation and the CASE Foundation continued their co-operation under an agreement of 16 December 2005; they jointly organised seminars and conferences for researchers, experts and practitioners of management concerning the transition of the Polish economy, in particular the banking sector, and publications on economics and finance;
5. Foundation in Support of Polish Language Teaching – assistance for the School Partnership Programme: funding student exchange for Polish and Lithuanian schools;
6. The Foundation made a donation to the Polish Fund for Children to assist gifted students;
7. Under an agreement with the German-Polish-Ukrainian Association, the Foundation supported the construction of an orphanage for "street children" in Kiev.

Excerpt from an interview with Mr Henryk Okrzeja, President of the BRE Bank Foundation

"How does the Foundation pursue its mission?"

We provide financial support, mainly donations, for initiatives promoting knowledge, entrepreneurship, charity work and culture. In most cases, these are projects and initiatives carried out together with social organisations which specialise in the given area. We co-operate with the Synapsis Foundation, the Polish Social Aid Committee, and the "Timely Help" Foundation for Children. I am certain that this is the best way and a guarantee that the funds and equipment will go to those poorest in need.

Charity is only one area of the Foundation's activity.

Of course. According to the Foundation's strategy, most funds this year will be allocated to projects in support of education and entrepreneurship, for instance a programme funding 40 scholarships for freshmen students from poor backgrounds. We are a partner to University Entrepreneurship Incubators which organise projects aimed at promotion of entrepreneurship among youth. We are interested in cultural and sports events, we care for the environment. We are aware that the success and the competitive advantage of BRE Bank depends on its social responsibility.



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How can we, Employees, support the BRE Bank Foundation?

As of last year, the Foundation has the status of public charity and as such it can accept donations of 1% of personal income tax. I encourage all employees of BRE Bank and Group companies to use this opportunity and to donate 1% of their tax. This way, we can all contribute to the noble goals of this organisation.

For me personally the donation of 1% of income tax is a gesture of support for the work of our Foundation."

IX.3. mBank's Sponsorship and Charity Activity

Sponsorship and charity work is an important part of mBank's efforts to create the image of a dynamic bank for customers who value time and comfort but also like new challenges. Many projects supported by mBank encourage an active lifestyle. Such social commitment falsifies the alleged dehumanised nature of on-line institutions which have no face-to-face contact with customers.

As a leader of innovation, mBank has always attached greatest importance to supporting interesting initiatives, especially cultural, educational, and sports projects. mBank is not only a sponsor, patron and donor, but also the author of many initiatives.

mBank raises funds for foundations aiding those in need each year at the time of Christmas and Easter. Customers can donate funds to foundations using mTRANSFERS. mBank has established very close co-operation with the ABCXXI Foundation, organiser of a major social campaign "All Poles Read Books to Children."

Every year mBank merchandise is put to an on-line auction and all receipts go to Poland's biggest annual charity event Wielka Orkiestra Świątecznej Pomocy.

mBank is always ready to support educational initiatives. In particular, mBank gives support to student initiatives as students are one of its largest customer groups. In co-operation with student organisations, mBank has been a patron of conferences, olympics, competitions, including "The Problems in Business" project run together with QUESTUS which produced the "mBank: Virtual or Real?" study, and the AdverTeaser III conference organised by the Warsaw University Science Club "Target."

Sports are an important part of mBank's sponsorship policy. mBank has sponsored a Himalayan climbing team in its venture to climb three of the world's 8000m peaks. mBank has organised many interesting sports events: it initiated the mBank Łódź Marathon and the mBank eXtreme event in Sielpia.

mBank participates in cultural events as a patron of the Łódź Art Centre, a sponsor of the Alphabet of Literature events organised by the Łódź Centre for the Arts, and the main sponsor of the Myslovitz rock band "Happiness Is Easy" CD and tour.

Development and strengthening of relations with customers who constitute the mCommunity of Poland's first virtual bank is a key component of mBank's strategy.

IX.4. MultiBank's Sponsorship and Charity Activity

MultiBank has always worked for charity and supported cultural and educational institutions, reinforcing its image as a bank caring for more than customers' funds. MultiBank's sponsorship initiatives give support to cultural institutions and promote the arts. Both MultiBank and its customers participate in charity initiatives, jointly supporting a good cause.

MultiBank invests in the arts and assists exceptional people in making their dreams come true. MultiBank supports projects aiding those in need.

The MultiBank Aquarius Club Culture Programme promotes the arts and provides grants to cultural institutions for their ambitious projects.



The Aquarius Theatre Club co-operates with several theatres in Poland including:

1. Teatr Atelier – Sopot
2. Teatr Muzyczny – Gdynia
3. Teatr Nowy – Warszawa
4. Teatr Stu – Kraków
5. Kino Adria – Bydgoszcz
6. Teatr Polski – Szczecin
7. Teatr Rozrywki – Chorzów
8. Teatr Polski – Wrocław
9. Teatr Wielki – Poznań

MultiBank sponsored the Monodrama Festival MONOFEST at Teatr Studyjny in Łódź. The event was very popular with the audience and will be run on a regular basis in Łódź.

MultiBank supports young artists:

- Sponsorship of the Fashion Oscars, an event promoting young fashion designers;
- Scholarship grant for Natalia Brzozowska, a student at the prestigious Royal Academy of Music in London.

Other cultural events sponsored by MultiBank in 2006 include:

- The Christian Cultural Festival – a regular international event organised by Father Waldemar Sondka nominated to the title of the Most Popular Citizen of Łódź in 2006;
- The National Art Gallery “Zachęta”;
- A “Tu Es Petrus” Concert in Łódź;
- A TSA rock band concert;
- A concert in memoriam of Agnieszka Osiecka;
- The Jazz Association Częstochowa;
- The Krzysztof Kamil Baczyński Literary Association;
- The Rock’n’Roll Polmil Party;
- A concert of Magdalena Moszew;
- Publication of 2 albums with photographs of the city of Łódź.

MultiBank sponsors people with a passion. In 2006, MultiBank sponsored:

- Trekking to Broad Peak (Falchan Kangri, 8047m) organised by MultiBank and the Himalayan climber Piotr Pustelnik;
- Trekking in Nepal for 2 Aquarius Club Clients;
- Eighth Issue of the Explorers Festival in Łódź.

Charity initiatives:

- Donation for a Warsaw orphanage to fund holiday for children;
- Sponsoring of a charity Christmas Eve at the Expo Centre in Łódź;
- Sponsoring of 2 charity concerts for the Łódź Catholic Ministry for the Deaf;
- Sponsoring of the campaign “All Poles Read Books to Children”.

