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Independent registered auditor's report on the review of the consolidated semi-annual financial statements, for the period from 1 January 2005 to 30 June 2005

to the Shareholders and the Supervisory Board of BRE Bank S.A.

We have reviewed the attached consolidated semi-annual financial statements of BRE Bank S.A. Group (hereinafter called *the Group*), prepared by the Management Board of BRE Bank S.A. (hereinafter called *the Parent Company*), Warsaw, ul. Senatorska 18, which comprise:

(a) the consolidated balance sheet as at 30 June 2005, showing total assets and total equity and liabilities of PLN 33,374,299 thousand;

(b) the consolidated income statement for the period from 1 January to 30 June 2005, showing a net profit including the minority interest of PLN 152,787 thousand;

(c) the statement of changes in consolidated equity for the period from 1 January to 30 June 2005, showing an increase in equity of PLN 58,791 thousand;

(d) the consolidated cash flow statement for the period from 1 January to 30 June 2005, showing a net increase in cash and cash equivalents of PLN 1,158,344 thousand;

(e) the notes to the financial statements.

The Parent Company's Management Board is responsible for preparing the consolidated semi-annual financial statements which comply with the applicable regulations. Our responsibility was to present a report on these consolidated semi-annual financial statements based on our review.

We have performed our review in accordance with the auditing standards issued by the National Board of Registered Auditors, applicable in the Republic of Poland. Under these standards, we were obliged to plan and perform our review to obtain reasonable assurance that the consolidated semi-annual financial statements were free of material irregularities. We have performed our review on the basis of an analysis of the above-mentioned consolidated semi-annual financial statements, a review of the books of account and the information obtained from the Parent Company's Management Board and the employees of the Group.

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The scope of our work was considerably smaller than the scope of an audit of consolidated financial statements, because our review was not aimed at expressing an opinion on the truth and fairness of the consolidated semi-annual financial statements. This report does not constitute an audit opinion on the consolidated financial statements within the meaning of the Accounting Act of 29 September 1994 (Journal of Laws of 2002, No. 76, item 694 with subsequent amendments).

Our review has not revealed a need to make any significant changes to the attached consolidated semi-annual financial statements to obtain a fair and clear view of the Group's financial position as at 30 June 2005 and of the results of its operations for the period from 1 January to 30 June 2005 in accordance with the accounting standards adopted in the European Union applicable to interim reporting.

On behalf of PricewaterhouseCoopers Sp. z o.o. and performing the review:

Adam Celiński
Board Member
Registered Auditor
No. 90033/7039

Registered Audit
Company
No. 144

Warsaw, 30 September 2005

BRE BANK SA

BRE Bank SA Group

IFRS Consolidated Financial Statements for the 1st half of 2005

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Consolidated Profit and Loss Account

Consolidated Profit and Loss Account from 1 January 2005 to 30 June 2005 and from 1 January to 30 June 2004

	Note	30.06.2005	30.06.2004
Interest income	6	791 935	644 578
Interest expense	6	(464 735)	(418 645)
Net interest income		**327 200**	**225 933**
Fee and commission income	7	254 047	254 246
Fee and commission expense	7	(56 583)	(58 236)
Net fee and commission income		**197 464**	**196 010**
Dividend income	8	21 740	4 374
Net trading income	9	106 890	110 506
Gains less losses from investment securities		11 878	28 528
Other operating income	10	39 964	318 861
Impairment losses on loans and advances	14	(10 635)	(85 466)
Overhead costs	11	(402 523)	(341 530)
Amortisation of intangible assets and depreciation of tangible fixed assets	25, 26	(65 771)	(70 597)
Other operating expenses	12	(29 375)	(275 128)
Operating profit (loss)		**196 832**	**111 491**
Share of profit (loss) of affiliates	24	(170)	(31)
Profit (loss) before income tax		**196 662**	**111 460**
Income tax expense	15	(43 875)	(27 951)
Net profit (loss) including minority interest, of which:		152 787	83 509
Net profit (loss) attributable to minority interest		8 249	16 629
Net profit (loss)		**144 538**	**66 880**
Net profit (loss) (for 12 months) per shareholder		**(216 359)**	**14 518**
Weighted average number of ordinary shares		**28 713 125**	**22 970 500**
Earnings per 1 ordinary share (in PLN)	16	**(7,54)**	**0,63**
Weighted average number of ordinary shares for diluted earnings		**28 789 221**	**22 977 059**
Diluted earnings per ordinary share	16	**(7,52)**	**0,63**

Notes presented on pages 10 – 102 constitute an integral part of this Consolidated Financial Statements.

Consolidated Balance Sheet

Consolidated Balance Sheet as at 30 June 2005, 31 December 2004 and 30 June 2004

	Note	30.06.2005	31.12.2004	30.06.2004
ASSETS				
Cash and balances with Central Bank	17	611 517	734 691	466 674
Debt securities eligible for rediscounting at the Central Bank	18	55 771	52 832	84 773
Loans and advances granted to banks	19	7 444 063	6 990 051	5 594 530
Trading securities	20	2 893 966	2 373 008	2 192 990
Derivative financial instruments	21	1 672 056	1 796 824	1 297 861
Other financial instruments at fair value through profit and loss account	20	148 015	0	0
Loans and advances granted to customers	22	15 244 806	14 330 384	16 443 188
Investment securities		470 584	580 108	718 988
- Available for sale	23	445 180	564 785	654 189
- Held to maturity	23	25 404	15 323	64 799
Pledged assets	36	2 538 938	1 781 725	2 039 583
Investments in affiliated entities	24	2 139	2 225	8 180
Intangible assets	25	671 458	664 770	902 252
Tangible fixed assets	26	535 566	522 987	587 433
Deferred income tax assets	35	541 205	778 621	651 866
Other assets	27	544 214	573 570	768 947
Total assets		**33 374 298**	**31 181 796**	**31 757 265**
EQUITY AND LIABILITIES				
Amounts due to the Central Bank	28	-	-	-
Amounts due to other banks	29	5 230 426	5 562 129	6 160 997
Other deposits		-	-	-
Derivative financial instruments and other trading liabilities	21	1 766 625	1 620 708	1 370 286
Amounts due to customers	30	19 150 574	16 897 889	15 691 030
Debt securities in issue	31	2 837 518	3 103 327	4 073 133
Other borrowed funds	32	1 424 964	1 020 144	1 176 075
Other liabilities	33	453 087	334 461	395 325
Current income tax liabilities		1 358	1 444	1 288
Provisions for deferred income tax	35	442 728	688 593	551 287
Provisions	34	100 826	45 700	29 943
Total liabilities		**31 408 106**	**29 274 395**	**29 449 364**
Equity				
Capital and reserves attributable to the Company's equity holders		**1 908 223**	**1 844 745**	**2 182 983**
Share capital	37	114 853	114 853	114 853
Supplementary capital	38	1 132 471	1 192 304	1 187 433
Retained earnings	39	(47 420)	65 988	51 117
Net profit (loss)		144 538	(294 017)	66 880
Other capital and reserves	39	563 781	765 617	762 700
Minority interest		57 969	62 656	124 918
Total equity		**1 966 192**	**1 907 401**	**2 307 901**
Total equity and liabilities		**33 374 298**	**31 181 796**	**31 757 265**
Capital adequacy ratio		**10,97**	**10,03**	**11,52**
Book value		**1 908 223**	**1 844 745**	**2 182 983**
Number of shares		**28 713 125**	**28 713 125**	**28 713 125**
Book value per share (in PLN)		**66,46**	**64,25**	**76,03**
Diluted number of shares		**28 789 221**	**28 750 436**	**28 719 684**
Diluted book value per share (in PLN)		**66,28**	**64,16**	**76,01**

Statements of changes in consolidated equity

Changes in equity from 1 January 2005 to 30 June 2005

		Equity atributable to the Company's equity holders					
	Note	Share capital	Supplementary capital	Other capital	Retained earnings	Minority interest	Total
Equity as at 1 January 2005		**114 853**	**1 192 304**	**765 617**	**(228 029)**	**62 656**	**1 907 401**
- reclassification to book value through profit and loss account		-	-	-	-	-	-
- changes to accounting policies		-	-	-	(86 879)	(2 809)	(89 688)
- adjustment of errors		-	-	-	-	-	-
Adjusted equity as at 1 January 2005		**114 853**	**1 192 304**	**765 617**	**(314 908)**	**59 847**	**1 817 713**
Net change in investments available for sale, net of tax	34			3 917		-	3 917
Net change in cash flow hedges, net of tax	34			1 467		1 466	2 933
Currency translation differences	34			(1 072)		(261)	(1 333)
Net profit not recognised in the profit & loss account		**-**	**-**	**4 312**	**-**	**1 205**	**5 517**
Net profit (loss)					**144 538**	**8 249**	**152 787**
Total profit recognised in current year		**-**	**-**	**4 312**	**144 538**	**9 454**	**158 304**
Dividends paid		-	-	-	-	(2 032)	(2 032)
Transfer to General Banking Risk Fund	34	-	-	-	-	-	-
Transfer to supplementary capital	34	-	-	-	-	-	-
Transfer to reserve capital	32	-	10 009	-	(10 009)	-	-
Loss coverage with reserve capital		-	-	(208 302)	208 302	-	-
Loss coverage with supplementary capital		-	(69 842)	-	69 842	-	-
Issue of shares		-	-	-	-	-	-
Redemption of shares		-	-	-	-	-	-
Purchase/sale of own shares		-	-	-	-	-	-
Agio		-	-	-	-	-	-
Issue expenses		-	-	-	-	-	-
Additional shareholder payments		-	-	-	-	(8 996)	(8 996)
Sale of fixed assets		-	-	-	-	-	-
Change in the scope of consolidation		-	-	-	-	-	-
Increase of share in consolidated company		-	-	-	-	-	-
Other changes		-	-	-	(647)	(304)	(951)
Stock option program for employees		**-**	**-**	**2 154**	**-**	**-**	2 154
- value of services provided by the employees		-	-	2 154	-	-	2 154
- proceeds from issue of shares		-	-	-	-	-	-
Equity as at 30 June 2005		**114 853**	**1 132 471**	**563 781**	**97 118**	**57 969**	**1 966 192**

Changes in equity from 1 January 2004 to 31 December 2004

		Equity atributable to the Company's equity holders					
	Note	**Share capital**	**Supplementary capital**	**Other capital**	**Retained earnings**	**Minority interest**	**Total**
Equity as at 1 January 2004		**91 882**	**657 157**	**751 418**	**62 024**	**111 594**	**1 674 075**
- reclassification to book value through profit and loss account		-	-	-	-	-	-
- changes to accounting policies		-	-	-			-
- adjustment of errors		-	-	-	-	-	-
Adjusted equity as at 1 January 2004		**91 882**	**657 157**	**751 418**	**62 024**	**111 594**	**1 674 075**
Net change in investments available for sale, net of tax	34	-	-	8 209	-	-	8 209
Net change in cash flow hedges, net of tax	34	-	-	5 626	-	5 626	11 252
Currency translation differences	34	-	-	(2 539)	-	(6 410)	(8 949)
Net profit not recognised in income statement		**-**	**-**	**11 296**	**-**	**(784)**	**10 512**
Net profit (loss)		**-**	**-**	**-**	**(294 017)**	**20 636**	**(273 381)**
Total profit recognised in current year		**-**	**-**	**11 296**	**(294 017)**	**19 852**	**(262 869)**
Dividends paid		-	-	-	-	(1 854)	(1 854)
Transfer to General Banking Risk Fund	34	-	-	1 595	(1 595)	-	-
Transfer to supplementary capital	34	-	-	2 025	(2 025)		-
Transfer to reserve capital	32	-	3 414	-	(3 414)		-
Loss coverage with reserve capital		-	-	(702)	702		-
Loss coverage with supplementary capital		-	-	-	-	-	-
Issue of shares		22 971	-	-	-	-	22 971
Redemption of shares		-	-	-	-	-	-
Purchase/sale of own shares		-	-	-	-	-	-
Agio		-	528 321	-	-	-	528 321
Issue expenses		-	(1 477)	-	-	-	(1 477)
Additional shareholder payments		-	-	-	-	-	-
Sale of fixed assets		-	7 979	(7 979)	-	-	-
Change in the scope of consolidation		-	(3 090)	-	4 685	(69 778)	(68 183)
Increase of share in consolidated company		-	-	-	-	-	-
Other changes		-		(722)	5 611	2 842	7 731
Stock option program for employees		**-**	**-**	**8 686**	**-**	**-**	8 686
- value of services provided by the employees		-	-	8 686	-	-	8 686
- proceeds from issue of shares		-	-	-	-	-	-
Equity as at 31 December 2004		**114 853**	**1 192 304**	**765 617**	**(228 029)**	**62 656**	**1 907 401**

IFRS Consolidated Financial Statements for the 1st half of 2005 (PLN 000's)

Changes in equity from 1 January 2004 to 30 June 2004

	Note	Equity atributable to the Company's equity holders				Minority interest	Total
		Share capital	Supplementary capital	Other capital	Retained earnings		
Equity as at 1 January 2004		**91 882**	**657 157**	**751 418**	**62 024**	**111 594**	**1 674 075**
- reclassification to book value through profit and loss account		-	-	-	-	-	-
- changes to accounting policies		-	-	-			-
- adjustment of errors		-	-	-	-	-	-
Adjusted equity as at 1 January 2004		**91 882**	**657 157**	**751 418**	**62 024**	**111 594**	**1 674 075**
Net change in available investments for sale, net of tax	34	-	-	2 382	-	-	2 382
Net change in cash flow hedges, net of tax	34	-	-	3 190	-	3 190	6 380
Currency translation differences	34	-	-	(1 542)	-	(1 653)	(3 195)
Net profit not recognised in income statement		**-**	**-**	**4 030**	**-**	**1 537**	**5 567**
Net profit (loss)		**-**	**-**		**66 880**	**16 629**	**83 509**
Total profit recognised in current year		**-**	**-**	**4 030**	**66 880**	**18 166**	**89 076**
Dividends paid		-	-	-	-	(1 735)	(1 735)
Transfer to General Banking Risk Fund	34	-	-	1 595	(1 595)		-
Transfer to supplementary capital	34	-	-	2 025	(2 025)	-	-
Transfer to reserve capital	32	-	3 429	-	(3 429)		-
Loss coverage with reserve capital		-	-	(702)	702		-
Loss coverage with supplementary capital		-	-	-	-	-	-
Issue of shares		22 971	-	-	-	-	22 971
Redemption of shares		-	-	-	-	-	-
Purchase/sale of own shares		-	-	-	-	-	-
Agio		-	526 845	-	-	-	526 845
Issue expenses		-	-	-	-	-	-
Additional shareholder payments		-	-	-	-	-	-
Sale of fixed assets		-	2	-	-	-	2
Change in the scope of consolidation		-	-	-	-	-	-
Increase of share in consolidated company		-	-	-	-	-	-
Other changes		-	-	(9)	(4 560)	(3 107)	(7 676)
Stock options program for employees		-	-	**4 343**	-	-	4 343
- value of services provided by the employees		-	-	4 343	-	-	4 343
- proceeds from issue of shares		-	-	-	-	-	-
Equity as at 30 June 2004		**114 853**	**1 187 433**	**762 700**	**117 997**	**124 918**	**2 307 901**

IFRS Consolidated Financial Statements for the 1st half of 2005 (PLN 000's)

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement from 1 January 2005 to 30 June 2005 and from 1 January to 30 June 2004

	01.01.2005 to 30.06.2005	01.01.2004 to 30.06.2004
A. Cash flow from operating activities - indirect method	**1 041 972**	**203 646**
Profit before income tax	**196 662**	**111 460**
Adjustments:	***845 310***	***92 186***
Income taxes paid (negative amount)	(19 380)	(1 127)
Amortisation	65 771	70 616
Foreign exchange gains (losses)	(3 635)	(94 635)
Gains (losses) on investing activities	(72)	(27 314)
Impairment of financial assets	1 361	1 872
Dividends received	(21 740)	(4 373)
Interest paid	362 671	366 031
Change in loans and advances to banks	(14 193)	(1 953 317)
Change in trading securities	390 720	912 826
Change in derivative financial instruments	124 768	396 978
Change in other financial instruments at fair value	(148 015)	-
Change in loans and advances to customers	(925 606)	(92 123)
Change in investment securities	109 647	(24 770)
Change in other assets	(765 316)	(738 562)
Change in amounts due to other banks	(119 333)	407 009
Change in other deposits	-	-
Change in financial instruments and other trading liabilities	145 917	(259 524)
Change in amounts due to customers	1 850 895	535 258
Change in debt securities in issue	(292 173)	511 624
Change in provisions	1 990	(3 731)
Change in other liabilities	101 033	89 448
Net cash from operating activities	**1 041 972**	**203 646**
B.Cash flows from investing activities	**(56 735)**	**(36 709)**
Investing activity inflows	**31 221**	**100 998**
Disposal of shares in associates	-	-
Disposal of shares in subsidiaries, net of cash disposed	8 489	-
Proceeds from sale of intangible assets and tangible fixed assets	992	698
Other investing inflows	21 740	100 300
Investing activity outflows	**87 956**	**137 707**
Acquisition of associates	-	-
Acquisition of subsidiaries, net of cash acquired	9 213	57 933
Purchase of intangible assets and tangible fixed assets	61 420	65 679
Other investing outflows	17 323	14 095
Net cash used in investing activities	**(56 735)**	**(36 709)**
C. Cash flows from financing activities	**257 338**	**674 623**
Financing activity inflows	**912 932**	**941 430**
Proceeds from loans and advances from other banks	69 927	210 888
Proceeds from other loans and advances	120 975	-
Issue of debt securities	316 200	180 726
Increase of subordinated liabilities	405 830	-
Issue of ordinary shares	-	549 816
Sale of own shares		

IFRS Consolidated Financial Statements for the 1st half of 2005 (PLN 000's)

Other financing inflows	-	-
Financing activity outflows	**655 594**	**266 807**
Repayments of loans and advances from other banks	268 082	186 661
Repayments of other loans and advances		
Redemption of debt securities	289 600	-
Decrease of subordinated liabilities		
Other financial liabilities	-	-
Payments of financial lease liabilities	17 299	-
Dividends and other payments to shareholders	-	-
Other than payments to shareholders expenditures due to appropriation of profit	-	-
Purchase of own shares	-	-
Other financing outflows	80 613	80 146
Net cash from financing activities	**257 338**	**674 623**
Net increase / decrease in cash and cash equivalents (A+B+C)	**1 242 575**	**841 560**
Cash and cash equivalents at the beginning of the reporting period	**10 047 287**	**9 103 497**
Cash and cash equivalents at the end of the reporting period	**11 289 862**	**9 945 057**

Explanatory Notes to the Consolidated Financial Statements

1. Information concerning the Group of BRE Bank SA

The Capital Holding Group of the BRE Bank SA ("Capital Holding Group") consists of entities of the following nature in relation to the BRE Bank SA (the "Bank"):

- Strategic and infrastructural: Shares and equity interests in companies supporting the different particular business lines of the BRE Bank SA (investment banking business, corporate banking, retail banking, asset management), as well as shares and equity interests in companies providing financial infrastructure or handling spheres that are complementary to the statutory scope of business of the BRE Bank SA. The formation or acquisition of these companies was intended to expand the range of services offered to the clients of the Bank;
- Long term: Investments with an assumed high rate of return and an investment horizon of not less than 2 years; they also comprise equity investments placed in companies listed on the Warsaw Stock Exchange SA with anticipated duration of not less than 6 months, as well as investments in investment funds (National Investment Funds /NFI/ and foreign closed end funds);
- Other: Company shares and equity interests acquired in exchange for receivables, in transactions resulting from composition and work out agreements with creditors, with the intention to recover a part or all claims to loan receivables and insolvent companies under liquidation or receivership.

The parent entity of the Group is the BRE Bank SA, which is a joint stock company registered in Poland.

The head office of the Bank is located at 18 Senatorska St., Warsaw, Poland.

The shares of the Bank are listed by the Warsaw Stock Exchange.

As a result of adaptation to the requirements of the International Financial Reporting Standards (IFRS) the composition of the subsidiary companies subject to the application of the full consolidation method was modified. Since January 1, 2005, the full consolidation method has been applied to all the subsidiaries of the parent company regardless of the nature of the business of any such subsidiary, other than the entities acquired with the exclusive purpose of their disposal within the next 12 months, the omission of which would be of material significance for the consolidated financial statements.

As at 30 June 2005, the BRE Bank's Capital Holding Group covered by the Consolidated Financial Statements comprised the following companies:

BRE Bank SA: the Parent Company

Bank Rozwoju Eksportu S.A. (Export Development Bank) was established by Resolution of the Council of Ministers N° 99 of 20/06/1986. The Bank was registered pursuant to the legally valid decision of the District Court for the Capital City of Warsaw, 16th (Commercial) Division on 23/12/1986 in the Business Register under the number RHB 14036. The 9th Extraordinary Meeting of Shareholders held on 04/03/1999 adopted the resolution changing the Bank's name to BRE Bank SA ("Bank"). The new name of the Bank was entered in the Business Register on 23/03/1999.

On 11/07/2001, the District Court in Warsaw issued the decision on the entry of the Bank in the National Court Registry (KRS) under number KRS 0000025237.

According to the Polish Classification of Business Activities, the business of the Bank was classified as "Other banking business" under number 6512A.

According to the Stock Exchange Quotation, the Bank is classified as pertaining to "Banks" sector of the "Finance" macro-sector.

According to the Bylaws of the Bank, the scope of its business consists of providing banking services and consulting-advisory services in financial matters, as well as the conduct of business activities within the scope described in its Bylaws. The Bank operates within the scope of corporate, investment and retail banking throughout the whole country.

The Bank provides services to Polish and international corporations and individuals, both in the local currency (Polish Zloty, PLN) and in foreign currencies. In particular, the Bank supports all kinds of activities leading to the development of exports.

The Bank may open and maintain accounts with Polish and foreign banks, as well as having the right to possess foreign exchange assets and to trade with them.

The average employment in the 1st half of 2005 in BRE Bank SA and in the Group was 3,313 and 4,277 persons, respectively.

Investment Banking

- **Dom Inwestycyjny BRE Banku SA, subsidiary**

The Bank has been holding the company in its portfolio since July 1998. The company's core business is to provide services related to trading in securities, rights in property other than securities, and other financial instruments on the capital market in accordance with the applicable law and the licences held by the company.

- **BRE Corporate Finance SA**, subsidiary

The Company focuses on four key areas: mergers and acquisitions, privatization, strategic consulting, and fund resourcing, including public and private issues of stocks.

- **BRE International Finance BV** and **BRE Finance France SA**, subsidiaries

These are special purpose companies. Their core business is to raise funds for the Bank through issues of debt securities in international financial markets

- **TV-Tech Investment**, special-purpose subsidiary company

The Company invests in securities, trades in receivables, manages controlled companies, and provides consulting services.

- **Tele-Tech Investment Sp. z o.o**., special-purpose associated company

The Bank has been holding the company in its portfolio since 1999. The company's core business involves investment in securities and trade in receivables, executing securities transactions on its own account, management of controlled companies as well as business and management consulting services. Because this is a special-purpose company, much of the operating risk of which is the responsibility of the Bank, it was fully consolidated in the Consolidated Financial Statements of the Group. The Company has no employees.

- **Garbary Sp. z o.o.**

Management of a real estate located at 101/111 Garbary St. in Poznań is the only business of the Company. The real estate consists of a conglomerate of closed meatworks. The Company employs 2 persons.

Corporate Banking

- **BRE Leasing Sp. z o.o.**, subsidiary

The Bank has been holding the company in its portfolio since June 1991. The company's business is to acquire, rent, lease, and hire of real properties, and to acquire, build, rent and lease all types of plots of land, buildings, and facilities. The company may execute transactions and take actions aimed at direct or indirect pursuit of its business objectives, including purchase of receivables and agency services in real estate trading. Company has a network of offices in the largest cities of Poland.

- **Intermarket Bank AG**, subsidiary

This group consists of three companies, Transfinance a.s. (Czech Republic), Magyar Factor Rt. (Hungary) and Polfactor SA (Poland), Transfactor Slovakia a.s. (Slovakia), centred around Austrian Intermarket Bank AG. They carry on local and international factoring business and they are market leaders in their home markets. The Group offers its services to the metal sector, food sector, fast consumer goods sector and building materials.

Intermarket Bank AG is in the Group since July 2000. The main products of the company are: finance factoring and full finance.

Transfactor Slovakia a.s. is 100% subsidiary of Intermarket Bank AG (the former name of the company is Transfinance Slovakia a.s.). The main product of the company is factoring on local market and abroad.

- **Magyar Factor Rt.**, subsidiary

The Bank has been holding the company in its portfolio since January 2003.

Magyar Factor Rt. provides domestic, export and import factoring services as part of Factors Chain International, an international organisation of factoring companies. The Bank holds 50% of Magyar Factor Rt.'s stocks and Intermarket Bank AG holds the remaining 50%.

- **Transfinance a.s.**, subsidiary

The Bank has been holding the company in its portfolio since October 2000. The core business of the company includes purchase of receivables and intermediary services in collection of these receivables.

The Company was consolidated on 31/03/2001 for the first time.

The Bank holds 50% of Transfinance's stocks and Intermarket Bank AG holds the remaining 50%.

- **Polfactor S.A.**, subsidiary

The Company was established in 1995. As at 30 June 2005, the Bank had a direct 50% stake in the share capital and votes in the General Meeting of Shareholders of the Company and Intermarket Bank AG, BRE Bank's subsidiary, held the remaining portfolio. The Company provides factoring services for domestic, export and import transactions under Factors Chain International.

Asset Management

- **Powszechne Towarzystwo Emerytalne Skarbiec-Emerytura S.A.**, subsidiary

The Bank has been holding the company in its portfolio since August 1998. The business of the Company includes managing an open investment fund and representing OFE Skarbiec Emerytura. On 07/08/2002, the District Court for the Capital City of Warsaw registered the merger of Powszechne Towarzystwo Emerytalne Skarbiec Emerytura SA with Powszechne Towarzystwo BIG Banku Gdańskiego SA. The merger was effected by transferring all assets of PTE BIG BG SA to PTE Skarbiec Emerytura SA in return for stocks handed over to BIG Bank Gdański SA, representing 38.61% of the increased share capital and votes in the General Meeting of Stockholders of PTE Skarbiec Emerytura SA. In September 2002, BRE Bank S.A. purchased PTE Skarbiec-Emerytura SA's stocks representing 38.61% of share capital and votes in the General Meeting of Stockholders of the Company from BIG Bank Gdański SA. Accordingly, BRE Bank S.A. holds 100% of shares and votes in the General Meeting of Shareholders of PTE Skarbiec-Emerytura SA.

- **Skarbiec Asset Management Holding SA**, subsidiary

The companies of BRE Bank that the main activity is asset management have been centralised under Skarbiec Asset Management.

The Holding consists of the following (wholly owned) companies:

- Skarbiec TFI SA: Creation of investment funds, introduction of new investment products, and sales to the corporate customers' market.
- Skarbiec Investment Management S.A: Securities portfolio management. The Company manages its own customers' portfolio and provides management services to investment funds created by Skarbiec TFI and consulting services to PTE Skarbiec-Emerytura.
- Skarbiec Serwis Finansowy Sp. z o.o.: Distributor of TFI and OFE products to end clients of SAMH. The Company promotes and markets all business line.
- BRE Agent Transferowy Sp. z o.o.: Support of investment funds, corporate and fund accounting, administration, pension fund and information technology.

Other Business

- **Centrum Rozliczeń i Informacji CERI Sp. z o.o.**, subsidiary

The business of the Company includes the provision of services such as database servicing, electronic and document archiving and introducing data to the system.

- **BRE Locum**, subsidiary

BRE Locum is a building developer. It invests in real estates (primarily residential buildings), manages property and provides consulting service. As its core business, the Company develops and classifies investment projects; arranges for, supervises and prepares building designs; supervises and performs building work; acts as a 'substitute investor' for building projects; resources funds for investments; finds lessees; operates commercial real estates; trades in real estates; provides real estate trading services; offers advice for development and sale/acquisition projects; and mediates in real estate trading.

IFRS Consolidated Financial Statements for the 1st half of 2005 (PLN 000's)

The Consolidated Financial Statements of the Bank covers the following companies:

Company	**Share of voting rights (direct and indirect)**	**Consolidation method**
Dom Inwestycyjny BRE Bank S.A.	100%	Full
BRE Leasing Sp. z o.o.	50.004%	Full
PTE - Skarbiec Emerytura SA	100%	Full
Skarbiec Asset Management Holding SA	100%	Full
BRE Corporate Finance SA	100%	Full
Polfactor SA	77.42%	Full
Tele-Tech Investment Sp. z o.o.	24%	Full
BRE International Finance	100%	Full
Intermarket Bank AG	54.84%	Full
Transfinance a.s.	77.42%	Full
Magyar Factor Rt.	77.42%	Full
BRE Finance France SA	99.97%	Full
TV-TECH Investment 1 Sp. z o.o.	100%	Full
CERI Sp. z o.o.	100%	Full
BRE Locum	61.99%	Full
Garbary Sp. z o.o.	100%	Full

The Management Board approved these Consolidated Financial Statements on 30 September 2005.

2. Description of Relevant Accounting Policies

The key accounting policies applied to the drafting of these Consolidated Financial Statements are presented below. These principles were applied consistently over all of the presented periods, unless indicated otherwise.

2.1. Accounting Basis

These interim Consolidated Financial Statements of BRE Bank Group are prepared for the six month period ended 30 June 2005.

These Consolidated Financial Statements of the BRE Bank Group were prepared in compliance with the International Financial Reporting Standards (IFRS) issued to use in the European Union, according to the historical cost method, as modified by the revaluation of available for sale financial assets, financial assets and financial liabilities measured at fair value through the profit or loss, as well as all derivative contracts.

These are the first complete interim consolidated financial statements of BRE Bank Group.

The presented report for the 1st half of 2005 fulfils the requirements of the International Accounting Standard (IAS) 34 “Interim Financial Reporting” concerning the complete set of mid-year financial statements and the International Financial Reporting Standard (IFRS) 1 *First-time Adoption of International Financial Reporting Standards* which sets out the requirements for reports prepared for the first time according to the IFRS.

Until 31 December 2004 the consolidated financial statements of the BRE Bank Group have been prepared in compliance with the Accounting Act dated at 29 September 1994 (“The Act” – full text – Dz.U. 2002 No 76 pos. 694). The Accounting Act is different in some areas from International Financial Reporting Standards (IFRS) accepted by the European Union. The comparative data of the Group at 30 June 2004 and 31 December 2004 have been presented to adjust to International Financial Reporting Standards accepted by the European Union. The balance sheet and profit and loss effect of transition from Polish Accounting Standards to International Financial Reporting Standards is presented in Note 45.

IFRS Consolidated Financial Statements for the 1st half of 2005 (PLN 000's)

The drafting of a financial report in compliance with IFRS requires application of specific accounting estimates. It also requires the Management to apply its own judgment when applying the accounting policies adopted by the Company. The issues in relation to which a greater degree of judgment is required, more complex issues, or such issues which involve a significant degree of application of estimates or judgments for the purpose of the Consolidated Financial Statements are disclosed in Note 4.

Any changes in accounting policies applied were introduced in compliance with the transition provisions of the respective standards. All the standards adopted by the Group require retrospective application, with the exception of the waivers listed below, which are allowed under IFRS 1:

- IAS 16 *Property, Plant and Equipment* – transactions consisting of the exchange of fixed tangible assets, which are recognised prospectively at fair value;
- IAS 21 *The Effects of Changes in Foreign Exchange Rates* – goodwill and fair value adjustments concerning the valuation of foreign subsidiaries are recognised prospectively;
- IAS 39 *Financial Instruments: Recognition and Measurement* – changes concerning the derecognition of financial assets are applied prospectively;
- IFRS 2 *Share-based Payment* – the standard is applied retrospectively with respect to all equity instruments recognised in the accounts after 07/11/2002, which are still recognised in the accounts as at 1 January 2004;
- IFRS 3 *Business Combinations* – applied prospectively after 1 January 2004.

IFRS 3 must be adopted at the same time as IAS 36 *Impairment of Assets* and IAS 38 *Intangible Assets*.

The adoption of the above specified standards did not affect the balance of retained profits/(losses) of previous years as at 1 January 2004.

The following table presents the consequences of adoption of IFRS 2:

The adoption of MSSF 2 has resulted in	**30.06.2005**	**30.06.2004**
- increase of employment costs	2 155	4 343
- decrease of basic profit per share	-	-
- increase of diluted profit per share	0,02	-
- decrease of retained financial result	15 340	6 654
- increase of share capital	-	-

2.2. Consolidation

Subsidiaries

Subsidiaries comprise any entities (including special purpose vehicles) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of majority of the voting rights. When assessing whether the Group actually controls the given entity, the existence and impact of potential voting rights that are currently exercisable or convertible are consided. Subsidiary entities are subject to full consolidation from the date of acquisition of control over them by the Group. Their consolidation is discontinued from the date when control is not exercised any longer. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement (see Note 2.13).
Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Subsidiaries are consolidated for the period starting from the date of the actual take over of control over them by the Capital Holding Group, whereas their consolidation is discontinued from the date of their disposal.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (see Note 2.13).

The share of the Group in the profits (losses) of associates since the date of acquisition is recognised in the Profit and Loss Account, whereas its share in changes in other reserves since the date of acquisition – in other reserves. The carrying amount of the investment is adjusted by the total changes of different items of equity after the date of their acquisition. When the share of the Group in the losses of an associate becomes equal or greater than the share of the Group in that associate, possibly covering receivables other than secured claims, the Group discontinues the recognition of any further losses, unless it has assumed obligations or has settled payments on behalf of the respective associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extend of the Group's interest in the respective associate. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the transferred asset. The accounting policies applied by the associates have been adjusted, wherever necessary, to assure consistency with the accounting principles applied by the Group.

Consolidation does not cover those companies whose scale of business operations is immaterial in relation to the volume of business of the Capital Holding Group, as well as companies acquired for the purpose of their resale or liquidation.

2.3. Interest Income and Expenses

All interest proceeds linked with financial instruments valued at amortised cost using the effective interest rate method are recognised in the Profit and Loss Account.

The effective interest rate method is a method of calculation of the amortised initial value of financial assets or financial liabilities and allocation of interest income or interest expenses to the proper periods. The effective interest rate is the interest rate at which the discounted future payments or future cash inflows are equal to the net present carrying value of the respective financial asset or liability. When calculating the effective interest rate, the Group estimates the cash flows taking into account all the contractual conditions attached to the given financial instrument (e.g., earlier redemption options), but without taking into account the possible future losses on account of non-recovered loans. This calculation takes into account all the fees paid or received between the contracting parties, which constitute an integral component of the effective interest rate, as well as transaction expenses and any other premiums or discounts.

At the time of recognition of an impairment loss on a financial asset or a group of similar financial assets, the proceeds on account of interest are measured according to the interest rate at which the future cash flows were discounted for the purpose of valuation of impairment.

Interest income includes interest and commissions received or due on account of loans, inter-bank deposits or investment securities recognised in the calculation of the effective interest rate.

Interest income, including interest on loans, is recognised in the Profit and Loss Account, and on the other side in the Balance Sheet as receivables from banks or from other customers.

Interest on doubtful receivables is subject to analysis similar to credit receivables analysis and in the appropriate part are recognised as income in the Profit and Loss Account.

Interest income also comprises capital gains on the sale of bonds, and interest flows from IRS and CIRS, presented on a net basis.

2.4. Fee and Commission Income

Income on account of fees and commissions is basically recognised on the accrual basis, at the time of performance of the respective services. Fees charged for the opening of credit concerning loans which will most probably be indeed used are deferred (together with the respective direct costs) and recognised as adjustments of the effective interest rate charge on the loan. Fees on account of syndicated loans are recognised as income at the time of closing of the process of organisation of the respective syndicate, if the Group has not retained any part of the credit risk on its own account or has retained a part with the same effective interest rate as other participants. Commissions and fees on account of negotiation or participation in the negotiation of a transaction on behalf of a third party, such as the acquisition of shares or other securities, or the acquisition or disposal of an enterprise, are recognised at the time of realisation of the respective transaction. Fees on account of portfolio management and fees for management, consulting and other services are recorded on the basis of the respective contracts for the provision of services, usually pro rata to time. Fees for the management of the assets of investment funds are recognised on a straight-line basis over the period of performance of the respective services. The same principle is applied in the case of management of client assets, financial planning and custody services, that are continuosly provided over an extended period of time.

Commissions comprise payments collected by the Group on account of cash management operations, keeping of customer accounts, managing bank transfers and providing letters of credit. Moreover, commissions comprise revenues from brokerage business activities, as well as commissions received through pension funds.

2.5. Segment Reporting

A business segment consists of a group of assets and operations engaged in the delivery of products and services which are subject to risks and rewards from the capital expenditure incurred other than the remaining business segments. A geographic segment supplies products and services in a specific economic environment, which is exposed to risks and returns other than in the case of segments functioning in other economic environments.

2.6. Financial Assets

The Group classifies its financial assets to the following categories: financial assets valued at fair value through the Profit and Loss Account; loans and receivables; investments held to maturity; available for sale financial assets. The classification of investments is determined by the Management at the time of their initial recognition.

Financial assets valued at fair value through the Profit and Loss Account

This category comprises two subcategories: financial assets held for trading and financial assets designated at fair value through Profit and Loss Account at inception. A financial asset is classified in this category if it was acquired principally for the purpose of short-term resale or if it was classified in this category by the Group. Derivative instruments are also classified as "held for trading", unless they were designated for hedging.

Disposals of debt securities destined for trading are accounted for according to the FIFO method, which implies that the securities are derecognised successively proceeding from the papers acquired most early.

Loans and Receivables

Loans and receivables consist of financial assets not classified as derivative instruments, with payments either determined or possible to determine, not listed on an active market. They arise when the Group supplies monetary assets, goods or services directly to the debtor, without any intention of trading the receivable.

Held to Maturity Investments

Investments held to maturity comprise of financial assets, not classified as derivative instruments, where the payments are determined or possible to determine and specified maturity dates, which the Management of the Group intends and is capable of holding until their maturity.

In the case of sale by the Group of a part of assets held to maturity, which cannot be deemed immaterial, the held to maturity portfolio is frozen, and therewith all the assets of this category are reclassified to the available for sale category.

According to the policy of the Group, financial assets classified in this category are not maintained.

Available for Sale Investments

Availabe for sale investments consist of investments which the Group intends to hold for an undetermined period of time. They may be sold, e.g., in order to improve liquidity, in reaction to changes of interest rates, foreign exchange rates, or prices of equity instruments.

Transactions consisting of buying and selling of financial assets valued at fair value through the Profit and Loss Account, held to their maturity date, and available for sale are recognised at the date of transaction – the date on which the Group commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at their fair value increased by the transaction costs, with the exception of financial assets measured at fair value through the Profit and Loss Account. Financial assets are derecognised when the rights to receive cash flows have expired or where the Group has transferred substiantially all rights and rewards of ownership.

Available for sale financial assets and financial assets measured at fair value through the Profit and Loss Account are valued at the Balance Sheet date according to their fair value. Loans and receivables, as well as investments held to maturity are measured at adjusted cost of acquisition (amortised cost), applying the effective interest rate method. Profits and losses resulting from changes in the fair value of "financial assets measured at fair value through the Profit and Loss Account" are recognised in the Profit and Loss Account in the period in which they arise. Gains and losses arising from changes in the fair value of available for sale financial assets are recognised directly in equity until the derecognition of the respective financial asset in the Balance Sheet or until its impairment: at such time the aggregate net gain or loss previously recognised in equity is now recognised in the Profit and Loss Account. However, interest calculated using the effective interest rate is recognised in the Profit and Loss Account. Dividends on available for sale equity instruments are recognised in the Profit and Loss Account when the entity's right to receive payment is established.

The fair value of quoted investments in active markets are based on current bid prices. If the market for a given financial asset is not an active one (and also in the case of securities that are not listed), the Group determines the fair value by applying valuation techniques. These comprise recently conducted transactions concluded according to normal market principles, reference to other instruments, discounted cash flow analysis, as well as valuation models for options and other valuation methods generally applied by market participants. Bonds listed on the CETO market or on the inter-bank market are valued at fair value.

2.7. Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.8. Impairment of Financial Assets

Assets Carried at Amortised Cost

At each Balance Sheet date, the Group estimates whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial assets or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

i) Significant financial difficulties of an issuer or obligor;
ii) a breach of contract, such as a default or delinquency in interest or principial payments;
iii) Concessions granted by the Group to a borrower caused by the economic or legal aspects of such borrower's financial difficulties, which would not have been taken into account under different circumstances;
iv) Probability of bankruptcy or other financial reorganisation of the debtor;
v) Disappearance of the active market for the respective financial asset caused by financial difficulties; or
(vi) Noticeable data indicating a measurable decrease of estimated future cash flows attached to a group of financial assets since the time of their initial recognition, even if such reduction cannot yet be assigned to particular items of the respective group of financial assets, including:
   - Adverse changes in the payment status of borrowers; or
   - Economic situation of the country or on the local market causing the impairment of assets belonging to the respective group.

The Group first assesses whether objective indications exist individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that for the given financial asset assessed individually there are no objective indications of its impairment (regardless of whether that particular item is material or not), the given asset is included in a group of financial assets featuring similar credit risk characteristics, which is subsequently collectively assessed in terms of its possible impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

In the event of existence of objective evidence indicating the impairment of loans and receivables or investments held to maturity and recognised at amortised cost, the impairment amount is calculated as the difference between the carrying value in the Balance Sheet of the respective asset and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying value of the asset is reduced through the use of an allowance account, and the resulting impairment loss is charged to the Profit and Loss Account. If a loan or held to maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is possible.

For the purpose of collective evaluation of impairment, the credit exposures are grouped in order to ensure the uniformity of credit risk attached to the given portfolio. Many different parameters may be applied to the grouping into homogeneous portfolios, e.g., the type of counterparty, the type of exposure, estimated probability of default, the type of security provided, overdue status outstanding, maturities and their combinations. Such features influence the estimation of the future cash flows attached to specific groups of assets as they indicate the capabilities of repayment on the part of debtors of their total liabilities in conformity with the terms and conditions of the contracts concerning the assessed assets.

Future cash flows concerning groups of financial assets assessed collectively in terms of their possible impairment are estimated on the basis of contractual cash flows and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

For the purpose of calculation of the amount to be provisioned against balance sheet exposures analysed collectively, the probability of default (PD) method has been applied. Such PD values should allow already arisen losses to be identified and should cover only the period in which the losses arising at the date of establishment of impairment should crystallise.

When a loan is uncollectible, it is written off against the related provision for impairment. Before any loan is written off, it is necessary to conduct all the required procedures (in accordance with IAS 39) and to determine the amount of the loss. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the Profit an Loss Account.

If in a subsequent period the impairment loss amount is decreasing and the decrease can be related objectively to an event occurring after the impairment was recognised (e.g., improvement of the debtor's credit rating), then the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recorded in the Profit and Loss Account.

Assets Measured at Fair Value through the Profit and Loss Account

At each Balance Sheet date the Group estimates whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If such kind of evidence concerning available for sale financial assets exists, the cumulative loss – determined as the difference between the cost of acquisition and the current fair value, less any impairment loss on that financial asset previously recognised in the Profit and Loss Account – is removed from equity and recognised in the Profit and Loss Account. Impairment losses concerning equity instruments recorded in the Profit and Loss Account are not reversed through the Profit and Loss Account, but through equity. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases, and such increase can be objectively related to an event occuring after the recording of the impairment loss in the Profit and Loss Account, then the respective impairment loss is reversed in the Profit and Loss Account.

2.9. Cash and Cash Equivalents

Cash and cash equivalents comprise items with maturities of up to three months from the date of their acquisition, including: cash in hand and cash held at the Central Bank with unlimited availability for disposal, Treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks, and short-term government securities.

Bills of exchange eligible for rediscounting with the Central Bank comprise PLN bills of exchange with maturities of up to three months.

2.10. Sell-buy-back Contracts

Repo and reverse-repo transactions are defined as selling and purchasing securities for which a commitment has been made to repurchase or resell them at a contractual date and for a specified contractual price.

Repos (securities sold with a repurchase clause) are reclassified in the financial statements as pledged assets if the entity receiving them has the contractual or customary right to sell or pledge them as collateral security. The liability towards the counterparty is recognised as amounts due to other banks, deposits from other banks, other deposits or amounts due from customers, depending on its nature. Reverse repos (securities purchased together with a resale clause) are recognised as loans and advances to other banks or other customers, depending on their nature.

When concluding a repo or reverse repo transaction, the Group sells or buys securities with a repurchase or resale clause specifying a contractual date and price. Such transactions are presented in the Balance Sheet as financial assets held for trading or as investment financial assets, and also as liabilities in the case of "sell-buy-back" transactions and as receivables in the case of "buy-sell-back" transactions.

Securities borrowed by the Group are not recognised in the financial statements. In this case, the actual purchase or sale transactions are recognised in the financial statements, whereas the gains or losses on such transactions are recognised in net trading income. The obligation to return the borrowed securities is recorded at fair value as a liability held for trading.

2.11. Derivative Financial Instruments and Hedging Accounting

Derivative financial instruments are recognised at fair value from the date of transaction. Fair value is determined based on prices of instruments listed on active markets, including recent market transactions and on the basis of valuation techniques, including models based on discounted cash flows and options pricing models, depending on which method is appropriate in the particular case. All derivative instruments with a positive fair value are recognised in the Balance Sheet as assets, those with a negative value: as liabilities.

The best fair value indicator for a derivative instrument at the time of its initial recognition is the price of the transaction (i.e., the fair value of the paid or received consideration), unless the fair value of the particular instrument may be determined by comparison with other current market transactions concerning the same instrument (not modified) or relying on valuation techniques based exclusively on market data that are available for observation. If such a price is known, the Group recognises the respective gains or losses from the first day.

Some embedded derivative instruments are treated as separate derivative instruments if the risks attached to them and their characteristics are not strictly linked to the risks and characteristics of the underlying contract and the underlying contract is not measured at fair value through the Profit and Loss Account. Embedded derivative instruments of this kind are measured at fair value and the changes in fair value are recognised in the Profit and Loss Account.

The method of recognising the resulting fair value gain or loss depends on whether the given derivative instrument is designated as a hedging instrument, and if it is, it also depends on the nature of the hedged item. The Group designates some derivative instruments either as (1) fair value hedges against a recognised asset or liability or against a binding contractual obligation (fair value hedge), or as (2) highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge). Derivative instruments designated as hedges against positions maintained by the Group are recorded by means of hedging accounting, subject to the fulfilment of the criteria specified in IAS 39.

The Group documents the objectives of risk management and the strategy of concluding hedging transactions, as well as at the time of concluding the respective transactions, the relationship between the hedging instrument and the hedged item. The Group also documents its own assessment of efficiency of fair value hedging and cash flow hedging transactions, measured both prospectively and retrospectively from the time of their designation and throughout the period of duration of the hedging relationship between the hedging instrument and the hedged item.

Fair Value Hedges

Changes in the fair value of derivative instruments designated and qualifying as fair value hedges are recognised in the Profit and Loss Account together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

In case a hedge has ceased to fulfil the criteria of hedging accounting, the adjustment to the carrying value of the hedged item for which the effective interest method is used is amortised to Profit and Loss Account over the period to maturity. The adjustment to the carrying amount of the hedged equity security remains in revaluation reserve until the disposal of the equity security.

Cash Flow Hedges

The effective part of the fair value changes of derivative instruments designated and qualifying as cash flow hedges is recognised in equity. The gain or loss concerning the ineffective part is recognised in the Profit and Loss Account of the current period.

The amounts recognised in equity are transferred to the Profit and Loss Account and recognised as income or cost of the same period in which the hedged item will affect the Profit and Loss Account (e.g., at the time when the forecast sale that is hedged takes place).

In the case when the hedging instrument has expired or has been sold, or when the hedge has ceased to fulfil the criteria of hedging accounting, any aggregate gains or losses recognised at such time in equity remain in equity until the time of recognition in the Profit and Loss Account of the forecast transaction. When a forecast transaction is no longer expected to occur, the aggregate gains or losses recorded in equity are immediately transferred to the Profit and Loss Account.

Derivative Instruments Not Fulfilling the Criteria of Hedge Accounting

Changes of the fair value of derivative instruments that do not meet the criteria of hedge accounting are recognised in the Profit and Loss Account of the current period.

The Bank holds the following derivative instruments in its portfolio:

Market risk instruments:
a) Warrants for shares
b) Futures contracts for bonds, index futures
c) Options for securities and for stock-market indices
d) Options for futures contracts
e) Forward transactions for securities

Interest rate risk instruments:
a) Forward Rate Agreement (FRA)
b) Interest Rate Swap (IRS), Cross Currency Interest Rate Swap (CIRS), Overnight Index Swap (OIS)
c) Interest Rate Options

Foreign exchange risk instruments:
a) Currency forwards, fx swap, fx forward
b) Currency options

2.12. Loans and Advances

Loans and advances are initially recognised at fair value reduced by the incurred transaction costs. After the initial recognition, loans and advances are recorded at adjusted cost of acquisition (amortised cost). Any differences between the amount received (reduced by transaction costs) and the redemption value are recognised in the Profit and Loss Account over the period of duration of the respective agreements according to the effective interest rate method. Specific provisions against loans and advances are formed on the basis of the estimated impairment of the respective receivables in the amount of the difference between the anticipated present value of future cash flows connected with the repayment of the receivables or the acquisition of the collateral security and the carrying balance sheet amount shown in the books of accounts.

2.13. Intangible Assets

Intangible assets are recognised at their cost of acquisition adjusted by the costs of improvement (rearrangement, development, reconstruction, adaptation or modernisation) and accumulated amortisation. Accumulated amortisation is accrued by the straight line method taking into account the period of economically useful life of the respective intangible assets.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in "intangible assets". Goodwill on acquisition of associates is recognised in "investment in associates". Goodwill is not amortised, but it is tested annually for impairment, and it is carried in the Balance Sheet at cost reduced by accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. Each of those cash generating units is represented by the investments of the Bank classified by basic reporting business segments.

Computer software

Purchased computer software licences are capitalised in the amount of costs incurred for the purchase and adaptation for use of specific computer software. These costs are amortised on the basis of the expected useful lifes of the software (2-5 years). Expenses attached to the development or maintenance of computer software are expensed when incurred. Costs directly linked to the development of identifiable and unique proprietary computer programmes controlled by the Bank, which are likely to generate economic benefits in excess of such costs expected to be gained over a period exceeding one year, are recognised as intangible assets. Direct costs comprise personnel expenses attached to the development of software and the corresponding part of the respective general overhead costs.

Capitalised costs attached to the development of software are amortised over the period of their estimated useful lifes.

Computer software directly connected with the functioning of specific information technology hardware is recognised as "Tangible fixed assets".

2.14. Tangible Fixed Assets

Land and buildings consist mainly of branch outlets and offices. Tangible fixed assets are carried at historical cost reduced by depreciation. Historical cost takes into the account the expenses directly attached to the acquisition of the respective assets.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only where it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Any other expenses incurred on repairs and maintenance are expensed to the Profit and Loss Account in the reporting period in which they were incurred.

Fixed assets designated for liquidation or decommissioning are measured at net book value or at fair value less selling costs, depending on which value is lower: the difference arising on this account is recognised under "Other operating profit/loss".

Land is not depreciated. Depreciation of other fixed assets is accounted for according to the straight line method in order to spread their initial value or revaluated amount reduced by the residual value over the period of their useful life which is estimated as follows for the particular categories of fixed assets:

– Buildings and constructed structures	25-40 years,
– Technical plant and machinery equipment	8-17 years,
– Transport vehicles	5 years,
– Information technology hardware	3 years,
– Investments in third party (leased) fixed assets	10-40 years or the period of the lease contract, if it is shorter than 25 years
– Office equipment, furniture	5-7 years.

Residual values and estimated useful life periods are verified at each Balance Sheet date and adjusted accordingly as the need arises.

Depreciable fixed assets are tested in terms of possible impairment always after the occurrence of events or change of circumstances indicating that their carrying value in the Balance Sheet might not be possible to be recovered. The value of a fixed asset carried in the Balance Sheet is reduced to the level of its recoverable value if the carrying value in the Balance Sheet exceeds the estimate recoverable amount. The recoverable value is the higher of two amounts: the fair value of the fixed asset reduced by its selling costs and the value in use.

Gains and losses on account of the disposal of fixed assets are determined by comparing the proceeds from their sale against their carrying value in the Balance Sheet and they are recognised in the Profit and Loss Account.

2.15. Deferred Tax Assets and Liabilities

The Group forms a provision for the temporary difference on account of deferred corporate income tax arising due to the discrepancy between the timing of recognition of income as earned and of costs as incurred according to accounting regulations and according to legal regulations concerning corporate income taxation. A positive net difference is recognised in liabilities as " Provisions for deferred income tax". A negative difference is recognised under "Deferred income tax assets". Any change in the balance of the deferred tax liability in relation to the previous accounting period is recorded under the item "Income tax". The balance sheet method is applied for the calculation of the deferred corporate income tax.

Liabilities or assets on account of deferred corporate income tax are recognised in their full amount according to the balance sheet method in connection with the existence of temporary differences between the tax value of assets and liabilities and their carrying value on the face of the Balance Sheet in the financial statements. Liabilities or assets on that account are determined applying the tax rates in force by virtue of law or of actual obligations at the Balance Sheet date. According to expectations such tax rates applied will be in force at the time of realisation of the assets or settlement of the liabilities on account of deferred corporate income tax.

The main temporary differences arise on account of impairment loss write-offs recognised in relation to the loss of value of credits and granted guarantees of repayment of loans, amortisation of intangible assets, revaluation of certain financial assets and liabilities, including contracts concerning derivative instruments and forward transactions, provisions for retirement benefits and other benefits following the period of employment, and also deductible tax losses.

Deferred income tax assets are recognised in the books of accounts at their realisable value. If the forecast amount of income determined for tax purposes does not allow the realisation of the asset on account of deferred income tax in full or in part, such an asset is recognised to the respective amount, accordingly. The above described principle also applies to tax losses recorded as part of the deferred tax asset.

The Group presents the deferred tax assets and provisions separately in the Balance Sheet. Such assets and provisions may be netted against each other if the Group possesses the legal rights allowing it to simultaneously account for them when calculating the amount of the tax liability.

The Group discloses separately the amount of negative temporary differences (mainly on account of unreconciled tax losses or unutilised tax allowances) in connection with which the deferred tax asset was not recognised in the Balance Sheet, and also the amount of temporary differences attached to investments in subsidiaries and associates for which no deferred tax provision has been formed.

The Group does not include in the deferred tax calculation any liability or asset on account of temporary differences arising in connection with investment in subsidiaries or associates unless, based on the available evidence, the realisation of such temporary differences is subject to control by the Group and it is probable that in the foreseeable future the respective differences will be reversed.

Deferred income tax on account of revaluation of available for sale investments and of revaluation of cash flow hedging transactions is accounted for in the same way as any revaluation, directly in equity, and it is subsequently transferred to the Profit and Loss Account when the respective investment or hedged item affects the Profit and Loss Account.

2.16. Assets Taken Over for Debts

Assets taken over in return for debts are measured at fair value. The difference between the debt amount and the value of assets acquired that is lower than the amount of the debt is charged to a specific provision formed on such account or written off and charged to the revaluation of such assets owing to their impairment. In the case when the fair value of acquired assets is higher than the debt amount, the difference constitutes a liability toward the debtor.

2.17. Accruals and Deferred Income

Cost accruals are recorded if the respective expenses concern the months succeeding the month in which they were incurred. Any negative provision for deferred corporate income tax is also recorded under accruals. Costs and income of future periods are accounted for in the Balance Sheet under "Other assets".

Deferred liabilities include costs of supplies delivered to the Company but not yet resulting in its payable liabilities. Income of future periods includes, i.e., received amounts of future benefits. Deferred liabilities of future periods and income attributable to future periods are carried in the Balance Sheet under "Other liabilities".

2.18. Leasing

BRE Bank SA Group as a Lessor

In the case of assets in use on the basis of a finance lease agreement, the current value of lease payments is recognised under receivables. The difference between the gross receivable amount and the present value of the receivables is recognised as unrealised financial income. Income on account of leasing is recorded over the period of the lease according to the net-of-tax tax investment method, which reflects the fixed periodical rate of return on the lease.

BRE Bank SA Group as a Lessee

The leases entered into by the Group are primarily operating leases. The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2.19. Provisions

The value of provisions for contingent liabilities such as unutilised guarantees and (own) letters of credit, as well as for unutilised irreversible unconditionally granted credit limits, is measured in compliance with IAS 37 Provisions, *Contingent Liabilities and Contingent Assets*.

2.20. Jubelee and Retirement Benefits and Other Employee Benefits

Jubelee and Retirement Benefits

The Group forms provisions against future liabilities on account of retirement benefits and length-of-service bonuses ("jubilee bonus") determined on the basis of an estimation of liabilities of that type, using an actuarial model. All provisions formed are charged to the Profit and Loss Account.

Benefits Based on Shares

The Group runs a programme of employee remuneration based on and settled in shares. These benefits are accounted for in compliance with IFRS 2 *Share-based Payment*. The fair value of the work performed by employees in return for options granted increases the costs of the respective period, corresponding to equity. The total amount which needs to be expensed over the period when the outstanding rights of the employees for their options to become exercisable are vested is determined on the basis of the fair value of the granted options. In accordance with IFRS 2, that value does not change over the term of the programme, i.e., the initial fair value recognised at the date of granting of options is not subject to any changes over the term.

2.21. Equity

Equity consists of capital and funds created in compliance with the respective provisions of the law, i.e., the appropriate legislative acts, the Company Bylaws, or Articles of association.

Share Capital

Share capital is presented at its nominal value, in accordance with the Bylaws and with the entry in the business register.

a) Share Issue Costs

Costs directly connected with the issue of new shares, the issue of options, or the acquisition of a business entity, reduce the proceeds from the issue recognised in equity.

b) Dividends

Dividends for the given year, which have been declared after the Balance Sheet date, are shown under the liabilities on account of dividends payable under the item of "Other liabilities".

c) Own Shares

In the case of acquisition of stocks or shares in the Company by the Company or by other entities consolidated as part of the Group, the amount paid reduces the value of equity as Treasury shares until the time when they are cancelled. In the case of sale or reallocation of such shares, the payment received in return is recognised in equity.

Share capital is presented at its nominal value, in accordance with the Bylaws and with the entry in the business register.

Supplementary Capital

Supplementary capital is formed from deductions from profit or from the share premium obtained from the issue of shares reduced by the attached direct costs incurred with that issue.

Other Capital and Reserves

Other capital and reserves are formed from deductions from profits and are assigned to purposes specified in the Bylaws or other provisions of the law. Other capital and reserves includes revaluation reserves arising on revaluation of fixed assets and of available for sale financial assets, the general banking risk fund, the fund assigned for the brokerage business, as well as other reserves. Revaluation reserves arising from revaluation of fixed assets conducted in previous years pursuant to separate specific regulations are transferred to supplementary capital at the time of decommissioning of the respective fixed asset (sale, donation, liquidation or recognition as a defect loss).

2.22. Valuation of Items Denominated in Foreign Currencies

Functional Currency and Presentation Currency

The items contained in financial reports of particular entities of the Group are valued in the currency of the basic economic environment in which the given entity conducts its business activities ("functional currency"). The Consolidated Financial Statements are presented in Polish zloty, which is the functional currency and the currency in which Company presents its accounts.

Transactions and Balances

Transactions denominated in foreign currencies are converted to the functional currency at the exchange rate in force at the transaction date. Foreign exchange gains and losses on such transactions as well as on Balance Sheet valuation of monetary assets and liabilities denominated in foreign currency are recognised in the Profit and Loss Account.

Foreign exchange differences arising on account of non-monetary items, such as financial assets measured at fair value through the Profit and Loss Account, are recognised under gains or losses arising in connection with changes of fair value. Foreign exchange differences on account of such non-monetary assets as equity instruments classified as available for sale financial assets are recognised under equity arising on revaluation at fair value.

Companies Belonging to the Group

The performance and the financial position of all the entities belonging to the Group, none of which conduct their operations under hyperinflationary conditions, the functional currencies of which do not differ from the reporting currency, are converted to the reporting currency as follows:

i) Assets and liabilities in each presented Balance Sheet are converted at the mid rate of exchange of the National Bank of Poland (NBP) in force at the Balance Sheet date;

ii) Revenues and expenses in each Profit and Loss Account are converted at the mid rate of exchange of the NBP at the same Balance Sheet date; whereas

iii) All resulting foreign exchange differences are recognised as a distinct item of equity.

Upon consolidation, foreign exchange differences arising from the conversion of net investments in companies operating abroad, as well as loans, advances and other FX instruments designated as hedges attached to such investments are recognised in the equity. Upon the disposal sale of a company operating abroad, such foreign exchange differences are recognised in the Profit and Loss Account as part of the profit or loss arising upon disposal.

Goodwill and fair value adjustments which arise upon the acquisition of entities operating abroad, are treated as assets or liabilities of the foreign subsidiaries and converted at the closing exchange rate.

Leasing Business

Negative or positive foreign exchange differences (gains/losses) from the valuation of liabilities on account of credit financing of purchases of assets under operating leasing schemes are recognised in the Profit and Loss Account. In the operating leasing agreements recognised in the Balance Sheet of the Subsidiary Company (BRE Leasing Sp. z o.o.), the fixed assets subject to the respective contracts are recognised at the starting date of the appropriate contract as converted to PLN, whereas the foreign currency loans with which they were financed are subject to valuation according to the respective foreign exchange rates.

In the case of financial lease agreements, however, the foreign exchange differences arising from the valuation of leasing payments due as well as of liabilities denominated in foreign currency are recognised through the Profit and Loss Account at the time of valuation. Future receivables on account of leasing payments denominated in foreign currency are not presented on the face of the financial reports, but off-Balance Sheet. If such foreign currency flows are recognised in keeping with their correspondence principle, the same principle of correspondence of revenues and costs is applied in the Profit and Loss Account.

2.23. Custody Services Business

BRE Bank SA operates a custody business including domestic and foreign securities and services provided to investment and pension funds.

Dom Inwestycyjny BRE Banku SA operates a custody business in connection with the handling of securities accounts of the clients.

The assets concerned are not shown in these financial statements as they do not belong to the Group.

Other companies belonging to the Capital Holding Group do not conduct any custody business operations.

2.24. Comparative Data

The comparative data have been adjusted so as to account for the changes in presentation introduced in the current financial year.

3. Financial Risk Management

3.1 Strategy in using Financial Instruments

Due to its nature, the business of the Group focuses on using financial instruments, including derivatives. The Group accepts customers deposits with both fixed and variable interest for various terms and attempts to earn above-average percent margins by investing the funds in top quality assets. The Group works to increase its percent margins by accumulating short-term funds and lending the funds for longer terms, for larger interest rates, while retaining liquidity at a level ensuring that all liabilities are met.

Further, the Group works to improve its earnings by obtaining above-average margins, net of provisions, by lending funds to corporate and household customers with varying credit ratings. Such exposures include not only credits and loans recognized in the Balance Sheet but also guarantees and other off-balance sheet liabilities, such as letters of credit, good performance guarantees, etc.

Also, the Group trades with listed and unlisted financial instruments, including derivatives, in order to take advantage of short-term changes on the equity instruments, bonds, currencies and interest rate markets. The Management Board sets exposure limits for overnight and intra-day market positions.

Hedge Accounting

BRE Bank SA

The Bank does not use hedge accounting.

BRE Leasing Sp. z o.o.

The purpose of a hedging transaction is to hedge a fixed level of cash flows resulting from payments of interest on variable rate credits.

Interest rate swap (IRS) transactions are used to hedge the company against changes in the interest rates under fixed rate credit agreements. IRS transactions were made with the same banks with which BRE Leasing concluded variable rate credit agreements.

The hedged item is the level of interest cash flows resulting from payments under variable rate credits.

Cash flows resulting from IRS transactions are used to set off changes in cash flows under the hedged items (loan). A hedging instrument secures fixed level of cash flows resulting from interest payments under contracted variable rate credits during the term of the hedge.

It is expected that changes in the fair value of interest cash flows from the hedged instrument (loan transaction) will set off all changes in value of the hedging instrument (IRS) in full because:

a) Loan and swap (IRS) transactions have the same face values in each interest period, the same dates of payment, and the same reference rate;
b) In case of differences (temporary) in the face values, interest periods ore reference rates for the hedging item and the hedged item, a hedging efficiency ratio is ensured that fits in a required range (the criterion of hedging efficiency is always met).

Hedging efficiency ratio is measured as a coefficient of correlation between the present value of cash flows from the hedged item and the present value of hedged cash flows from the hedging item.

BRE Leasing defines the hedging efficiency criterion as a hedging efficiency ratio ranging between $0.8 \le corr \le 1.25$.

A hedging relationship is a cash flow hedge against variability attributable to all interest payments under the hedged item (variable rate credit agreements), which will affect the disclosed net profit or loss because the amount of the future cash flow (amount of interest) from the hedged instrument (variable rate credit) is unknown.

A change in the fair value of a derivative instrument (IRS) is recognized in the Balance Sheet in accordance with the following rule:

– The effective part of a hedge is disclosed as an equity fund (revaluation fund); and
– The ineffective part of the hedge is disclosed in the Profit and Loss Account.

There are no hedges for proposed transactions or likely future liabilities.

Revaluation reserve – valuation of hedging instruments as at 01.01.2005 (in PLN 000's):	
Before tax	(7 251)
Deferred tax	1 378
Net	(5 873)
a) Total increases	3 620
b) Change in deferred tax	(688)

Revaluation reserve – valuation of hedging instruments as at 30.06.2005	
Before tax	(3 631)
Deferred tax	690
Net	(2 941)

3.2 Credit Risk

The Group is exposed to credit risk, i.e., risk that a contracting party may be unable to repay its liabilities to the Group on time. The Group creates provisions for its losses on the Balance Sheet date. Because of strong concentration of the risk portfolio, a change in the economy or an industry sector with a large share in the Group's portfolio may create additional risk, for which no provisions were made on the Balance Sheet date. For this reason, the Management monitors the customers and customer groups in connection with the service of which the exposure of the Bank is significant. In addition, if the exposure of the Bank is concentrated in an industry, the Bank monitors its share in the financing of the whole industry and the standing of each customer of the Bank vs. the rest of the industry.

For this purpose, the Bank uses a statistical database, in which each parameter of financing each of the Bank's customers is mapped onto a decile grid of the parameter for the whole industry. This enables the Bank to monitor its industry-related risk to its portfolio at times when the standing of the whole industry undergoes rapid changes under the influence of external factors.

The Group manages the level of its credit exposure by setting limits for risks acceptable to each borrower or group of related borrowers and by using a structure of sub-limits.

Sub-limits make it possible to adjust a limit to the requirements of customers in functional terms and, on the other hand, they enable control of the use of funds provided to each customer. The risk management exercise involves also the setting of limits for geographic and industrial concentration. Credit risk is monitored daily on the basis of financial documents received from customers and observation of all trends, signals, and economic projections. In addition, the Bank can access external database and information services that capture information in various cross-sections.

The exposure related to each borrower (including banks and brokers) is additionally limited by application of detailed balance sheet and off-balance sheet exposure and daily risk limits for transactions such as forward currency contracts. The actual exposure is compared to the maximum limits on daily basis.

The level of exposure to credit risk is managed by regular reviews of the existing and potential borrowers' ability to repay principal and interest (if necessary, the Bank may change a credit limit. Another credit risk management method) and by asking customers to provide security and/or guarantees.

Derivative Instruments

The Group exercises strict control over net open derivatives, i.e., the difference between purchase and sale contracts, both in terms of amount and validity. The amount exposed to credit risk is limited at all times to the present fair value of the instruments with positive values (assets), which, in relation to derivative instruments, represents only a small fraction of contract or face values used to express the volume of the existing instruments. The level of exposure to this credit risk, together with potential exposure related to market changes, is managed under the overall credit limits for customers. If the value of exposure related to transactions on derivatives or in case of exceeding a limit increases (growth of value favourable to the Group or, in theory, growth of weights of the risk for calculation of potential loss), the customer is asked to provide (or increase) the security. Typically, the Group does not ask for security for credit risk related to such instruments. The exception is a situation when the Group requires security deposits from its contracting parties.

Master Netting Agreements

Master netting agreements made with contracting parties with which the Group concludes large transactions are an additional measure used by the Group to alleviate the risk of losing on credits. As a rule, such master netting agreements do not result in compensation of balance sheet assets and liabilities because transactions are usually settled in gross amounts. However, credit risk related to a favourable agreement is alleviated through execution of a master netting agreement because if the agreement is breached, all accounts with the contracting party are terminated and realized in net amounts. The total credit risk exposure of the Group related to derivative instruments covered by master netting agreements can undergo significant changes over a short time because each transaction covered by the agreement affects the exposure.

Off-balance sheet Credit-related Commitments

These instruments are used mainly to ensure availability of required funds to customers. "Standby" guarantees and letters of credit, representing irrevocable assurance of payment of a customer's liabilities to third parties by the Group if the customer is unable to do so, involve the same risk as credits. Documentary letters of credits and commercial letters of credit (CLC), representing written commitments of the Group given to a customer, authorizing third parties to draw checks on the Group up to an agreement and on specified terms, are secured with deliveries of goods they relate to, by which they involve less risk than direct credits.

Credit-related off-balance sheet commitments concern the unused parts of credits, guarantees and letters of credit granted by the Group. As regards credit risk related to credit commitments, the Group can be exposed to loss equal to the whole amount of unused credit commitments. However, the probable amount of loss is smaller than the whole amount of unused credit commitments because most of such commitments are contingent on meeting specific crediting standards by customers. The Group monitors the terms of validity of credit commitments because, as a rule, longer terms involve larger risk.

Concentration of the exposure of BRE Bank SA per client, sector, capital group including risk assessment related to this exposure

Loan portfolio as at 30.06.2005

Sector (European Business Classification)	Principal exposure (PLN 000's)	Portfolio share (%)
1. Household customers	3,352,774	23.1%
2. Financial mediation * (65)	2,022,516	14.0%
including mediation with banks	881,058	6.1%
3. Wholesale and consignment trade ** (51)	1,683,907	11.6%
4. Insurance and retirement/pension funds (66)	1,150,003	7.9%
5. Real estate services (70)	537,058	3.7%
6. Production of foodstuffs and beverages (15)	469,319	3.2%
7. Building industry (45)	377,899	2.6%
8. Production of wood and manufacture of wooden goods (20)	296,934	2.0%
9. Manufacture of furniture (36)	265,212	1.8%
10. Production/generation and supplies of power, gas, steam and hot water (40)	251,383	1.7%
Total	**10,407,005**	**71.8%**

* Except insurance and retirement/pension funds
** Except trade with motor vehicles and motorbikes

The total exposure of the Bank with these sectors (other than households) represents ca. 49% of the loan portfolio. A recent study of the Market Economy Research Institute *(Instytut Badań nad Gospodarką Rynkową)* assessed the risks of investing in these segments (in a 5-point scale: small, medium, increased, large and very large) as follows:

Financial mediation	not classified
including mediation with banks	medium
Wholesale and consignment trade	medium
Insurance and retirement/pension funds	small
Real estate services	medium/increased
Production of foodstuffs and beverages	medium
Production/generation and supplies of power, gas, steam and hot water	small
Production of wood and manufacture of wooden goods	small
Building industry	large

Concentration of the exposure of BRE Bank per entity and capital group (balance sheet and off-balance sheet exposure)

Entity	PLN 000's	Share of the total gross exposure
Customer 1	1,750,503	7.1%
Customer 2	1,150,000	4.6%
Customer 3	808,020	3.3%
Customer 4	396,811	1.6%
Customer 5	328,353	1.3%
Customer 6	296,067	1.2%
Customer 7	197,300	0.8%
Customer 8	195,272	0.8%
Customer 9	186,430	0.8%
Customer 10	150,601	0.6%

These items include credit exposure and off-balance sheet exposures (guarantees, letters of credit, unused parts of credits) with the customers.

The first item concerns mainly guarantees for redemption of Eurobonds issued by a Bank's subsidiary. The second exposure consists of credits and an open credit line for a public/government organization. Exposure with customer 3 relates to a guarantee of redemption of Eurobonds issued by a subsidiary. Item 4 consists of credits and open credit lines. Number 5 represents exposure with a subsidiary, related to credits, open credit lines, stocks and bonds; it is classified as "standard" exposure. Item 6 represents credit exposure, exposure related to securities and a measure of credit risk related to transactions on derivatives. Item 7 relates to open credit lines and guarantees for a company with stabilized financial standing. Number 8 is mainly credits and open credit lines. Row 9 represents credit exposure only, classified as "standard". Finally, item 10 consists of a mid-term revolving credit and a short-term credit line classified as "standard" exposures.

Capital groups	PLN 000's	Share of the total gross exposure
Group 1	399,686	1.6%
Group 2	397,109	1.6%
Group 3	281,241	1.1%
Group 4	241,102	1.0%
Group 5	224,709	0.9%
Group 6	220,561	0.9%
Group 7	212,116	0.9%
Group 8	219,080	0.9%
Grupa9	205,018	0.8%
Group 10	195,789	0.8%

These items represent credit exposures and off-balance sheet exposures (guarantees, letters of credits, unused parts of credits) with the listed capital groups. The standing of each of these groups is considered good or very good. More than 90% of these receivables are classified as "standard" debts.

3.3 Concentration of Assets, Liabilities and Off-balance Sheet Items by Geographic Area

The Group does not classify assets, liabilities and off-balance sheet items according to geographic areas because of non-existence of geographic variation of risks.

3.4 Market Risk

The Bank is exposed to market risk resulting from open items in interest rate, currency and equity instruments that are exposed to market-driven changes in the values of relevant risks. The Bank quantifies the level of the market risk of the Bank's position by measuring values at risk (VaR*) and by testing edge conditions. To alleviate the exposure of the Bank to the market risk, the Management Board of the Bank sets limits for values at risk and limits for edge condition tests, acting through the Financial Risk Committee. Market risk limits of the Bank's trade book are monitored on daily basis.

IFRS Consolidated Financial Statements for the 1st half of 2005 (PLN 000's)

* Value at Risk (VaR) is a statistical measure of market risk level. It represents the potential loss a portfolio is exposed to over a certain time, for a given confidence interval, under normal market conditions on the account of changes in risk factors (such as interest rates, currency exchange rates, stock prices) and volatility of certain risk factors (currency exchange rates, interest rates and prices). The potentiality of loss means that a loss smaller than the determined VaR can be expected within the predefined period with predefined large probability for which the value at risk is determined

Portfolios of instruments sensitive to interest rates (such as treasury bonds, commercial papers, IRS and CIRS transactions) and, in the second order, portfolios of instruments sensitive to currency exchange rates (such as currency options and currency exchange transactions) are the major determinants of VaR. Other risk factor groups have relatively smaller effect on VaR.

In the end of June 2005, the one-day total VaR in the trade book of the Bank amounted to PLN 626,000 at 95% relevance. The following table presents values of mean one-day VAR of the Bank's trade book between 1 January 2005 and 30 June 2005 and between 1 January 2004 and 30 June 2004.

	6 months to 30.06.2005			**6 months to 30.06.2004**		
	mean	**max.**	**min.**	**mean**	**max.**	**min.**
Interest rate risk	612	1299	222	1163	3983	353
Foreign exchange risk	370	1166	90	541	1642	67
Equities risk	193	464	57	408	715	81
Total VaR	856	1579	448	1404	3847	538

3.5 Currency Risk

BRE Bank is exposed to changes in currency exchange rates. The following table presents the exposure of the Group to currency risk as at June 30. The table presents assets and liabilities of the Group at balance sheet values, for each currency.

IFRS Consolidated Financial Statements for the 1st half of 2005 (PLN 000's)

Concentration of Assets, Liabilities and Off-balance Sheet Items

30.06.2005	PLN	EUR	USD	CHF	GBP	Other	Total
ASSETS							
Cash and balances with Central Bank	582 484	13 535	12 126	628	868	1 876	611 517
Debt securities eligible for rediscounting at the Central Bank	55 771	-	-	-	-	-	55 771
Loans and advances to banks	3 263 803	2 161 555	1 792 662	8 367	2 197	215 479	7 444 063
Other financial instruments at fair value through profit and loss (including trading securities)	2 561 493	280 867	199 608	-	-	13	3 041 981
Derivative financial instruments	1 645 271	17 658	8 843	-	-	284	1 672 056
Loans and advances to customers	8 644 712	2 672 967	1 138 428	2 305 429	12 453	470 817	15 244 806
Investment securities	190 951	107 003	172 629	-	-	1	470 584
- Available for sale	165 547	107 003	172 629	-	-	1	445 180
- Held to maturity	25 404	-	-	-	-	-	25 404
Pledged assets	2 517 452	21 486	-	-	-	-	2 538 938
Investments in associated undertakings	781	1 358	-	-	-	-	2 139
Intangible assets	670 803	408	-	-	-	247	671 458
Tangible fixed assets	526 989	6 397	-	-	-	2 180	535 566
Other assets, including deferred income tax assets	1 077 042	6 470	226	220	12	1 449	1 085 419
Total assets	21 737 552	5 289 704	3 324 522	2 314 644	15 530	692 346	**33 374 298**
							-
LIABILITIES							-
Amounts due to the Central Bank	-	-	-	-	-	-	-
Amounts due to other banks	2 342 187	2 218 331	40 574	332 200	10 026	287 108	5 230 426
Other deposits	-	-	-	-	-	-	-
Derivative financial instruments and other trading liabilities	1 683 499	71 434	11 377	-	-	315	1 766 625
Amounts due to customers	15 038 442	2 445 483	1 531 188	36 998	50 027	48 436	19 150 574
Debt securities in issue	320 501	2 489 253	27 764	-	-	-	2 837 518
Other borrowed funds	7 578	1 417 386	-	-	-	-	1 424 964
Other liabilities, including income tax liabilities	859 788	27 705	4 405	220	312	4 743	897 173
Provisions	86 379	14 447	-	-	-	-	100 826
Total liabilities	20 338 374	8 684 039	1 615 308	369 418	60 365	340 602	**31 408 106**
Net on-balance sheet position	**1 399 178**	**(3 394 335)**	**1 709 214**	**1 945 226**	**(44 835)**	**351 744**	**1 966 192**
Credit commitments	**4 933 311**	**720 584**	**256 813**	**128 615**	**3 028**	**156 440**	**6 198 791**

31.12.2004	PLN	EUR	USD	CHF	GBP	Other	Total
Total assets	20 414 047	5 013 907	3 248 959	1 846 018	35 503	623 362	31 181 796
Total liabilities	19 524 261	7 612 660	1 370 060	351 561	50 334	365 519	29 274 395
Net on-balance sheet position	**889 786**	**(2 598 753)**	**1 878 899**	**1 494 457**	**(14 831)**	**257 843**	**1 907 401**
Credit commitments	**4 969 879**	**666 645**	**311 403**	**96 849**	**1 716**	**4 615**	**6 051 107**

30.06.2004							
Total assets	19 538 748	5 854 205	3 888 995	1 618 646	26 957	829 714	31 757 265
Total liabilities	18 478 635	8 359 992	1 761 756	352 860	35 163	460 958	29 449 364
Net on-balance sheet position	**1 060 113**	**(2 505 787)**	**2 127 239**	**1 265 786**	**(8 206)**	**368 756**	**2 307 901**
Credit commitments	**3 433 404**	**807 106**	**369 272**	**55 390**	**7 964**	**89 057**	**4 762 193**

3.6 Trade Book Interest Rate Risk

Restatement date misfit gap and interest earnings at risk (EaR) based on the former are the key trade book interest rate risk measures at BRE Bank SA. In addition, the Bank performs stress test analyses based on these methods.

A sudden, lasting and disadvantageous change of market interest rates by 100 base points for all maturities in the 1st half of 2005 would result in decrease in the annual interest income by the following amounts, on average:

- PLN 16.91 M for PLN
- PLN 0.61 M for US$
- PLN 3.94 M for EUR

To calculate these values, the Bank assumed that the structure of financial assets and liabilities disclosed in the financial statements of 30 June 2005 would be fixed during the year and the Bank would not take any measures to change related exposure to interest rate change risk.

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The following table presents the Bank's exposure to interest rate change risk. The table presents assets and liabilities of the Bank at balance sheet values, for the earlier of the following dates: a change of the interest rate set in an agreement or maturity.

The Group does not present comparative data due to the fact that IAS 39 was not applied retrospectively.

30.06.2005	Up to 1 month	Up to 3 months	Up to 1 year	Up to 5 years	More than 5 years	
Interest assets	18 487 830	1 725 166	2 175 704	489 292	407 614	
Interest liabilities	(16 326 640)	(4 347 228)	(2 469 186)	(104 207)	(13 284)	
Net neutral positions						(25 061)
Balance sheet gap	**2 161 190**	**(2 622 062)**	**(293 482)**	**385 085**	**394 330**	
Off-balance sheet long positions	25 335 261	37 789 225	89 892 571	27 841 870	877 611	
Off-balance sheet short positions	(29 664 589)	(35 443 907)	(89 534 383)	(27 929 761)	(1 246 191)	
Net neutral positions						2 082 193
Off-balance sheet gap	**(4 329 328)**	**2 345 318**	**358 188**	**(87 891)**	**(368 580)**	
Total gap	**(2 168 138)**	**(276 744)**	**64 706**	**297 194**	**25 750**	
						2 057 132

3.7 Liquidity Risk

BRE Bank SA monitors its financial liquidity daily, using methods based on cash flows analysis. The measurement of liquidity risk is based on an internal model based on analyses of the Bank's specificity, deposit base variability, financing concentration and developments planned for each item. The following are monitored daily: value of misfit in specific time intervals (gap), the level of liquidity provisions of the Bank, and the rate of usage of internal limits.

The Bank uses methods based on estimation of cash flows misfit to measure liquidity risk. Among others, the Bank monitors liquidity rations, including short-term liquidity ratio that identifies cash flows misfit within up to one month.

In addition to liquidity ratios, the Bank monitors the level of concentration of deposits and the status of coverage of estimated deposit outflows under predefined scenarios with liquidity provisions of the Bank.

In the 1st half of 1005, the liquidity rate stayed within the 0.89-1.08 range with the mean value of 0.98. In the end of June, the ratio increased to 1.06.

The following table presents the structure of maturities of assets and liabilities of the Group based on the time to maturity remaining as at the Balance Sheet date.

The Group does not present comparative data due to the fact that IAS 39 was not applied retrospectively.

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30.06.2005	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	More than 5 years	Total
ASSETS						
Cash and balances with Central Bank	611 517		-	-	-	**611 517**
Debt securities eligible for rediscounting at the Central Bank	-	55 771	-	-	-	**55 771**
Loans and advances to banks	6 234 059	280 907	431 932	462 505	34 660	**7 444 063**
Trading securities and other financial instruments at fair value through profit and loss account	326 356	151 284	966 671	894 676	702 994	**3 041 981**
Loans and advances to customers	2 958 009	2 760 395	3 986 317	3 398 105	2 141 980	**15 244 806**
Investment securities	18 793	-	39 593	165 621	246 577	**470 584**
- Available for sale	18 793	-	14 189	165 621	246 577	**445 180**
- Held to maturity	-	-	25 404	-	-	**25 404**
Other assets	5 044 654	31 037	148 903	518 011	762 971	**6 505 576**
						-
T o t a l a s s e t s	**15 193 388**	**3 279 394**	**5 573 416**	**5 438 918**	**3 889 182**	**33 374 298**
EQUITY AND LIABILITIES						
Amounts due to the Central Bank	-	-	-	-	-	-
Amounts due to other banks	1 313 124	1 712 987	1 608 026	484 431	111 858	**5 230 426**
Other deposits	-	-	-	-	-	**-**
Amounts due to customers	16 129 361	1 340 726	501 674	778 857	399 955	**19 150 573**
Debt securities in issue	119 067	7 688	20 602	2 690 161	-	**2 837 518**
Other borrowed funds	-	-	-	-	1 424 964	**1 424 964**
Other liabilities	1 061 533	1 068 387	473 155	51 450	9 274	**2 663 799**
Provisions	33 783	4 004	60 104	2 935	-	**100 826**
T o t a l l i a b i l i t i e s	**18 656 868**	**4 133 792**	**2 663 561**	**4 007 834**	**1 946 051**	**31 408 106**
Net liquidity gap	**(3 463 480)**	**(854 398)**	**2 909 855**	**1 431 084**	**1 943 131**	**1 966 192**

3.8 Fair Value of Financial Assets and Liabilities

Fair value is a price, for which an asset could be exchanged, or an obligation fulfilled, between well informed and interested parties in a direct transaction other than a forced sale or liquidation. The market price, if available, is the best reflection of fair value.

According to IFRS 1, par. 36A, the Group took benefit of the exemption from the obligation to disclose comparable fair value information.

The Group assumed that the fair value of variable rate and short-term (less than 1 year) fixed rate financial instruments was equal to the balance sheet value of such items.

In addition, the Group assumed that the estimated fair value of fixed interest instruments with maturities longer than 1 year was based on discounted cash flows. The discounting factor used to discount cash for such financial instruments was based on zero coupon curve.

The following table presents a summary of balance sheet and fair values for each group of financial assets and liabilities not recognized in the Balance Sheet of the Group at their fair values.

	Carrying value 30.06.2005	Fair value 30.06.2005
Financial assets		
Loans and advances to banks	7 444 063	7 444 063
Loans and advances to customers	15 244 806	15 286 773
Assets available for sale	445 180	445 180
Investments in associates	2 139	2 139
Financial liabilities		
Amounts due to other banks	5 230 426	5 233 013
Amounts due to customers	19 150 573	19 150 481
Debt securities in issue	2 837 518	2 840 444

The following sections present the key assumptions and methods used by the Group for estimation of the fair values of financial instruments:

Amounts due from banks. The balance sheet values are the fair values of variable interest deposits and fixed interest deposits with less to 1 year to maturity.

Loans and advances to customers are disclosed at net values adjusted for impairment write-offs. The fair value of fixed interest rate loans and advances granted to customers with more than 1 year to maturity was calculated as discounted value of expected future receivables on the account of principal and interest. It was assumed that credits and loans would be repaid on dates set in agreements. The fair values of substandard credits are equal to their net balance sheet values that take account of all premises indicative of impairment of the value of such credits. So estimated fair value of credits and loans reflects changes in credit risk since the grant of each credit/loan and changes in interest rates for fixed rate credits.

Securities held to maturity. The group has no interest bearing assets held to maturity with more than 1 year to maturity.

Available for sale financial assets. Listed available for sale financial instruments held by the Group are priced at their fair values. The Group was unable to prepare reliable fair value estimates for unlisted instruments and it used amortised cost valuation (taking account of effective interest rates for debt instruments) or purchasing price adjusted (for impairment write-offs for equity instruments) for the balance sheet valuation purposes.

Investments in associates. The Group was unable to prepare reliable fair value estimates for this kind of instruments, so the equity valuation method was used for financial assets representing interests in associates.

Financial instruments on the liabilities side include the following:

1. Contracted loans;
2. Liabilities resulting from the issue of deposit certificates by BRE;
3. Deposits.

The fair value for these fixed interest rate financial liabilities with more than 1 year to maturity is based on cash flows from principal and interest repayments discounted by a discounting factor based on zero coupon curve.

The Bank assumed that the fair values of such variable interest rate instruments or fixed interest rate instruments with less than 1 year to maturity was equal to the balance sheet values of the instruments.

3.9 Other Business

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties.

In connection with these, the Group makes decisions concerning allocation, purchase and sale of numerous financial instruments of many types. Assets held in a fiduciary capacity are not disclosed in these financial statements.

4. Major Estimates and Judgments Made in Connection with the Application of Accounting Policy Principles

The Group applies estimates and adopts assumptions, which impact the values of assets and liabilities presented in the subsequent period. Estimates and assumptions, which are continuously subject to assessment, rely on historical experience and other factors, including expectations concerning future events, which seem justified under the given circumstances.

Impairment of loans and advances

The Group reviews its loan portfolio in terms of possible impairments at least once per quarter. In order to determine whether any impairment loss should be recognised in the Profit and Loss Account, the Group assesses, whether any evidence exists that would indicate some measurable reduction of estimated future cash flows attached to the loan portfolio, before such a decrease will be able to be attributed to a specific loan. The estimates may take into account any observable indications pointing at the occurrence of an unfavourable change in the solvency position of debtors belonging to any particular group or in the economic situation of a given country or part of a country, which is associated with the problems appearing in that group of assets. The Management plans future cash flows based on estimates drawing on historical experience of losses incurred on assets featuring the traits of credit risk exposure and objective impairment symptoms similar to those, which characterise the portfolio. The methodology and the assumptions on the basis of which the estimate cash flow amounts and their anticipated timing will be regularly reviewed in order to reduce the discrepancies between the estimated and the actual magnitude of the impairment losses concerned.

Fair value of derivative instruments

The fair value of financial instruments not listed on active markets is determined by applying valuation techniques. All the models are approved prior to being applied and they are also calibrated in order to assure that the obtained results indeed reflect the actual data and comparable market prices. As far as possible, the models applied resort exclusively to observable data, originating from an active market.

Impairment of equity securities available for sale

Impairment is regarded to occur if over a period of at least three months the listed price of the given security continues to be lower than the cost of its acquisition, the issuer incurres loss not covered by his equity within the period of one year, as well as the occurrence of other facts and circumstances providing indications of the impairment of value. Increase of value is regarded to occur if over a period of at least three months the listed price of a given security remains at a higher level than its most recent valuation as well the existence of other facts and circumstances indicating the increase of value. Improvement of value is established according to the value presented in the last day of the three-month period, but not any higher than the cost of acquisition.

In addition, objective evidence of impairment for an investment in an equity instrument includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the eqity instrument may not be recovered. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment.

Impairment of debt instruments available for sale

Impairment and increase in value of debt securities available for sale is determined at the date of valuation, i.e. the Balance Sheet date, separately for each category of debt security. Impairment is recognised, if over a period of at least three months the listed price of the given security persists at a level lower than its cost of acquisition, if the issuer incurs a loss not covered by his equity capital over a period of one year or in the event of other circumstances indicating impairment. Value is deemed to have increased if over a period of at least three successive months the listed price of a security has been higher than its previous valuation or, if other circumstance indicating such an increase persist over such a period. An increase in value is determined according to the value recognised on the last day of the three month period, but it cannot be higher than the cost of acquisition.

Goodwill

The Bank tests the value of goodwill arising from acquisition of shares in Group member companies consolidated in the financial statements in terms of the risk of goodwill impairment during each annual period.

5. Business Segments

The classification by business segments is based on the internal organisational structure of the BRE Bank SA Capital Group. This implies that the business segments were distinguished by attributing to them the business activities conducted by operating units of BRE Bank SA and by the companies of its Capital Group.

The business activities of the Capital Group are conducted in the following business segments:

1) Retail banking, including private banking services, current accounts for retail customers, savings accounts, deposits, investment products, custody services, credit and debit cards, consumer and mortgage loans, term deposits from natural persons and small and medium-sized enterprises, financial settlements, operations on bills of exchange, cheques, and issuing of guarantees.

2) Investment banking, including dealing in financial instruments, financing of a structural nature, leasing services for enterprises, consulting concerning mergers and acquisitions, as well as consulting services on corporate restructuring and the implementation of all forms of privatisation of enterprises, and offerings of securities admitted to public trading, acquisition and sale of securities in own name but on the account of

clients, safekeeping of securities in custody, acquisition and sale of securities in own name and on proprietary account, management of portfolios of securities entrusted by clients.

The Bank is a money market participant both in transactions concluded on the inter-bank market and with non-bank clients. This line of business also comprises transactions in securities such as Treasury bills and bonds, monetary bills of the National Bank of Poland, investment-deposit and FX SWAP transactions. The Bank is also a participant of the securities market, focusing on operations consisting of buying and selling securities on the primary and secondary markets, as well as repo and reverse repo transactions on the inter-bank market. The Bank also offers financial instruments used in interest rate risk management, including forward rate agreements (FRA), interest rate swaps (IRS), interest rate options, as well as cross-currency interest rate swaps (CIRS).

The Bank manages issues of European purchase and sale warrants for stocks of WSE-listed companies and for various types of stock exchange indexes. Recently, the Bank has introduced a new product: investment deposit combining the benefits of time deposit and capital market investment.

Independently or in syndicates with other banks, the Bank enters into agreements concerning issues of debt securities (bonds, investment notes and certificates of deposit).

Co-operation with local and international financial institutions (apart from transactions conducted through nostro and loro accounts) helps to raise loans on the international inter-bank market. Moreover, the Bank also has access to credit lines for the financing of imports and for refinancing of investment loans dedicated for small and medium-sized enterprises, drawn mainly from the funds of the European Investment Bank (EIB).

Investment banking includes the following companies: Dom Inwestycyjny BRE Banku SA, BRE Corporate Finance SA, BRE International Finance BV, BRE Finance France SA.

The Bank earns income from capital gains on its portfolio of proprietary investment including direct and indirect stakes (held via SPV – special-purpose vehicles) acquired with a view to high long-term yields. Apart from the specialised organisational unit of the Bank managing the long-term investment portfolio, the segment also comprises the activities of the companies Tele-Tech Investment Sp. z o.o. and TV-Tech Investment Sp. z o.o., whose core business is to invest in securities, to trade in debts, to manage controlled companies, and to provide consultancy. Proprietary investment also includes the results of the company Garbary Sp. z o.o.

3) Asset Management, including only the results of Skarbiec Asset Management Holding SA and PTE Skarbiec-Emerytura SA.

4) Corporate banking, including the keeping of current accounts, savings accounts and term deposits, FX products and derivative instruments, offering of investment products, credit cards and debit cards, business credit and consumer loans, mortgage loans, as well as finance and operating leasing of motor cars, machines, office equipment, leasing of real estate, as well as administration support of the leasing of the above indicated categories of fixed assets.

   The Bank's product offer in this business segment targets large firms, small and medium-sized enterprises, as well as local governments. A significant part of the activities in the corporate banking segment consists of services supporting foreign trade transactions. The Bank's offer addressed to businesses includes currency exchange, international transfers, cheques, collection of payments, short-term loans, as well as a whole range of financial tools, such as the purchasing of claims to receivables, forfeiting, letters of credit, bank guarantees, and others. Moreover, clients are offered financial instruments designed to hedge against foreign exchange risk exposure.

   Corporate banking includes the results of the following companies: BRE Leasing Sp. z o.o., Intermarket Factoring Bank AG, Polfactor SA, Transfinance a.s., and Magyar Factor Rt.

5) The remaining business of the Group includes results on transactions not classified as business areas and the results of the companies BRE Locum Sp. z o.o. and CERI Sp. z o.o.

   Transactions between the business segments are conducted on regular commercial terms.

   Resources are allocated to particular business segments, which results in transfers of financing costs recorded in operating income. Interest accruing on such funds is based on the cost of capital to the Group. No other substantial income or expense items exist in transactions between the business segments.

   Assets and liabilities of a business segment comprise operating assets and liabilities, which account for most of the Balance Sheet, whereas they do not include such items as taxes or loans.

The separation of the assets and liabilities of a segment, as well as of its income and costs, was done on the basis of internal information prepared at the Bank for the purposes of management accounting. Assets and liabilities for which the units of the given segment are responsible as well as income and costs related to such assets and liabilities are attributed to individual business segments. The financial result (profit/loss) of a business segment takes into account all the income and cost items attributable to it.

The business operations of particular companies of the Capital Group are attributed in full to a relevant business segment (including consolidation adjustments).

Transfer prices in transactions between the business segments are determined on the basis of current market interest rates adjusted by the margin of the Bank. Transfer rates are determined according to the same principles for all the organisational units of the Bank, so their differentiation results exclusively from the currency and maturity structure of the respective assets and liabilities.

Internal charges and adjustments on account of transfer pricing are taken into account in the performance figures of each particular business segment.

The primary basis used by the Group in the segment reporting is business alocation. The Group does not distinguish geographic segments as reportable segments due to their immateriality.

Business segment reporting on the activities of the BRE Bank Group
for the period from 01.01.2005 - 30.06.2005
(PLN'000)

	Retail Banking (including Private Banking)	Corporate Banking	Investment Banking	Asset Management	Other	Exclusions	Group
Net interest income	**96 632**	**154 635**	**90 902**	**(14 302)**	**(668)**		**327 200**
- sales to external clients	(37 490)	231 710	132 839	1 179	(1 037)		327 200
- sales to other segments	134 123	(77 075)	(41 937)	(15 480)	370		0
Net fee and commission income	**19 479**	**131 047**	**7 307**	**46 406**	**(2 078)**	**(4 697)**	**197 464**
- sales to external clients	19 857	118 721	14 455	46 503	(2 072)	0	197 464
- sales to other segments	(378)	12 326	(7 149)	(97)	(6)	(4 697)	0
Unallocated costs							0
Gross profit / (loss) of the segment	**8 601**	**117 396**	**83 665**	**(12 132)**	**983**	**(1 852)**	**196 662**
Profit / (loss) on operating acitivities							196 832
Contribution of profit / (loss) sharing in associated companies (before tax)			(3)			(167)	(170)
Gross profit (before tax)							196 662
Corporate income tax							(43 875)
Net profit (loss) attributable to minority interest							8 249
Net profit (after tax)							144 538
Asset of the segment	**3 673 131**	**11 558 988**	**20 096 698**	**781 868**	**997 283**	**(3 733 670)**	**33 374 298**
Unallocated assets							0
Total assets							33 374 298
Segment's liabilities	**5 653 881**	**9 376 199**	**19 731 667**	**245 373**	**2 100 848**	**(3 733 670)**	**33 374 298**
Unallocated liabilities							0
Total liabilities							0
Other items of the segment							
Expenditures incurred on fixed assets and intangible asstes	(28 611)	(38 876)	(9 419)	(1 535)	(909)		(79 349)
Amortisation/depreciation	(21 255)	(29 590)	(12 251)	(1 500)	(1 176)		(65 771)
Losses on credits and loans	(28 283)	(116 568)	(26 800)	0	0		(171 650)
Other cocts without cash outflows	0	0	(976 560)	0	(71)		(976 630)

Business segment reporting on the activities of the BRE Bank Group
for the period from 01.01.2004 - 30.06.2004
(PLN'000)

	Retail Banking (including Private Banking)	Corporate Banking	Investment Banking	Asset Management	Other	Exclusions	Group
Net interest income	**49 568**	**127 534**	**66 967**	**(15 909)**	**(2 227)**		**225 933**
- sales to external clients	(46 395)	221 091	51 531	449	(742)		225 933
- sales to other segments	95 962	(93 557)	15 436	(16 357)	(1 483)		0
Net fee and commission income	**8 545**	**135 563**	**8 065**	**50 892**	**1 038**	**(8 093)**	**196 010**
- sales to external clients	8 790	127 270	13 209	45 655	1 086	0	196 010
- sales to other segments	(245)	8 293	(5 144)	5 237	(48)	(8 093)	0
Unallocated costs							0
Gross profit / (loss) of the segment	**(17 316)**	**57 961**	**80 323**	**(11 999)**	**2 910**	**(419)**	**111 460**
Profit / (loss) on operating acitivities							111 491
Contribution of profit / (loss) sharing in associated companies (before tax)			(31)				(31)
Gross profit (before tax)							111 460
Corporate income tax							(27 951)
Net profit (loss) attributable to minority interest							16 629
Net profit (after tax)							66 880
Asset of the segment	**2 369 768**	**13 596 363**	**17 178 124**	**1 023 213**	**1 644 032**	**(4 054 236)**	**31 757 265**
Unallocated assets							0
Total assets							31 757 265
Segment's liabilities	**5 565 180**	**9 914 319**	**17 204 091**	**252 517**	**2 875 394**	**(4 054 236)**	**31 757 265**
Unallocated liabilities							0
Total liabilities							31 757 265
Other items of the segment							
Expenditures incurred on fixed assets and intangible asstes	(18 283)	(38 090)	(17 669)	(1 690)	(1 152)		(76 884)
Amortisation/depreciation	(22 530)	(32 703)	(11 990)	(2 002)	(1 372)		(70 597)
Losses on credits and loans	(47 332)	(198 146)	(14 893)	0	(361)		(260 733)
Other cocts without cash outflows	0	0	(490 847)	0	0		(490 846)

IFRS Consolidated Financial Statements for the 1st half of 2005 (PLN 000's)

6. Net interest income

	30.06.2005	30.06.2004
Interest income		
Cash and short-term investments	99 441	82 358
Investment securities	20 321	13 079
Receivables under purchased securities with a buy-back clause	1 996	1 625
Loans and advances	541 459	467 699
Debt securities	112 113	72 912
Other	16 605	6 905
	791 935	**644 578**
Interest expense		
Arising from settlements with banks and customers	(376 909)	(340 068)
Arising from issue of debt securities	(44 159)	(46 563)
Payables under purchased securities with a buy-back clause	-	(2 457)
Other loans	(26 557)	(19 601)
Other	(17 110)	(9 956)
	(464 735)	**(418 645)**

Net interest income per segment is as follows:

	30.06.2005	30.06.2004
Interest income		
From banking sector	174 855	92 523
From other entities, including:	617 080	552 055
- corporate customers	368 783	411 907
- individual customers	103 658	62 316
- public sector	144 639	77 832
	791 935	**644 578**
Interest expense		
From banking sector	(154 024)	(166 549)
From other entities, including:	(303 515)	(239 612)
- corporate customers	(164 395)	(128 102)
- individual customers	(135 047)	(101 416)
- public sector	(4 073)	(10 094)
Arising from issue of own shares	(7 196)	(12 484)
	(464 735)	**(418 645)**

IFRS Consolidated Financial Statements for the 1st half of 2005 (PLN 000's)

7. Net Fee and Commission Income

	30.06.2005	30.06.2004
Fee and commission income		
Fees and commissions from credit activity	44 940	60 526
Fees from brokerage activity	18 895	16 409
Fees from portfolio-management services and other management-related fees	41 602	45 124
Commissions from granted guarantees and documentary operations	17 661	16 251
Commissions from credit cards	32 296	21 429
Commissions from money transfers	29 436	24 126
Commissions from bank accounts	21 435	20 742
Other	47 782	49 639
	254 047	**254 246**
Fee and commission expense		
Brokerage fees	(8 597)	(8 985)
Other fees	(47 986)	(49 251)
	(56 583)	**(58 236)**

8. Dividend Income

	30.06.2005	30.06.2004
Trading securities	591	25
Securities available for sale	21 149	4 349
Dividend income, total	**21 740**	**4 374**

9. Net Trading Income

	30.06.2005	30.06.2004
Foreign exchange result	88 043	129 543
- net currency translation gains (losses) from recalculation	323 881	244 308
- difference between transaction gains and losses	(235 838)	(114 765)
Interest-bearing instruments	956	(20 419)
Capital instruments	26 426	901
Market risk instruments	(8 535)	481
Result from trading activity, total	**106 890**	**110 506**

The profit/(loss) on trading activities includes PLN 29,509,000 of net profits and losses on financial instruments that were classified as "at fair value through the profit and loss account" under the initial mode of recognition. The "Profit/(loss) on exchange position" includes profits and losses on spot transactions and forward contracts, options, futures and translated assets and liabilities denominated in foreign currencies. The "Interest instruments" include the profit/(loss) on money market instrument trading, swap contracts for interest rates and currencies, options and other derivative instruments. The profit/(loss) on equity instrument transactions includes the profit/(loss) on the global trade with equity securities and derivative equity instruments, such as swap contracts, options, futures and forward contracts.

IFRS Consolidated Financial Statements for the 1st half of 2005 (PLN 000's)

10. Other Operating Income

	30.06.2005	30.06.2004
Sale or scrapping of tangible and intangible fixed assets and assets held for resale	10 468	266 175
Income from increase in value equivalent up to the prior permanent impairment loss write-off to tangible and intangible fixed assets	-	-
Income from increase in value equivalent up to the prior permanent impairment loss write-off to tangible and intangible fixed assets under financial lease, lease and rent agreements	-	-
From recovery of uncollectible receivables	1 672	793
Paid damages, penalties and fees	1 488	1 441
Proceedings from release of provisions for future liabilities	4 675	2 267
Granted donations	-	1 653
Other	21 661	46 532
Other operating income, total	**39 964**	**318 861**

11. Overhead Costs

	30.06.2005	30.06.2004
Staff-related expenses (Note 13)	(209 639)	(163 665)
Material costs	(174 109)	(158 437)
Taxes and fees	(6 127)	(5 452)
Contributions and transfers to the Banking Guarantee Fund	(1 948)	(3 172)
Appropriation of profit to the Company Social Benefits Fund	(477)	(216)
Other	(10 223)	(10 588)
Overhead and administrative costs, total	**(402 523)**	**(341 530)**

12. Other Operating Expenses

	30.06.2005	30.06.2004
From managing third party assets	-	(2)
From the sale or scrapping fixed assets, intangible fixed assets and assets held for resale	(8 251)	(236 773)
Costs related to permanent loss impairment write-downs of tangible and intangible fixed assets	(117)	-
Costs related to permanent impairment loss write-downs of tangible and intangible fixed assets under financial lease, lease and rent agreements	-	-
From provisions for other receivables (without receivables related to loans)	(525)	(882)
Costs related to writing-off of receivables and of overdue, amortised and uncollectible liabilities	(1 172)	(1 702)
Paid damages, penalties and fees	(104)	(146)
Granted donations	(1 777)	(2 593)
Impairment of non-financial assets	-	-
Other, arising from:	(17 429)	(33 030)
- write-offs in respect of provisions for future receivables	(11 453)	(19 689)
- other operating expenses	(5 422)	(12 638)
- sundry costs	(529)	(703)
- net incidental expenses	(25)	-
Other operating expenses, total	**(29 375)**	**(275 128)**

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13. Employee Benefit Expenses

	30.06.2005	30.06.2004
Wages and salaries	(167 979)	(122 461)
Social security expenses	(30 277)	(20 362)
Pension fund expenses	(365)	(399)
Salaries in form of stock option program for employees	(2 154)	(4 343)
Other staff expenses	(8 864)	(16 100)
Staff-related expenses, total	**(209 639)**	**(163 665)**

The average level of employment in the Group in the 1st half of 2005 was 4,277 persons (vs. 4,204 in the 1st half of 2004).

14. Impairment losses on loans and advances

	30.06.2005	30.06.2004
Amounts due from other banks (Note 19)	-	-
Loans and advances to customers (Note 22)	(10 635)	(85 466)
Impairment losses on loans and advances, total	**(10 635)**	**(85 466)**

15. Income Tax Expense

	30.06.2005	30.06.2004
Current income tax	(36 018)	(25 641)
Deferred income tax (Note 35)	(7 857)	(2 310)
Total income tax	**(43 875)**	**(27 951)**
Current tax		
Profit (loss) before tax	196 662	111 460
Non - taxed income	(910 941)	(714 677)
Accrual income	758 847	(349 224)
Costs not classified as costs generating income	1 152 683	928 876
Accrual expense	(850 999)	346 613
Tax loss and donations deductible from income	(184 244)	(214 988)
Income tax base	162 007	92 956
Due income tax as in the profit and loss account	**(36 018)**	**(25 641)**
Effective tax rate calculation		
Profit (loss) before tax	196 662	111 460
Total income tax	(43 875)	(27 951)
Effective tax rate	**22%**	**25%**

See Note 35 for deferred income tax details.

16. Earnings per Share

Earnings per share for 12 months

	30-06-2005	30-06-2004
Basic:		
Net profit (loss) per shareholder (for 12 months)	(216 359)	14 518
Weighted average number of ordinary shares	28 713 125	22 970 500
Net basic profit (loss) per share (in PLN per share)	(7,54)	0,63

Diluted:		
Net profit (loss) per shareholder (for 12 months)	(216 359)	14 518
Net profit (loss) applied for calculating of diluted earnings per share (in thousand PLN)	(216 359)	14 518
Weighted average number of ordinary shares in an issue	28 713 125	22 970 500
Adjustments for:		
- stock options for employees (in thousand PLN)	76 096	6 559
Weighted average number of ordinary shares for calculating of diluted earnings per share	28 789 221	22 977 059
Diluted earnings per share (in PLN per share)	(7,52)	0,63

Earnings per share for 6 months

	30.06.2005	**30.06.2004**
Basic:		
Net profit (loss) per shareholder (for 6 months)	144 538	66 880
Weighted average number of ordinary shares	28 713 125	22 970 500
Net basic profit (loss) per share (in PLN per share)	5,03	2,91
Diluted:		
Net profit (loss) per shareholder (for 6 months)	144 538	66 880
Net profit (loss) applied for calculating of diluted earnings per share (in thousand PLN)	144 538	66 880
Weighted average number of ordinary shares in an issue	28 713 125	22 970 500
Adjustments for:		
- stock options for employees (in thousand PLN)	101 911	24 415
Weighted average number of ordinary shares for calculating of diluted earnings per share	28 815 036	22 994 915
Diluted earnings per share (in PLN per share)	5,02	2,91

The basic earnings per share is computed as the quotient of the Bank stockholders' share of the profit and the weighted average number of ordinary shares during the year, excluding ordinary shares purchased by the Bank and disclosed as "own shares".

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares as if all possible ordinary shares causing the dilution were replaced with shares. The Bank has one category of potential ordinary shares causing the dilution: shares options. The number of diluting shares is computed as the number of shares that could be purchased at fair value (determined as the average annual price of the Bank's shares), based on the monetary value of the drawing rights related to the existing shares options. The resulting number of shares is compared to the number of shares that would have been issued if the shares options had been exercised.

According to IAS 33, the Bank prepares a statement of the so-called "diluted earning per share", taking account of share purchase options granted to the employees.

BRE Bank operates two employee options programs.

Under the first program (started in May 2000 and modified in May 2003), members of the Bank's Management were granted 479,500 options valid until 30 June 2006. The options make the employees eligible to assume 479,500 of new issue shares.

The second program (initiated in May 2003) assumes that members of the Bank's Management will receive 500,000 options to be exercised in phases between 1 June 2005 and 30 June 2008. Under these options, the employees may assume 500,000 of new issue shares of the Bank.

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17. Cash and Balances with Central Bank

	30.06.2005	31.12.2004	30.06.2004
Cash in hand	72 390	68 116	65 088
Cash in current account	539 127	666 569	401 575
Bank Guarantee Fund	-	-	-
Other	-	6	11
Cash and balances with the Central Bank, total (Note 43)	**611 517**	**734 691**	**466 674**
Including mandatory reserve deposit	531 957	485 544	426 193

The statutory reserve is held in an account with the Central Bank and in the Bank's hand. As at 30 June 2005, the former part of the reserve bore 4.95% interest.

18. Debt Securities Eligible for Rediscounting

Debt securities eligible for rediscounting are bills of exchange issued by a non-financial organizations with maturities up to 3 months.

19. Loans and Advances to Banks

	30.06.2005	31.12.2004	30.06.2004
Current accounts	267 065	244 980	317 564
Deposits with other banks	6 082 171	5 663 578	4 329 857
In cash equivalents (Note 41)	**6 349 236**	**5 908 558**	**4 647 421**
Credits, placements and loans	839 483	823 500	611 563
Reverse repo / buy-sell back transactions	81 429	110 280	233 194
Other receivables	173 915	150 000	130 868
Total (gross) loans and advances to banks	**7 444 063**	**6 992 338**	**5 623 046**
Allowance for losses on amounts due from other banks (Note 14)	-	(2 287)	(28 516)
Total (net) loans and advances to banks	**7 444 063**	**6 990 051**	**5 594 530**

The following table presents receivables from Polish and foreign banks:

	30.06.2005	31.12.2004	30.06.2004
Gross loans and advances to Polish banks	1 382 964	2 127 305	2 138 076
Allowance for losses on amounts due from Polish banks	-	(2 287)	(28 516)
Gross loans and advances to foreign banks	6 061 099	4 865 033	3 484 970
Allowance for losses on amounts due from foreign banks	-	-	-
Total (net) loans and advances to the banking sector	**7 444 063**	**6 990 051**	**5 594 530**

Loans and advances to banks are variable rate credits amounting to PLN 846,856,000 (vs. PLN 921,348,000 and PLN 711,277,000 on 30 June 2004 and 31 December 2004, respectively).

IFRS Consolidated Financial Statements for the 1st half of 2005 (PLN 000's)

The following table presents the changes in allowance for losses on amounts due from banks:

	30.06.2005	31.12.2004	30.06.2004
Allowanace for losses on amounts due from the banking sector as at the beginning of the financial year	**(2 287)**	**(28 471)**	**(28 471)**
Increases from	-	-	(45)
- created allowance for losses	-	-	-
- allowance for losses reclassification	-	-	-
-currency translation differences	-	-	(45)
- other	-	-	-
Decrease from	2 287	26 184	-
- allowance for losses release	-	-	-
- amounts written off to allowance for losses		20 933	
- allowance for losses reclassification	2 287	-	-
-currency translation differences	-	5 251	-
- other	-	-	-
Allowance for losses on amounts due from the banking sector as at the end of the financial year	**-**	**(2 287)**	**(28 516)**

20. Trading Securities, Other Financial Instruments at Fair value through the Profit and Loss Account and Pledged Assets

	30.06.2005	31.12.2004	30.06.2004
Pledged and trading debt securities	**5 383 520**	**4 109 723**	**4 170 321**
Government bonds in cash equivalents (Note 41) including:	1 501 804	1 163 355	1 426 538
- Pledged government bonds (sell-buy back transactions)	473 062	225 753	294 595
Other government bonds	-	-	-
T-bills in cash equivalents (Note 41) including:	2 771 534	2 187 851	2 319 651
Pledged T-bills (sell- buy back transactions)	2 047 575	1 524 472	1 697 052
Other T-bills	-	-	-
Other debt securities	1 110 182	758 517	424 132
Capital securities	**31 084**	**13 510**	**14 316**
- listed	31 084	10 933	12 328
- not listed	-	2 577	1 988
Total trading securities:	**5 414 604**	**4 123 233**	**4 184 637**
Other financial assets classified at fair value through the profit and loss account (classified as such at initial inclusion)	148 015	-	-
Financial assets at fair value through the profit and loss account	**5 562 619**	**4 123 233**	**4 184 637**

Government bonds include securities used to secure sell-buy-back transactions with customers, the market value of which as at 30 June 2005 amounted to PLN 459,826 thousand (PLN 294 595 thousand on 30 June 2004 and PLN 186 807 thousand on 31 December 2004, respectively). The bonds are disclosed separately in the "Pledged assets" item of the Balance Sheet.

The financial assets disclosed at fair value through the profit and loss account consist entirely of TVN shares.

No such category as "financial instruments at fair value through profit and loss account" existed before 1 January 2005. In the financial statements as of 30 June 2004 and 31 December 2004, the financial assets disclosed in 2005 as at fair value through profit and loss account, were classified as trading instruments, and their balance sheet value amounted to PLN 118,401 thousand. The reclassification did not affect the retained profit/(loss) carried forward in the opening balance.

The "Debt securities and pledged treasury notes" eligible for rediscounting are notes issued by the Treasury for a period of up to one year. All treasury notes bear fixed interest rates.

In accordance with the Bank Guarantee Fund Law of 14 December 1994, BRE Bank S.A. had PLN 18,301,000 (PLN 18.500,000 at face value) worth of treasury notes disclosed in its Balance Sheet as at 30 June 2005. The notes were used as security under the Bank Guarantee Fund and they were deposited in a separate account with the National Bank of Poland.

The Polish Brady's bonds were issued in the execution of agreements made on 14 September 1994 between the Republic of Poland and commercial banks associated in the London Club pursuant to the Regulation N° 78 of the Minister of Finance of 26 October 1994 concerning the issue of bonds for the performance of agreements for reduction and restructuring of Poland's debts, made with commercial banks associated in the London Club. These are denominated in US Dollars.

21. Derivative Financial Instruments

The Group uses the following derivative instruments as security and for other purposes:

Forward currency transactions represent commitments to purchase foreign and local currencies, including outstanding spot transactions. **Futures for currencies and interest rates** are contractual commitments to receive or pay a specific net value, depending on currency rate of exchange or interest rate variations, or to buy or sell a foreign currency or a financial instrument on a specified future date for a fixed price established on the organized financial market. Because futures contracts are hedged with fair-valued cash or securities and the changes of the face value of such contracts are accounted for daily in reference to stock exchange quotations, the credit risk is marginal. **FRA contracts** are similar to futures except that each of them is negotiated individually and each requires payment on a specific future date of the difference between the interest rate set in the agreement and the current market rate on the basis of theoretical amount of capital.

Currency and interest rate swap contracts are commitments to exchange one cash flow to another cash flow. Such a transaction results in swap of currencies or interest rates (e.g., fixed to variable interest rate) or combination of all these factors (e.g., inter-currency interest rate swap contracts). With the exception of specific currency swap contracts, such transactions do not result in swaps of capital. The credit risk of the Group consists of the potential cost of replacing swap contracts if the parties fail to discharge their liabilities. This risk is monitored daily by reference to the current fair value, proportion of the face value of the contracts and market liquidity. The Group evaluates the parties to such contracts using the same methods as for its crediting business, to control the level of its credit exposure.

Currency and interest rate options are agreements, pursuant to which the selling party grants the buying party the right, but not an obligation, to purchase (call option) or sell (put option) a specific quantity of a foreign currency or a financial instrument at a predefined price on or by a specific date or within an agreed period. In return for accepting currency or interest rate risk, the buyer offers the seller a premium. An option can be either a public instruments traded at a stock exchange or a private instrument negotiated between the Group and a customer (private transaction). The Group is exposed to credit risk related to purchased options only up to the balance sheet value of such options, i.e. the fair value of the options.

Face values of certain types of financial instruments provide a basis for comparing them to instruments disclosed in the Balance Sheet not they may not be indicative of the value of the future cash flows or of the present fair value of such instruments. For this reason, the face values do not indicate the level of the Group's exposure to credit risk or price change risk. Derivative instruments can have positive value (assets) or negative value (liabilities), depending on market interest or currency exchange rate fluctuations. The aggregate fair value of derivative financial instruments may be subject to strong variations. The following table presents the fair values of the derivatives held by the Group:

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	Contract amount	Fair value Assets	Fair value Liabilities
As at 30 June 2005			
Derivatives held for trading			
Foreign exchange derivatives			
- FX forward	12 082 973	373 913	351 597
- FX swap	17 904 869	310 752	343 642
- CIRS	1 663 564	36 552	28 975
- FX options purchased or sold on the over-the-counter market	9 318 559	142 866	210 470
Total over-the-counter derivatives	**40 969 965**	**864 083**	**934 684**
- Currency futures	**-**	**-**	**-**
- FX options purchased or sold on the official stock exchange market	-	-	-
Total foreign exchange derivatives	**40 969 965**	**864 083**	**934 684**
Interest rate derivatives			
- IRS	67 234 741	656 427	703 622
- FRA	102 810 000	140 288	119 645
- Interest rate options purchased or sold on the over-the-counter market	6 667	19	19
- Other over-the-counter interest rate derivatives	-	-	-
Total over-the-counter interest rate derivatives	**170 051 408**	**796 734**	**823 286**
- Interest rate futures	269 277	-	-
- Over-the-counter interest rate options	-	-	-
Total interest rate derivatives	**170 320 685**	**796 734**	**823 286**
Market risk transactions	**6 700 411**	**10 635**	**4 882**
Total assets (liabilities) held for trading	**217 991 061**	**1 671 452**	**1 762 852**
Derivatives held for hedging			
Derivatives designated as fair value hedges	*4 235*	*604*	*3 631*
- Currency futures	604	604	-
- IRS	3 631	-	3 631
- CIRS	-	-	-
- FX forward	-	-	-
Derivatives designated as cash flow hedges	-	-	-
- FX swap	-	-	-
- Currency options purchased ion the official stock exchange market	-	-	-
Total derivative assets (liabilities) held for hedging	**4 235**	**604**	**3 631**
Total recognised derivative assets/ liabilities	**217 995 296**	**1 672 056**	**1 766 483**
Other trading liabilities	-	-	142
- Other			142
Total recognised derivative assets / (liabilities) and other trading liabilities	**217 995 296**	**1 672 056**	**1 766 625**

IFRS Consolidated Financial Statements for the 1st half of 2005 (PLN 000's)

	Fair value Assets	Fair value Liabilities
As at 31 December 2004		
Derivatives held for trading		
Foreign exchange derivatives		
- FX forward	432 916	544 298
- FX swap	674 708	381 696
- CIRS	68 909	63 679
- FX options purchased or sold on the over-the-counter market	170 837	158 324
Total over-the-counter derivatives	**1 347 370**	**1 147 997**
- Currency futures	**-**	**-**
- FX options purchased or sold on the official stock exchange market	36	8
Total foreign exchange derivatives	**1 347 406**	**1 148 005**
Interest rate derivatives		
- IRS	396 757	415 567
- FRA	47 112	37 392
- Interest rate options purchased or sold on the over-the-counter market	-	-
- Other over-the-counter interest rate derivatives	-	-
Total over-the-counter interest rate derivatives	**443 869**	**452 959**
- Interest rate futures	-	-
- Over-the-counter interest rate options	45	-
Total interest rate derivatives	**443 914**	**452 959**
Market risk transactions	5 504	12 350
Total assets (liabilities) held for trading	**1 796 824**	**1 613 314**
Derivatives held for hedging		
Derivatives designated as fair value hedges	-	7 251
- Currency futures	-	-
- IRS	-	7 251
- CIRS	-	-
- FX forward	-	-
Derivatives designated as cash flow hedges	-	-
- FX swap	-	-
- Currency options purchased on the official stock exchange market	-	-
Total derivative assets (liabilities) held for hedging	-	7 251
Total recognised derivative assets/ liabilities	**1 796 824**	**1 620 565**
Other trading liabilities	-	143
- Other		143
Total recognised derivative assets / (liabilities) and other trading liabilities	**1 796 824**	**1 620 708**

IFRS Consolidated Financial Statements for the 1st half of 2005 (PLN 000's)

	Fair value Assets	Fair value Liabilities
As at 30 June 2004		
Derivatives held for trading		
Foreign exchange derivatives		
- FX forward	387 076	469 095
- FX swap	188 674	155 389
- CIRS	80 144	68 404
- FX options purchased or sold on the over-the-counter market	101 230	101 739
Total over-the-counter derivatives	**757 124**	**794 627**
- Currency futures	**-**	**-**
- FX options purchased or sold on the official stock exchange market	45	19
Total foreign exchange derivatives	**757 169**	**794 646**
Interest rate derivatives		
- IRS	480 447	485 457
- FRA	56 135	64 583
- Interest rate options purchased or sold on the over-the-counter market	5	99
- Other over-the-counter interest rate derivatives	-	-
Total over-the-counter interest rate derivatives	**536 587**	**550 139**
- Interest rate futures	-	-
- Over-the-counter interest rate options	57	-
Total interest rate derivatives	**536 644**	**550 139**
Market risk transactions	4 048	12 172
Total assets (liabilities) held for trading	**1 297 861**	**1 356 957**
Derivatives held for hedging		
Derivatives designated as fair value hedges	-	-
- Currency futures		
- IRS		
- CIRS		
- FX forward		
Derivatives designated as cash flow hedges	-	13 186
- FX swap		13 186
- Currency options purchased ion the official stock exchange market		
Total derivative assets (liabilities) held for hedging	-	13 186
Total recognised derivative assets/ liabilities	1 297 861	1 370 143
Other trading liabilities	-	143
- Other		143
Total recognised derivative assets / (liabilities) and other trading liabilities	**1 297 861**	**1 370 286**

The Group does not have any financial liabilities in the category of financial liabilities priced at fair value through the profit and loss account.

IFRS Consolidated Financial Statements for the 1st half of 2005 (PLN 000's)

22. Loans and Advances to Customers

	30.06.2005	31.12.2004	30.06.2004
Loans and advances to individual customers	***3 370 104***	***2 658 601***	***3 769 627***
- current receivables	665 488	529 414	392 567
- credit cards	13 196	9 743	6 056
- term credit facilities	2 691 420	2 119 444	3 371 004
- mortgage loans	-	-	-
Loans and advances to corporate customers	***9 595 014***	***9 664 381***	***9 598 301***
- current receivables	1 616 386	1 598 229	3 213 855
- credit cards	2 882	1 785	1 957
- credits granted directly by the bank	5 729 308	5 837 876	5 788 603
- syndicated credits	666 304	703 634	592 620
- reverse repo / buy-sell back transactions	861	10 061	-
- other	1 579 273	1 512 796	1 266
Loans and advances to the public sector	***1 285 591***	***1 140 902***	***1 678 748***
Purchased debts	***1 306 034***	***1 173 080***	***1 234 475***
Realized guarantees and warranties	***19 232***	***20 127***	***7 214***
Other receivables	***534 100***	***548 538***	***1 069 236***
Loans and advances (gross) to customers	**16 110 075**	**15 205 629**	**17 357 601**
Allowance for losses on loans and advances (negative)	(865 269)	(875 245)	(914 413)
Loans and advances to customers	**15 244 806**	**14 330 384**	**16 443 188**

As at 30 June 2005, variable and fixed rate credits amounted to PLN 13,257,682,000 and PLN 718,927,000, respectively.

The Group accepted exchange-listed securities at the fair value of PLN 679,196 thousand (PLN .: 777,983 thousand in 2004) as collateral for commercial loans.

Allowance for Losses on Loans and Advances

	30.06.2005
Realized non-recognised losses	
Gross balance sheet exposure	11 011 510
Value adjustment to exposures analysed according to portfolio approach	(88 090)
Net balance sheet exposure	**10 923 420**
Loans which have lost their value	
Gross balance sheet exposure	1 208 818
Value adjustment to exposures analysed individually	(747 743)
Net exposure	**461 075**

IFRS Consolidated Financial Statements for the 1st half of 2005 (PLN 000's)

Changes in Allowance for Losses on Loans and Advances

	30.06.2005	31.12.2004	30.06.2004
Allowance for losses as at the beginning of the period	**(889 148)**	**(849 763)**	**(849 763)**
Increase (due to)	(187 077)	(485 707)	(264 951)
- created allowance for losses	(181 371)	(484 718)	(263 674)
- allowance for losses reclassification	-	-	-
- currency translation differences	(5 706)	-	(34)
- other	-	(989)	(1 243)
Decrease (due to)	210 956	460 225	200 301
- allowance for losses release	168 105	339 866	174 632
- allowance for losses reclassification	19 687	16 785	3 599
- currency translation differences	134	34 201	3 203
- receivables written off	23 030	62 375	18 867
- other	-	6 998	-
Allowance for losses as at the end of the period	**(865 269)**	**(875 245)**	**(914 413)**

Loans and advances to Customers, Including Finance Lease Receivables

	30.06.2005	31.12.2004	30.06.2004
Gross investment in finanse leases, receivable: (by maturity)	**1 637 798**	**1 556 815**	**1 620 584**
- up to 1 year	756 625	652 267	710 354
- over 1 year with a maximum of 5 years	856 745	878 034	885 825
- over 5 years	24 428	26 514	24 405
Unearned future finance income on finance leases (negative)	(77 573)	(69 304)	(56 581)
Net investment in finanse leases	**1 560 225**	**1 487 511**	**1 564 003**
Net investment in finanse leases (by maturity)			
- up to 1 year	679 052	582 963	653 773
- over 1 year with a maximum of 5 years	856 745	878 034	885 825
- over 5 years	24 428	26 514	24 405
	1 560 225	**1 487 511**	**1 564 003**

IFRS Consolidated Financial Statements for the 1st half of 2005 (PLN 000's)

23. Investment Securities

	30.06.2005	31.12.2004	30.06.2004
Securities available-for-sale			
Debt securities at fair value	292 704	275 450	200 779
- listed	260 186	244 851	171 617
- not listed	32 518	30 599	29 162
Equity securities at fair value	152 476	289 335	453 410
- listed	19 121	154 080	35 943
- not listed	133 355	135 255	417 467
Total securities available-for-sale	**445 180**	**564 785**	**654 189**
Securities held-to-maturity			
Debt securities at amortised cost:	25 404	15 323	64 799
- listed	-	-	64 799
- not listed	25 404	15 323	-
Provision for permanent impairment loss			
Total securities held-to-maturity	**25 404**	**15 323**	**64 799**
Investment securities, total	**470 584**	**580 108**	**718 988**

As at 30 June 2005, the balance sheet value of debt securities based on fixed and variable interest rates amounted to PLN 268,213,000 and PLN 49,895,000, respectively.

Treasury notes held to maturity by one of the Group Companies were assets classified as "assets held to maturity".

The Group did not change the classification of any financial assets at fair value to financial assets valued by the amortised cost method during the year.

Gains and Losses from Investment Securities

	30.06.2005	30.06.2004
Sale / purchase by the issuer of the financial assets available for sale	30 591	19 459
Impairment loss to equity securities available for sale	(600)	(1 872)
Impairment loss to debt securities available for sale	-	-
Gains / losses due to change of fair value	(18 113)	10 941
Gains and losses from investment securities	**11 878**	**28 528**

Movement in Investment Securities

	Available for sale	Held to maturity	Total
As at 1 January 2005	**564 785**	**15 323**	**580 108**
Currency translation differences	15 195	-	15 195
Increase	3 900 753	16 081	3 916 834
Decrease (sale, repurchase, redemption)	(4 016 840)	(6 000)	(4 022 840)
Impairment loss to equity and debt instruments available for sale	(600)		(600)
Gains / losses due to change of fair value	(18 113)		(18 113)
Provisions for impairment	-		-
As at 30 June 2005	**445 180**	**25 404**	**470 584**

IFRS Consolidated Financial Statements for the 1st half of 2005 (PLN 000's)

	Available for sale	Held to maturity	Total
As at 1 January 2004	**778 103**	**-**	**778 103**
Currency translation differences	(88 413)	-	(88 413)
Increase	4 269 266	40 323	4 309 589
Decrease (sale, repurchase, redemption)	(4 404 508)	(25 000)	(4 429 508)
Impairment loss to equity and debt instruments available for sale	(15 544)	-	(15 544)
Gains / losses due to change of fair value	25 881	-	25 881
Provisions for impairment	-	-	-
As at 31 December 2004	**564 785**	**15 323**	**580 108**

	Available for sale	Held to maturity	Total
As at 1 January 2004	**778 103**	**-**	**778 103**
Currency translation differences	(110)	-	(110)
Increase	1 579 971	83 804	1 663 775
Decrease (sale, repurchase, redemption)	(1 712 844)	(19 005)	(1 731 849)
Impairment loss to equity and debt instruments available for sale	(1 872)	-	(1 872)
Gains / losses due to change of fair value	10 941	-	10 941
Provisions for impairment	-	-	-
As at 30 June 2004	**654 189**	**64 799**	**718 988**

24. Investments in Associates

The Group had the following shares in its major unlisted associates:

30 June 2005

Name of the company	Country of registration	Assets	Liabilities	Income	Profit / Loss	Percentage of shares held
Xtrade S.A.	Poland	2 327	688	922	(682)	24,90

31 December 2004

Name of the company	Country of registration	Assets	Liabilities	Income	Profit / Loss	Percentage of shares held
Xtrade SA	Poland	3 121	800	2 470	(1 842)	24,90
Tv-Tech Investment 2 Sp. z o.o.	Poland	39	-	-	(9)	24,00

30 June 2004

Name of the company	Country of registration	Assets	Liabilities	Income	Profit / Loss	Percentage of shares held
Xtrade S.A.	Poland	4 613	1 165	1 103	(751)	24,90
Tv-Tech Investment 2 Sp. z o.o.	Poland	44	1	-	(4)	24,00
Billbird SA	Poland	10 387	7 734	4 086	(788)	45,38

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Change in Investments in Associates:

	30.06.2005	31.12.2004	30.06.2004
As at the beginning of the period	**2 225**	**13 446**	**13 446**
Increase (due to)	258	50	42
- purchase	100	26	26
- securities reclassification	-	-	-
- provisions reclassification	-	-	-
- currency translation differences	158	24	4
- reclassification from stock exchange shares	-	-	-
- other	-	-	12
Decrease (due to)	(344)	(11 271)	(5 308)
- sale	-	(6 542)	-
- securities reclassification	-	(50)	-
- currency translation differences	(171)	(102)	(521)
- provisions reclassification	-	-	-
- participation in financial results	(4)	(9)	(337)
- other	(169)	(4 568)	(4 450)
Investments in associates as at the end of the period	**2 139**	**2 225**	**8 180**

25. Intangible Assets

	30.06.2005	31.12.2004	30.06.2004
Development costs	6 458	7 719	5 226
Goodwill	35 740	35 740	90 801
Concessions, patents, licences and similar assets, including	198 659	202 739	185 740
- computer software	165 461	172 547	161 562
Other intangible assets	1 332	1 703	4 858
Prepayments for intangible assets	157 142	144 741	154 756
Goodwill arising from acquisition of subsidiary (Note 45)	272 127	272 128	460 871
Total intangible assets	**671 458**	**664 770**	**902 252**

As at 31 December 2004, the Group ran a test for permanent impairment of goodwill resulting from the acquisition of Polski Bank Rozwoju (PBR). Polski Bank Rozwoju was treated as a separate cash flow generator. The results of the test demonstrated that PLN 38,914,000 of goodwill that arose for PBR should be written off.

As at 31 December 2004, the Group ran a test for permanent impairment of goodwill resulting from the acquisition of Bank Częstochowa. As a result of the acquisition, BRE Bank S.A. obtained a banking license with the purpose of spinning off retail operations as a separate corporation. Most of the goodwill was related to the banking license. Because the project was aborted, the Bank decided to write off PLN 5,245,000 of goodwill resulting from the acquisition of Bank Częstochowa as at 31 December 2004.

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Movement in Intangible Assets

Movement of intangible fixed assets from 1 January 2005 to 30 June 2005	Development costs	Goodwill	Concessions, patents, licences, and similar assets, including	purchased software	Other intangible assets	Prepayments for intangible assets, including:	investment layouts for development	Goodwill arising from acquisition of subsidiary (Note 45)	Intangible assets, total
Gross value of intangible fixed assets as at the beginning of the period on 1 January 2005	**33 119**	**38 277**	**325 166**	**268 428**	**8 571**	**144 741**	**-**	**512 214**	**1 062 088**
Increase (due to)	**-**	**-**	**20 241**	**9 159**	**57**	**20 633**	**1 335**	**-**	**40 931**
- purchase	-	-	14 572	3 759	9	20 301	1 314	-	**34 882**
- acquisition of work in progress and prepayments for intangible fixed assets	-	-	5 653	5 384	18	332	-	-	**6 003**
- initial application of the full consolidation method to the company	-	-	2	2	-	-	-	-	**2**
- other increases	-	-	14	14	30	-	21	-	**44**
Decrease (due to)	**-**	**-**	**(459)**	**(443)**	**-**	**(8 232)**	**-**	**-**	**(8 691)**
- purchase	-	-	-	-	-	-	-	-	**-**
- liquidation	-	-	(397)	(388)	-	-	-	-	**(397)**
- transfer from investment layouts for development	-	-	-	-	-	(4 565)	-	-	**(4 565)**
- other decreases	-	-	(62)	(55)	-	(3 667)	-	-	**(3 729)**
Gross fixed intangible assets as at the end of the period on 30 June 2005	**33 119**	**38 277**	**344 948**	**277 144**	**8 628**	**157 142**	**1 335**	**512 214**	**1 094 328**
Accumulated amortisation as at the beginning of the period on 1 January 2005	**(25 400)**	**(2 537)**	**(122 427)**	**(95 881)**	**(6 868)**	**-**	**-**	**(240 086)**	**(397 318)**
Amortisation in the period (due to)	**(1 261)**	**-**	**(23 745)**	**(15 685)**	**(428)**	**-**	**-**	**-**	**(25 434)**
- impairment losses	(1 261)	-	(24 033)	(15 958)	(398)	-	-	-	**(25 692)**
- relief	-	-	(1)	(1)	-	-	-	-	**(1)**
- initial application of the full consolidation method to the company	-	-	(2)	(2)	-	-	-	-	**(2)**
- other increase	-	-	(13)	(13)	(30)	-	-	-	**(43)**
- sale	-	-	-	-	-	-	-	-	**-**
- liquidation	-	-	250	241	-	-	-	-	**250**
- other decreases	-	-	54	48	-	-	-	-	**54**
Accumulated amortisation as at the end of the period on 30 June 2005	**(26 661)**	**(2 537)**	**(146 172)**	**(111 566)**	**(7 296)**	**-**	**-**	**(240 087)**	**(422 753)**
Permanent impairment losses as at the beginning of the period on 1 January 2005	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- increase	-	-	(117)	(117)	-	-	-	-	**(117)**
- decrease	-	-	-	-	-	-	-	-	**-**
Permanent impairment losses as at the end of the period on 31 June 2005	**-**	**-**	**(117)**	**(117)**	**-**	**-**	**-**	**-**	**(117)**
Net fixed intangible assets as at the end of the period on 30 June 2005	**6 458**	**35 740**	**198 659**	**165 461**	**1 332**	**157 142**	**1 335**	**272 127**	**671 458**

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Movement of intangible fixed assets from 1 January 2004 to 31 December 2004	**Development costs**	**Goodwill**	**Concessions, patents, licences, and similar assets, including**	purchased software	**Other intangible assets**	**Prepayments for intangible assets, including:**	investment layouts for development	**Goodwill arising from acquisition of subsidiary (Note 45)**	**Intangible assets, total**
Gross value of intangible fixed assets as at the beginning of the period on 1 January 2004	**26 449**	**150 153**	**267 945**	**228 603**	**8 060**	**150 760**	**-**	**512 567**	**1 115 934**
Increase (due to)	**6 670**	**-**	**103 125**	**82 258**	**518**	**55 382**	**-**	**18 021**	**183 716**
- purchase	-	-	12 945	3 884	273	45 202	-	18 021	**76 441**
- acquisition of work in progress and prepayments for intangible fixed assets	-	-	36 249	33 662	245	-	-	-	**36 494**
- other increases	6 670	-	53 931	44 712	-	10 180	-	-	**70 781**
Decrease (due to)	**-**	**(111 876)**	**(45 904)**	**(42 433)**	**(7)**	**(61 401)**	**-**	**-**	**(219 188)**
- purchase	-	-	-	-	-	-	-	-	**-**
- liquidation	-	(111 876)	(28 572)	(28 572)	(5)	-	-	-	**(140 453)**
- transfer from investment layouts for development	-	-	-	-	-	-	-	-	**-**
- sale of company consolidated prior to the transaction	-	-	(9 253)	(9 253)	-	-	-	-	**(9 253)**
- other decreases	-	-	(8 079)	(4 608)	(2)	(61 401)	-	-	**(69 482)**
Gross fixed intangible assets as at the end of the period on 31 December 2004	**33 119**	**38 277**	**325 166**	**268 428**	**8 571**	**144 741**	**-**	**530 588**	**1 080 462**
Accumulated amortisation as at the beginning of the period on 1 January 2004	**(18 548)**	**(59 352)**	**(98 472)**	**(82 038)**	**(6 022)**	**-**	**-**	**(51 696)**	**(234 090)**
Amortisation in the period (due to)	**(6 852)**	**56 815**	**(23 955)**	**(13 843)**	**(846)**	**-**	**-**	**(18 167)**	**6 995**
- impairment losses	(5 959)	(10 902)	(45 047)	(31 706)	(852)	-	-	-	**(62 760)**
- relief	-	-	-	-	-	-	-	-	**-**
- other increase	(893)	-	(2 065)	(1 919)	-	-	-	(18 167)	**(21 125)**
- sale	-	-	-	-	-	-	-	-	**-**
- liquidation	-	67 717	10 348	10 348	5	-	-	-	**78 070**
- sale of company consolidated prior to the transaction	-	-	6 473	6 473	-	-	-	-	**6 473**
- other decreases	-	-	6 336	2 961	1	-	-	-	**6 337**
Accumulated amortisation as at the end of the period on 31 December 2004	**(25 400)**	**(2 537)**	**(122 427)**	**(95 881)**	**(6 868)**	**-**	**-**	**(69 863)**	**(227 095)**
Permanent impairment losses as at the beginning of the period on 1 January 2004	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- increase	-	(44 160)	(17 686)	(17 686)	-	-	-	(188 597)	**(250 443)**
- decrease	-	44 160	17 686	17 686	-	-	-	-	**61 846**
Permanent impairment losses as at the end of the period on 31 December 2004	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(188 597)**	**(188 597)**
Net fixed intangible assets as at the end of the period on 31 December 2004	**7 719**	**35 740**	**202 739**	**172 547**	**1 703**	**144 741**	**-**	**272 128**	**664 770**

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Movement of intangible fixed assets from 1 January 2004 to 30 June 2004	**Development costs**	**Goodwill**	**Concessions, patents, licences, and similar assets, including**		**Other intangible assets**	**Prepayments for intangible assets, including:**		**Goodwill arising from acquisition of subsidiary (Note 45)**	**Intangible assets, total**
				purchased software			investment layouts for development		
Gross value of intangible fixed assets as at the beginning of the period on 1 January 2004	**26 449**	**150 153**	**267 945**	**228 603**	**8 060**	**150 760**	**-**	**512 567**	**1 115 934**
Increase (due to)	**1 529**	**-**	**40 369**	**33 018**	**3 232**	**65 823**	**-**	**-**	**110 953**
- purchase	-	-	6 154	1 705	132	44 024	-	-	**50 310**
- acquisition of work in progress and prepayments for intangible fixed assets	-	-	33 131	31 219	71	-	-	-	**33 202**
- other increases	1 529	-	1 084	94	3 029	21 799	-	-	**27 441**
Decrease (due to)	**-**	**-**	**(2 664)**	**(2 664)**	**(5)**	**(61 827)**	**-**	**-**	**(64 496)**
- purchase	-	-	-	-	-	-	-	-	**-**
- liquidation	-	-	(5)	(5)	(5)	-	-	-	**(10)**
- transfer from investment layouts for development	-	-	-	-	-	-	-	-	**-**
- other decreases	-	-	(2 659)	(2 659)	-	(61 827)	-	-	**(64 486)**
Gross fixed intangible assets as at the end of the period on 30 June 2004	**27 978**	**150 153**	**305 650**	**258 957**	**11 287**	**154 756**	**-**	**512 567**	**1 162 391**
Accumulated amortisation as at the beginning of the period on 1 January 2004	**(18 548)**	**(59 352)**	**(98 472)**	**(82 038)**	**(6 022)**	**-**	**-**	**(51 696)**	**(234 090)**
Amortisation in the period (due to)	**(4 204)**	**-**	**(21 438)**	**(15 357)**	**(407)**	**-**	**-**	**-**	**(26 049)**
- impairment losses	(3 311)	-	(22 254)	(15 974)	(412)	-	-	-	**(25 977)**
- relief	-	-	-	-	-	-	-	-	**-**
- other increase	(893)	-	(201)	(54)	-	-	-	-	**(1 094)**
- sale	-	-	-	-	-	-	-	-	**-**
- liquidation	-	-	9	9	5	-	-	-	**14**
- other decreases	-	-	1 008	662	-	-	-	-	**1 008**
Accumulated amortisation as at the end of the period on 30 June 2004	**(22 752)**	**(59 352)**	**(119 910)**	**(97 395)**	**(6 429)**	**-**	**-**	**(51 696)**	**(260 139)**
Permanent impairment losses as at the beginning of the period on 1 January 2004	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- increase	-	-	-	-	-	-	-	-	**-**
- decrease	-	-	-	-	-	-	-	-	**-**
Permanent impairment losses as at the end of the period on 30 June 2004	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net fixed intangible assets as at the end of the period on 30 June 2004	**5 226**	**90 801**	**185 740**	**161 562**	**4 858**	**154 756**	**-**	**460 871**	**902 252**

26. Tangible fixed assets

	30.06.2005	**31.12.2004**	**30.06.2004**
Tangible fixed assets, including:	486 770	476 632	550 612
- land	2 589	1 515	21 241
- buildings, premises and land / water civil engineering structures	254 550	246 556	303 952
- plant and machinery	105 602	109 092	117 406
- vehicles	37 069	29 590	25 515
- other tangible fixed assets	86 960	89 879	82 498
Assets under construction	48 796	46 355	36 784
Prepayments for assets under construction	**-**	**-**	37
Total tangible fixed assets	**535 566**	**522 987**	**587 433**

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Movements in Fixed Assets

Movement of tangible fixed assets from 1 January 2005 to 30 June 2005	lands	Buildings, premises and civil engineering structures	Plant and machinery	Vehicles	Other tangible fixed assets	Total
Gross tangible fixed assets as at the beginning of the period on 1 January 2005	**21,236**	**355,603**	**344,931**	**48,405**	**198,272**	**968,447**
- purchase	**1,080**	**11,824**	**15,639**	**14,770**	**10,235**	**53,548**
- acquisition from other units of the Bank	1,080	10,402	9,361	14,705	2,404	**37,952**
- acquisition of work in progress and	-	1,319	5,060	-	7,830	**14,209**
- other increases	-	36	33	-	-	**69**
Decrease (due to)	-	67	1,185	65	1	**1,318**
- purchase	**(7)**	**(105)**	**(5,375)**	**(5,770)**	**(9,149)**	**(20,406)**
- liquidation	-	-	(97)	(5,064)	(74)	**(5,235)**
- transfer to other units of the Bank	-	-	(4,900)	(264)	(6,554)	**(11,718)**
- other decreases	(7)	(105)	(378)	(442)	(2,521)	**(3,453)**
Gross fixed tangible assets as at the end of the period on 30 June 2005	**22,309**	**367,322**	**355,195**	**57,405**	**199,358**	**1,001,589**
Accumulated depreciation as at the beginning of the period on 1 January 2005	**(73)**	**(41,845)**	**(223,091)**	**(18,610)**	**(107,197)**	**(390,816)**
Depreciation in the period (due to)	**1**	**(3,687)**	**(13,565)**	**(1,484)**	**(4,004)**	**(22,739)**
- impairment losses	-	(3,660)	(18,707)	(5,509)	(10,815)	(38,691)
- allowances	-	-	-	-	-	-
- initial application of the full consolidation method to the company	-	(2)	(12)	-	-	(14)
- other increases	-	(29)	(43)	(1)	(15)	(88)
- sale	-	-	72	3,565	61	3,698
- liquidation	-	-	4,798	103	6,529	11,430
- sale of company consolidated prior to the transaction	-	-	-	-	-	-
- other decreases	1	4	327	358	236	926
Accumulated depreciation as at the end of the period on 30 June 2005	**(72)**	**(45,532)**	**(236,656)**	**(20,094)**	**(111,201)**	**(413,555)**
Permanent impairment losses as at the beginning of the period on 31 December 2004	**(19,648)**	**(67,202)**	**(12,748)**	**(205)**	**(1,196)**	**(100,999)**
- increase	-	(39)	(198)	(39)	-	(276)
- decrease	-	1	10	2	-	13
Permanent impairment losses as at the end of the period on 30 June 2005	**(19,648)**	**(67,240)**	**(12,936)**	**(242)**	**(1,196)**	**(101,262)**
Net fixed intangible assets as at the end of the period on 30 June 2005	**2,589**	**254,550**	**105,602**	**37,069**	**86,960**	**486,770**

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Movement of tangible fixed assets from 1 January 2004 to 31 December 2004	lands	Buildings, premises and civil engineering structures	Plant and machinery	Vehicles	Other tangible fixed assets	Total
Gross tangible fixed assets as at the beginning of the period on 1 January 2004	**21 355**	**536 469**	**349 676**	**42 957**	**165 788**	**1 116 245**
- purchase	**-**	**21 561**	**60 265**	**14 674**	**54 452**	**150 952**
- acquisition from other units of the Bank	-	7 211	27 161	14 231	6 808	55 411
- acquisition of work in progress and	-	1 075	32 907	-	40 247	74 229
- other increases	-	13 275	197	443	7 397	21 312
Decrease (due to)	**(119)**	**(202 427)**	**(65 010)**	**(9 226)**	**(21 968)**	**(298 750)**
- liquidation	-	(201 357)	(42 431)	(7 006)	(1 734)	(252 528)
- transfer to other units of the Bank	-	(400)	(9 401)	(494)	(9 757)	(20 052)
- sale of company consolidated prior to the transaction	-	-	(11 701)	(1 352)	(3 478)	(16 531)
- other decreases	(119)	(670)	(1 477)	(374)	(6 999)	(9 639)
Gross fixed tangible assets as at the end of the period on 31 December 2004	**21 236**	**355 603**	**344 931**	**48 405**	**198 272**	**968 447**
Accumulated depreciation as at the beginning of the period on 31 December 2003	**(85)**	**(57 139)**	**(220 435)**	**(15 646)**	**(101 382)**	**(394 687)**
Depreciation in the period (due to)	**12**	**15 294**	**(2 656)**	**(2 964)**	**(5 815)**	**3 871**
- impairment losses	-	(11 402)	(45 671)	(8 834)	(17 776)	(83 683)
- allowances	-	(43)	-	-	-	(43)
- other increases	-	-	(166)	-	(11)	(177)
- sale	-	26 516	23 763	4 528	1 527	56 334
- liquidation	-	164	9 047	758	8 557	18 526
- sale of company consolidated prior to the transaction	-	-	9 018	444	1 861	11 323
- other decreases	12	59	1 353	140	27	1 591
Accumulated depreciation as at the end of the period on 31 December 2004	**(73)**	**(41 845)**	**(223 091)**	**(18 610)**	**(107 197)**	**(390 816)**
Permanent impairment losses as at the beginning of the period on 31 December 2003	**-**	**(47)**	**(564)**	**(104)**	**-**	**(715)**
- increase	(19 648)	(67 161)	(12 247)	(115)	(1 196)	(100 367)
- decrease	-	6	63	14	-	83
Permanent impairment losses as at the end of the period on 31 December 2004	**(19 648)**	**(67 202)**	**(12 748)**	**(205)**	**(1 196)**	**(100 999)**
Net fixed intangible assets as at the end of the period on 31 December 2004	**1 515**	**246 556**	**109 092**	**29 590**	**89 879**	**476 632**

The 2004 write-offs for permanent impairment relate to parts of fixed assets (mostly those owned by the Bank), real property, one of the Bank's IT systems, and goodwill remaining after the acquisition of Bank Częstochowa and Polski Bank Rozwoju.

The recovered value of permanently impaired fixed assets is the net selling price determined on the basis of market prices of similar assets.

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Movement of tangible fixed assets from 1 January 2004 to 30 June 2004	lands	Buildings, premises and civil engineering structures	Plant and machinery	Vehicles	Other tangible fixed assets	Total
Gross tangible fixed assets as at the beginning of the period on 1 January 2004	**21 355**	**536 469**	**349 676**	**42 957**	**165 788**	**1 116 245**
- purchase	**-**	**1 453**	**28 130**	**3 946**	**35 553**	**69 082**
- acquisition from other units of the Bank	-	655	10 548	3 284	3 476	17 963
- acquisition of work in progress and	-	85	17 403	66	24 029	41 583
- other increases	-	713	179	596	8 048	9 536
Decrease (due to)	**(33)**	**(196 574)**	**(43 370)**	**(2 559)**	**(17 043)**	**(259 579)**
- liquidation	-	(194 793)	(36 406)	(2 275)	(664)	(234 138)
- transfer to other units of the Bank	-	(400)	(6 481)	(180)	(9 503)	(16 564)
- other decreases	(33)	(1 381)	(483)	(104)	(6 876)	(8 877)
Gross fixed tangible assets as at the end of the period on 30 June 2004	**21 322**	**341 348**	**334 436**	**44 344**	**184 298**	**925 748**
Accumulated depreciation as at the beginning of the period on 31 December 2003	**(85)**	**(57 139)**	**(220 435)**	**(15 646)**	**(101 382)**	**(394 687)**
Depreciation in the period (due to)	**4**	**19 835**	**4 110**	**(3 006)**	**(418)**	**20 525**
- impairment losses	-	(6 814)	(24 224)	(4 367)	(8 913)	(44 318)
- allowances	-	(127)	-	-	-	(127)
- other increase	-	-	(222)	(401)	(705)	(1 328)
- sale	-	26 593	21 769	1 324	556	50 242
- liquidation	-	129	6 348	14	8 261	14 752
- other decreases	4	54	439	424	383	1 304
Accumulated depreciation as at the end of the period on 30 June 2004	**(81)**	**(37 304)**	**(216 325)**	**(18 652)**	**(101 800)**	**(374 162)**
Permanent impairment losses as at the beginning of the period on 1 January 2004	**-**	**(47)**	**(564)**	**(104)**	**-**	**(715)**
- increase	-	(45)	(141)	(73)		(259)
- decrease	-	-	-	-	-	-
Permanent impairment losses as at the end of the period on 30 June 2004	**-**	**(92)**	**(705)**	**(177)**	**-**	**(974)**
Net fixed intangible assets as at the end of the period on 30 June 2004	**21 241**	**303 952**	**117 406**	**25 515**	**82 498**	**550 612**

27. Other Assets

	30.06.2005	31.12.2004	30.06.2004
Assets taken over and held for resale	31	43	44
- fixed assets under construction	-	-	-
- immovables	-	-	-
- other	31	43	44
Other, including:	544 183	573 527	768 903
- debtors	215 388	311 663	497 255
- income tax surplus	16 483	16 258	390
- interbank balances	1 822	3 242	2 817
- other accruals	127 894	81 987	116 770
- deferred income	1 251	2 546	662
- inventories	151 461	121 761	130 429
- other	29 884	36 070	20 580
Total other assets	**544 214**	**573 570**	**768 947**

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28. Amounts due to Central Bank

	30.06.2005	31.12.2004	30.06.2004
Loans received	-	-	-
Liabilities under repo operations	-	-	-
Other	-	-	-

29. Amounts due to Other Banks

	30.06.2005	31.12.2004	30.06.2004
Liabilities in transfer	1 249	-	-
Cash in current accounts	721 705	653 027	756 610
Term deposits	1 537 126	1 582 640	2 026 558
Received credits and loans	2 924 467	3 115 139	3 310 198
Repo / sell-buy back transactions	-	-	26 397
Other liabilities:	45 879	211 323	41 234
- arising from cash collateral	31 917	32 021	-
- other	13 962	179 302	41 234
Total amounts due to banks	**5 230 426**	**5 562 129**	**6 160 997**

Term deposits accepted from other banks are fix interest rate deposits. One term deposit with variable rate maturing on 06/07/2007 is one exception.

30. Amounts due to Customers

	30.06.2005	31.12.2004	30.06.2004
Corporate customers:	**11 967 880**	**10 345 715**	**9 640 910**
Cash in current accounts	5 789 668	4 696 418	3 784 268
Term deposits	2 658 768	3 289 910	2 305 791
Received credits and loans	368 948	244 995	421 070
Repo transactions	2 602 066	1 665 249	2 487 021
Other liabilities:	548 430	449 143	642 760
- arising from cash collateral	279 906	243 555	281 143
- other	268 524	205 588	361 617
Individual customers:	**7 036 455**	**6 418 558**	**5 822 129**
Cash in current accounts	3 982 804	2 997 300	2 855 347
Term deposits	2 978 638	3 297 736	2 863 400
Received credits and loans	-	-	-
Other liabilities:	75 013	123 522	103 382
- arising from cash collateral	74 374	62 450	-
- other	639	61 072	103 382
Public sector customers:	**146 238**	**133 616**	**227 991**
Cash in current accounts	33 514	83 467	125 813

Term deposits	59 873	23 505	72 199
Received credits and loans	51 274	26 624	29 916
Other liabilities:	1 577	20	63
- arising from cash collateral	-	-	2
- other	1 578	20	61
Total amounts due to customers	**19 150 574**	**16 897 889**	**15 691 030**

31. Debt Securities in Issue

LIABILITIES DUE TO THE ISSUE OF DEBT SECURITIES

As at 30 June 2005

Debt securities (by type)	Face value	Interest rate	Guarantees / hedging	Redemption date
Long-term issues				
- Deposit certificates (in PLN)	3 000 000	6,91%	no hedging	29-01-10
- Deposit certificates (in PLN)	3 000 000	5,90%	no hedging	14-08-06
- Deposit certificates (in PLN)	8 000 000	5,87%	no hedging	21-08-06
- Deposit certificates (in PLN)	3 000 000	5,91%	no hedging	27-08-08
- Deposit certificates (in PLN)	5 000 000	6,32%	no hedging	01-10-08
- Deposit certificates (in PLN)	10 000 000	5,94%	no hedging	13-10-06
- Deposit certificates (in PLN)	10 000 000	6,34%	no hedging	13-10-08
- Deposit certificates (in PLN)	20 000 000	fixed interest rate 6,73%	no hedging	12-04-06
- Deposit certificates (in PLN)	15 000 000	return 9,049%	no hedging	06-05-09
- Bonds (in PLN)	11 200 000	6,50%	no hedging	22-09-08
- Bonds (in PLN)	5 000 000	6,05%	no hedging	22-09-06
- Bonds (in EUR)	200 000 000	EURIBOR 3m + 0,35%	deposit	03-11-06
- Bonds (in EUR)	225 000 000	EURIBOR 3m + 0,20%	deposit	18-10-07
- Bonds (in USD)	10 000 000	step up coupon (3.25, 3.75, 4.25, 4.75, 5.25)	deposit	09-12-09
- Bonds (in EUR)	200 000 000	EURIBOR 3m + 0,20%	deposit	27-06-08
- Bonds (in PLN)	30 500 000	WIBOR 3m + 0,9%	no hedging	23-04-07
- Bonds (in PLN)	13 000 000	WIBOR 3m + 0,9%	no hedging	23-04-07
- Bonds (in PLN)	37 200 000	WIBOR 3m + 0,9%	no hedging	23-04-07
- Bonds (in PLN)	20 000 000	WIBOR 3m + 0,9%	no hedging	23-04-07
- Bonds (in PLN)	10 500 000	WIBOR 3m + 0,9%	no hedging	23-04-07
- Bonds (in PLN)	12 000 000	WIBOR 3m + 0,9%	no hedging	23-04-08
- Bonds (in PLN)	28 300 000	WIBOR 3m + 0,9%	no hedging	23-04-08
- Bonds (in PLN)	19 000 000	WIBOR 3m + 0,9%	no hedging	23-04-08
Short-term issues				
- Deposit certificates (in PLN)	2 500 000	return 6,63%	no hedging	05-07-05
- Bonds (in PLN)	25 000 000	6,95%	no hedging	01-08-05
- Bonds (in PLN)	42 300 000	5,65%	no hedging	25-07-05
- Bonds (in PLN)	43 000 000	6,20%	no hedging	29-07-05
Liabilities due to the issue of debt securities (balance sheet value in thousand PLN)				**2 837 518**

As at 31 December 2004

Debt securities (by type)	Face value	Interest rate	Guarantees / hedging	Redemption date
Long-term issues				
- Deposit certificates (in PLN)	3 000 000	6,13%	no hedging	29-01-10
- Deposit certificates (in PLN)	3 000 000	7,20%	no hedging	14-08-06
- Deposit certificates (in PLN)	8 000 000	7,23%	no hedging	21-08-06
- Deposit certificates (in PLN)	3 000 000	7,24%	no hedging	27-08-08
- Deposit certificates (in PLN)	5 000 000	7,25%	no hedging	01-10-08
- Deposit certificates (in PLN)	10 000 000	7,50%	no hedging	13-10-06
- Deposit certificates (in PLN)	10 000 000	7,65%	no hedging	13-10-08
- Deposit certificates (in PLN)	20 000 000	fixed interest rate 6,73%	no hedging	12-04-06
- Deposit certificates (in PLN)	15 000 000	return 9,049%	no hedging	06-05-09
- Bonds (in PLN)	11 200 000	7,91%	no hedging	22-09-08
- Bonds (in PLN)	5 000 000	7,56%	no hedging	22-09-06
- Bonds (in PLN)	111 200 000	WIBOR 3M + 0,9%	no hedging	23-07-07
- Bonds (in EUR)	200 000 000	EURIBOR 3M + 0,35%	deposit	03-11-06
- Bonds (in EUR)	225 000 000	EURIBOR 3M + 0,2%	deposit	18-10-07
- Bonds (in USD)	10 000 000	step up coupon	deposit	09-12-09
- Bonds (in PLN)	30 500 000	WIBOR 3M + 0,9%	no hedging	23-07-07
- Bonds (in PLN)	13 000 000	WIBOR 3M + 0,9%	no hedging	23-07-07
- Bonds (in PLN)	37 200 000	WIBOR 3M + 0,9%	no hedging	23-07-07
- Bonds (in PLN)	20 000 000	WIBOR 3M + 0,9%	no hedging	23-07-07
- Bonds (in PLN)	10 500 000	WIBOR 3M + 0,9%	no hedging	23-07-07
Short-term issues				
- Deposit certificates (in PLN)	320 700 000	average return 6,53%	no hedging	11-01-05 to 05-07-05
- Bonds (in EUR)	200 000 000	EURIBOR 3m + 0,375%	deposit	09-06-05
- Bills of exchange	10 000 000	7,00%	no hedging	31-03-05
- Bills of exchange	28 300 000	7,05%	no hedging	18-03-05
- Bills of exchange	21 000 000	7,10%	no hedging	28-01-05
- Bills of exchange	20 000 000	7,15%	no hedging	28-01-05
- Bills of exchange	20 700 000	7,25%	no hedging	18-01-05
Liabilities due to the issue of debt securities (balance sheet value in thousand PLN)				**3 103 327**

As at 30 June 2004

Debt securities (by type)	Face value	Interest rate	Guarantees / hedging	Redemption date
Long-term issues				
- Deposit certificates (in PLN)	3 000 000	6,13%	no hedging	29-01-10
- Deposit certificates (in PLN)	3 000 000	7,20%	no hedging	14-08-06
- Deposit certificates (in PLN)	8 000 000	7,23%	no hedging	21-08-06
- Deposit certificates (in PLN)	3 000 000	7,24%	no hedging	27-08-08
- Deposit certificates (in PLN)	5 000 000	7,25%	no hedging	01-10-08
- Deposit certificates (in PLN)	10 000 000	7,50%	no hedging	13-10-06
- Deposit certificates (in PLN)	10 000 000	7,65%	no hedging	13-10-08
- Deposit certificates (in PLN)	20 000 000	fixed interest rate 6,73%	no hedging	12-04-06
- Deposit certificates (in PLN)	15 000 000	return 7,75%	no hedging	06-05-09
- Bonds (in PLN)	11 200 000	7,91%	no hedging	22-09-08
- Bonds (in PLN)	5 000 000	7,56%	no hedging	22-09-06
- Bonds (in EUR)	200 000 000	3MEURIBOR + 0,35%	deposit	03-11-06
- Mortgage bonds (in PLN)	5 000 000	3MWIBOR + 0,25%	Mortgage bonds secure register	28-06-05
- Mortgage bonds (in EUR)	1 000 000	3MEURIBOR + 0,55%	Mortgage bonds secure register	14-09-04
- Mortgage bonds (in USD)	6 000 000	3MLIBOR + 0,60%	Mortgage bonds secure register	21-11-05
- Mortgage bonds (in USD)	5 300 000	3MLIBOR + 0,70%	Mortgage bonds secure register	20-05-08
- Mortgage bonds (in EUR)	10 000 000	6MEURIBOR + 0,75%	Mortgage bonds secure register	20-05-09
- Mortgage bonds (in PLN)	50 000 000	3MWIBOR + 0,2%	Mortgage bonds secure register	31-07-06
- Mortgage bonds (in PLN)	200 000 000	6MWIBOR + 0,6%	Mortgage bonds secure register	10-04-08
- Mortgage bonds (in EUR)	14 500 000	6MEURIBOR + 0,75%	Mortgage bonds secure register	20-05-09
- Mortgage bonds (in PLN)	200 000 000	6MWIBOR + 0,49%	Mortgage bonds secure register	10-10-08
- Mortgage bonds (in EUR)	25 000 000	6MEURIBOR + 0,60%	Mortgage bonds secure register	20-02-09
- Mortgage bonds (in USD)	25 000 000	6MLIBOR + 0,60%	Mortgage bonds secure register	20-05-09
Short-term issues				
- Deposit certificates (in PLN)	615 600 000	average return 5,77%	no hedging	3M to 1R
- Bills of exchange	10 000 000	5,58%	no hedging	05-07-04
- Bills of exchange	20 000 000	5,90%	no hedging	16-07-04
- Bills of exchange	10 000 000	5,90%	no hedging	23-07-04
- Bills of exchange	21 000 000	6,10%	no hedging	30-07-04
- Bills of exchange	10 700 000	6,25%	no hedging	08-07-04
- Bills of exchange	10 000 000	6,00%	no hedging	08-07-04
Liabilities due to the issue of debt securities (balance sheet value in thousand PLN)				**4 073 133**

Movement in Debt Securities in Issue

	30.06.2005	31.12.2004	30.06.2004
Issued debt securities as at the beginning of the period	**3 103 327**	**3 329 181**	**3 329 181**
Increase (due to):	1 125 047	6 403 172	3 301 627
- issue	1 096 357	6 293 390	3 245 769
- adjustment of value (discount/premium/interest)	3 655	52 129	25 408
- currency translation differences	2 728	-	-
- change in the scope of consolidation	-	-	-
- other	22 307	57 653	30 450
Decrease (due to):	1 390 856	6 629 026	2 557 675
- redemption	1 373 802	5 143 830	2 431 350
- due to increase of value adjustment (discount/premium/interest)	200	35 586	27 283
- currency translation differences	16 854	336 934	92 905
- change in the scope of consolidation	-	1 035 731	-
- other	-	76 945	6 137
Issued debt securities as at the end of the period	**2 837 518**	**3 103 327**	**4 073 133**

32. Other Borrowed Funds

OTHER BORROWED AMOUNTS	Nominal value	Currency	Interest rate (%)	Maturity date	Amount (in thousand PLN)
As at 31 December 2004					
Subordinated liabilities					**1 020 144**
- AT BRE COM LTD	200 000 000	EUR	3M EURIBOR+1,3%	27.03.2012	816 115
- AT BRE COM LTD	50 000 000	EUR	3M EURIBOR+1,3%	26.09.2012	204 029
-					
Subordinated bonds	-	-	-	-	**0**
					1 020 144

OTHER BORROWED AMOUNTS	Nominal value	Currency	Interest rate (%)	Maturity date	Amount (in thousand PLN)
As at 30 June 2004					
Subordinated liabilities					**1 176 075**
- AT BRE COM LTD	200 000 000	EUR	3M EURIBOR+1,3%	27.03.2012	908 613
- AT BRE COM LTD	50 000 000	EUR	3M EURIBOR+1,3%	26.09.2012	227 153
- EuroHypo AG	8 860 000	EUR	3M EURIBOR+1,55%	07.12.2011	40 309
Subordinated bonds	-	-	-	-	**0**
					1 176 075

Like in 2004, the Group did not note any delays in repayments of principal or interest instalments and was not in default of any other contractual provisions related to its liabilities during the financial year.

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Movement in Subordinated Liabilities

	30.06.2005	31.12.2004	30.06.2004
Subordinated liabilities as at the beginning of the period	**1 020 144**	**1 221 340**	**1 221 340**
Increase (due to:)	422 866	67 889	695
- received subordinated loan	404 010	65 073	-
- interest on received subordinated loan	18 856	2 816	695
- currency translation differences	-	-	-
- other	-	-	-
Decrease (due to):	18 046	269 085	45 960
- repayment of capital	-	71 325	-
- repayment of interest	8 321	2 301	702
- currency translation differences	9 725	159 725	45 258
- other	-	35 734	-
Subordinated liabilities as at the end of the period	**1 424 964**	**1 020 144**	**1 176 075**

33. Other Liabilities

	30.06.2005	31.12.2004	30.06.2004
Special funds	**25 009**	**24 895**	**24 991**
Company Social Benefits Fund	25 009	24 895	24 991
Other liabilities:	428 078	309 566	370 334
- tax liabilities	8 923	7 692	4 068
- interbank settlements	97 837	18 001	166 671
- dividend liabilities	-	-	-
- creditors	83 134	106 388	91 508
- deferred costs	48 993	48 819	27 242
- deferred income	97 360	28 490	28 288
- provisions for bonuses	-	-	2 681
- provisions for pension dismissals	2 376	2 500	1 537
- provisions for unused vacation leaves	3 611	3 465	2 797
- provisions for other amounts due to the employees	55 344	21 965	13 231
- other	30 499	72 246	32 311
Total special funds and other liabilities	**453 087**	**334 461**	**395 325**

34. Provisions

	30.06.2005	31.12.2004	30.06.2004
For off-balance sheet conditional liabilities	49 660	3 593	9 559
For issues under litigation	22 466	10 292	3 865
Other	28 700	31 815	16 519
Total other provisions	**100 826**	**45 700**	**29 943**

IFRS Consolidated Financial Statements for the 1st half of 2005 (PLN 000's)

35. Deferred Income Tax Liability

Deferred income tax liability is calculated for all temporary differences in accordance with the balance sheet method, using an income tax rate effective in the year of arising of the tax liability (19% in 2004 and 2005).

Movement in the Deferred Income Tax Liability

	30.06.2005	31.12.2004	30.06.2004
As at the beginning of the period	**89 714**	**105 530**	**105 530**
Deferred income tax included in the financial result of the period	(7 857)	(11 401)	(2 310)
Deferred income tax included in equity	16 153	(4 415)	(2 969)
including::			
- valuation of securities available for sale	(844)	(3 205)	5
- changes of valuation principles according to IFRS	17 685		
- other	(688)	(1 210)	(2 974)
As at the end of the period	**98 010**	**89 714**	**100 251**
Deferred tax assets*			
Payable interest on bank deposits	2 816	1 014	3 109
Payable interest on customer deposits	9 781	10 692	9 911
Valuation of derivatives and futures	325 932	557 594	430 935
Valuation of trading financial instruments for sale at fair value through profit and loss account	7 737	9 906	12 923
Valuation of financial instruments available for sale	4 135	4 408	1 901
Valuation of financial instruments held to their maturity date	-	-	-
Provisions for the risk of impairment loss to loans and guarantees, established individually	73 800	75 660	96 389
Provisions for awards, bonuses, pension dismissals and vacation leaves	12 638	6 142	4 994
Other provisions	2 079	1 767	28 396
Accruals	7 565	2 176	2 442
Impairment to stocks / shares of associates and subordinated entities	-	-	-
Tax losses to be settled in next periods	23 282	57 254	43 765
Other negative transitional differences	71 440	52 008	17 101
Total deferred tax assets	**541 205**	**778 621**	**651 866**

Provision for deferred tax*	**30.06.2005**	**31.12.2004**	**30.06.2004**
Interest receivable on loans granted to the banks	3 849	4 056	3 773
Interest receivable on loans granted to the customers	7 752	7 671	8 781
Valuation of derivatives and futures	317 031	561 787	415 627
Valuation of trading financial instruments for sale at fair value through profit and loss account	20 267	13 108	7 481
Valuation of financial instruments available for sale	2 471	1 885	1 067
Valuation of financial instruments held to their maturity date	125	-	614
Investment tax relief	36 365	36 374	36 407

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Difference between book and tax depreciation	17 926	16 613	36 859
Other positive transitional differences	36 942	47 099	40 678
Total provisions for deferred income tax	**442 728**	**688 593**	**551 287**

Deferred income tax presented in the profit and loss account**	**30.06.2005**	**30.06.2004**
Interest	1 843	(743)
Provisions for the risk of impairment loss to loans and guarantees, established individually	(2 288)	17 979
Valuation of derivatives and futures	13 094	32 288
Valuation of trading financial instruments for sale at fair value through the profit and loss account	(10 004)	(10 103)
Impairment loss to financial instruments available for sale	(201)	(222)
Valuation of financial instruments held to their maturity date	(699)	(633)
Investment tax relief	9	16 446
Settled tax losses	(34 687)	(36 120)
Provisions for awards, bonuses, pension dismissals and vacation leaves	6 314	(968)
Other provisions	78	29
Accrual and deferred cost	5 174	(2 412)
Permanent impairment loss to stocks / shares of associates and subordinated entities	-	-
Difference between book and tax depreciation	(1 588)	(1 664)
Other transitional differences	15 373	(16 187)
Changes to tax rates	(233)	-
Deferred income tax assets written off / No need to use the provisions for deferred income tax	(42)	-
Total deferred income tax presented in the profit and loss account	**(7 857)**	**(2 310)**

* Accruing data
** Data for accounting period

Deferred income tax assets are recognized if it is likely that there will be a taxable income in the future.

The deferred tax assets calculation includes PLN 119,965 thousand of tax losses from previous years (PLN 247,590 thousand on 31 December 2004, PLN 233,203 thousand on 30 June 2004).

The Group (each Group member Company) may settle its tax losses by 2008.

36. Contingent and Off-balance Sheet Liabilities and Commitments

Proceedings Before a Court, Arbitration Body, or Public Administration Authority

As at 30 June 2005, the BRE Bank Group was not involved in any proceedings before a court, arbitration body, or public administration authority concerning liabilities of the Bank or its subsidiaries whose value would be equal to or greater than 10% of the Bank's equity. The total value of claims concerning liabilities of the Bank or its subsidiaries in all proceedings before a court, an arbitration body or a public administration authority underway at 30 June 2005 was PLN 205,603 thousand, equal to 11.07% of the issuer's equity. Below is a report on major proceedings concerning liabilities of the Bank or its subsidiaries.

IFRS Consolidated Financial Statements for the 1st half of 2005 (PLN 000's)

1. In a case concerning claims filed on 30 August 1994 by ART-B Sp. z o.o. w likwidacji against BRE Bank S.A., the Court of the first instance adopted a decision in favour of the Bank on 26 June 2004. Pursuant to the decision, the original claims for PLN 99.1 million plus statutory interest accrued as of 1991 were dismissed by the Court as in the course of the proceedings the claimant withdrew the claims and presented a new calculation of losses and a new factual basis of the claims. The claims for PLN 17.4 million raised in the course of the proceedings were dismissed due to limitation and lack of sufficient evidence. On 4 July 2005, the Appeal Court in Warsaw dismissed the entire appeal of the claimant. Proceedings for the claims were also opened against BRE Bank S.A. in the Court of Jerusalem, Israel, and the value of the dispute is US$ 43.4 M (PLN 145.4 M according to the mid exchange rate of the National Bank of Poland on 30 June 2005). In these proceedings, BRE Bank S.A. assists the main defendant, Bank Leumi Le Israel. BRE Bank S.A.'s liability is under recourse, and depends on whether the court grants ART-B's claims against Bank Leumi. Only then will the court consider Bank Leumi's claims against BRE Bank S.A.. The Israeli proceedings are still at the pre-trial stage (prior to the first hearing). Bank Leumi and ART-B have come to an agreement concerning arbitration. For reasons of procedure, BRE Bank S.A. has joined the process, which does not imply its acceptance of the claims or readiness to make a settlement. The probability of dismissal of the claims against BRE Bank S.A. by the court in Israel has increased considerably in connection with the decision of the Polish court in favour of BRE Bank S.A.
2. On 30 January 2001, Katarzyna and Leonard Praśniewski filed claims for compensation against Dom Inwestycyjny BRE Banku SA (DI BRE) before the District Court of Warsaw. The value of the dispute is PLN 13.9 M. In 2003, the court of the first instance granted the plaintiffs' claims of PLN 13.9 M from DI BRE. Following an appeal filed by DI BRE, the court of the second instance in its decision of 29 April 2004 changed the original decision and dismissed the claims. The plaintiffs filed cassation against the decision of the court of the second instance. On 15 April 2005, the Supreme Court revoked the decision of the Appeal Court in Warsaw and referred the case back to the Appeal Court. According to the Bank and its legal counsel, there are no factual or legal reasons to conclude that the plaintiffs incurred a loss caused by DI BRE. In addition, in view of the rationale presented orally by the Supreme Court, which defined the scope of the referral to the Appeal Court, the legal risk posed by the case is estimated at not more than PLN 4.5 million.

As at 30 June 2005, the BRE Bank Group was not involved in any proceedings before a court, arbitration body, or public administration authority concerning receivables of the issuer or its subsidiaries whose value would be equal to or greater than 10% of the issuer's equity. The total value of claims concerning receivables of the issuer or its subsidiaries in all proceedings before a court, an arbitration body or a public administration authority underway at 30 July 2005 was PLN 326,166,000, equal to 17.56% of the issuer's equity. Below is a report on major proceedings concerning receivables of the issuer.

	Client	Disputed matter	Value of the dispute in PLN as at 30/06/2005	Type of proceedings	Proceedings opened on
1.	Stocznia Szczecińska Holding SA w upadłości	Loan	67,126,756,39	Bankruptcy	2002/07/29
2.	Kama Foods SA	Loan	45,355,381,73	Bankruptcy	2003/06/05
3.	Big-Carton SA	Loan	41,275,396,57	Bankruptcy	2001/07/12

The tax authorities have not carried out in current financial period any full-scope tax audits at the Bank or its subsidiaries.

The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Group's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

IFRS Consolidated Financial Statements for the 1st half of 2005 (PLN 000's)

Off-balance Sheet Liabilities

The following table presents the value of off-Balance Sheet liabilities:

	30.06.2005	31.12.2004	30.06.2004
Extended and received contingent liabilities	**7 980 510**	**8 260 342**	**7 786 159**
Extended liabilities	***7 368 669***	***7 268 893***	***6 839 667***
- financing	6 057 552	5 628 898	5 353 718
- guarantees	1 311 117	1 639 995	1 485 949
Received liabilities	***611 841***	***991 449***	***946 492***
- financing	73 897	340 000	128 451
- guarantees	537 944	651 449	818 041
Liabilities related to realised purchase/sale transactions	**314 096 541**	**223 399 356**	**216 722 941**
Other liabilities	**1 650 610**	**1 133 670**	**1 074 767**
- factoring receivables	642 695	688 057	518 468
- factoring amounts due	122 238	131 477	149 360
- other	885 677	314 136	406 939
Total off-balance sheet items	**323 727 661**	**232 793 368**	**225 583 867**

	30.06.2005	31.12.2004	30.06.2004
Capital liabilities	**10 736 469**	**10 409 740**	**9 176 796**
- banker's acceptance	40 001	30 674	49 319
- stand-by guarantees and letters of credit	4 502 154	4 192 344	4 287 207
- commercial and documentary letters of credit	147 315	177 728	221 857
- obligations related to granting of credits:	6 046 999	6 008 994	4 618 413
- term of original maturity up to 1 year	4 071 994	4 061 211	3 041 344
- term of original maturity over 1 year	1 975 005	1 947 783	1 577 069

PLN 40,001,000 of commitments made by Intermarket Bank AG had the largest effect on the amount of financial liabilities of other Capital Holding Group Companies (following elimination of mutual transactions).

In the process of consolidation, BRE Bank S.A.'s guarantee commitments were adjusted (reduced), among other items, by PLN 2,558,474,000 Eurobond redemption guarantee issued to the order of BRE Finance France SA, BRE Bank S.A.'s subsidiary. Other material adjustment amounting to PLN 337,956,000 concern guarantees for subsidiaries: Skarbiec Asset Management Holding S.A – PLN 60 479,000; Polfactor SA – PLN 240,477,000; and BRE Locum – PLN 37 000,000.

As at 30 June 2005, the list of issues covered by the guarantee of assumption by BRE Bank S.A. was as follows:

Issuer	Type of guaranteed securities	Amount of guarantee in PLN	Financial, organizational and personal relationships	Marketability
PKN ORLEN SA	Bonds	50,000,000	None	Marketable
ECHO Investment S.A.	Bonds	25,000,000	None	Marketable
Boryszew SA	Bonds	35,000,000	▪ 1 Supervisory Board member	Marketable
Prokom Software SA	Bonds	100,000,000	None	Marketable

The foregoing statement does not include agreements for one-time assumption of securities, which are still in effect with respect to the handling, recording and performing other responsibilities with respect to the securities.

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No other member of the Capital Holding Group except BRE Bank S.A. made any issue guarantee commitments.

Contingent Commitments

As at 30 June 2005, the Capital Holding Group had PLN 611,841,000 worth of contingent commitments received.

BRE Bank S.A. received PLN 403,109,000 worth of commitments, including PLN 366,490,000 worth of guarantees securing credits and guarantees issued and PLN 36,619,000 worth of unused credits granted by foreign banks.

In addition to BRE Bank S.A.,

BRE Leasing Sp. z o.o. received PLN 37,278,000 worth of commitments from entities other than the Capital Holding Group member Companies.

Pledged Assets

Assets are pledged as security in connection with sell-buy-back agreements made with other banks and securing deposits are created in connection with conclusion of local futures or options contracts and with membership in stock exchanges. Further, deposits are held in local banks, representing statutory provisions required by the law.

	30.06.2005	31.12.2004	30.06.2004
Pledged assets, including:	**2 538 938**	**1 781 725**	**2 039 583**
- Trading securities	2 520 637	1 750 225	1 991 647
- Investment securities	18 301	31 500	47 936
Liabilities arising from pledged asset, including:	**2 631 990**	**1 763 605**	**2 521 848**
- Sell-buy back transactions	2 613 660	1 750 225	2 513 418
- Funds guaranteed under BGF	18 330	13 380	8 430

Operating Lease Liabilities

If a Group Company is a lessee, the minimum future payments on the account of leasing under non-cancellable operating lease agreements for buildings are as follows:

Liabilities from operating lease	**310 488**	**314 136**	**406 938**
- up to 1 year	26 223	23 142	27 617
- over 1 year with a maximum of 5 years	101 434	91 768	127 307
- over 5 years	182 831	199 226	252 014

37. Share Capital

The total number of ordinary shares as at 30 June 2005 was 28,713,125 shares (vs. 28,713,125 as at 30 June 2004) with PLN 4 nominal value each (PLN 4 in 2004). All issued shares were fully paid.

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SHARE CAPITAL (STRUCTURE)								
series/issue	share type	share preferences	share restrictions	number of shares	series/ issue nominal value	paid up	registered on	dividend right since
11-12-86	ordinary bearer shares	-	-	9 966 500	39 866 000	fully paid up in cash	23-12-86	01-01-89
11-12-86	registered shares	-	-	33 500	134 000	fully paid up in cash	23-12-86	01-01-89
20-10-93	ordinary bearer shares	-	-	2 500 000	10 000 000	fully paid up in cash	04-03-94	01-01-94
18-10-94	ordinary bearer shares	-	-	2 000 000	8 000 000	fully paid up in cash	17-02-95	01-01-95
28-05-97	ordinary bearer shares	-	-	4 500 000	18 000 000	fully paid up in cash	10-10-97	10-10-97
27-05-98	ordinary bearer shares	-	-	3 800 000	15 200 000	fully paid up in cash	20-08-98	01-01-99
24-05-00	ordinary bearer shares	-	-	170 500	682 000	fully paid up in cash	15-09-00	01-01-01
21-04-04	ordinary bearer shares	-	-	5 742 625	22 970 500	fully paid up in cash	04-06-30	01-01-04
Number of shares, total				**28 713 125**				
Share capital, total					**114 852 500**			
PLN nominal value per share			4					

38. Supplementary Capital

Supplementary capital is formed from deductions from net profit or from the share premium obtained from the issue of shares reduced by the attached direct costs incurred with that issue. This capital is intended to cover all balance sheet losses that may result from the business activity of the Bank.

The following table illustrates movements in the supplementary capital:

	30.06.2005	31.12.2004	30.06.2004
As at the beginning of the period	**1 192 304**	**657 157**	**657 157**
Issue of shares above nominal value	-	528 321	526 845
Write-off from the profits from preceding years	10 009	3 414	3 429
Payments by shareholders	-	-	-
Sale of fixed assets	-	7 979	-
Change in the scope of consolidation	-	(3 090)	-
Increase of share in a consolidated company	-	-	-
Loss coverage	(69 842)	-	-
Issue expenses	-	(1 477)	-
Other changes	-		2
As at the end of the period	**1 132 471**	**1 192 304**	**1 187 433**

Supplementary Capital	**30.06.2005**	**31.12.2004**	**30.06.2004**
Share premium	1 132 471	1 171 251	1 163 275
Other supplementary capital	-	21 053	24 158
Total supplementary capital	**1 132 471**	**1 192 304**	**1 187 433**

According to IAS 29 point 25 *Financial Reporting in Hyperinflationary Economies*, the components of equity (except retained earnings and any revaluation surplus) are restated by applying a general price index from the dates the components were contributed or otherwise arose for a period when the economy of the carrying business entity was recognised as a hyperinflationary economy.

The effect of restating the components of share capital by applying a general price index is recognised in correspondence with retained earnings. The adoption of IAS 29 point 25 results in an increase of the share capital and at the same time it debits retained earnings in the same amount. The adoption of IAS 29 point 25 results in an increase of the share capital and at the same time it debits retained earnings in the same amount.

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The Management Board has carried out an analysis to estimate the value of such adjustment, which demonstrated that the disclosure of the adjustment will result in a growth of the share and supplementary capital and in a corresponding decrease in the retained profit by PLN 44,183,000, PLN 63,036,000, and PLN 107,219,000, respectively.

Because the effect of the restatement:

- Represents 5.62% of the owners' equity of the Group;
- Consists of re-allocation of funds between various items of the owners' equity, which has no effect on the equity as a whole;
- Has no effect on the presented financial data;

the Management Board of the Bank believes that such restatement will have no material effect on the accuracy and fairness of the presentation of the Bank's financial position as at, and for the period ended on, 30 June 2005.

39. Other Capital and Reserves

	30.06.2005	**31.12.2004**	**30.06.2004**
General Banking Pisk Fund	558 000	558 000	559 595
Reserve capital from recalculation	1 720	2 793	3 789
Capital from revaluation - trading securities available for sale	5 628	1 711	(4 115)
Capital from revaluation - valuation of cash flow hedging instruments	(1 470)	(2 937)	(5 373)
Share option program for employees	17 494	15 340	10 997
Other reserve capital	(17 591)	190 710	197 807
Total other capital and reserve	**563 781**	**765 617**	**762 700**

Share options

Share options are granted as motivation to members of the Management of BRE Bank S.A. BRE Bank S.A. will issue new shares to enable the use of such options.

The Bank operates two motivational programs related to share options.

Under the first program, started in May 2000, members of the Bank's Management were granted 479,500 options, of which 159,000 were reserved for members of the Management Board. BRE Bank S.A. will settle the program by issuing its shares. The issue price is PLN 135.8.

Because the share options were granted before 7 November 2002, the program is not subject to the regulations of IFRS 2 and it was not valuated.

The process of assuming shares is three-phased. First, employee options are assumed based on Option Agreements. The price of an option represents 1% of the issue price of the shares covered by the Options Agreements. An employee of the bank that signed an Option Agreement assumes the shares automatically. Employees assumed 1/3 of the options on each of the following dates: 30 June 2001, 30 June 2002 and 31 May 2003. Then, eligible individuals assume bonds (for PLN 0.01 per piece) and then exchanges the bonds to shares. Employees may exchange bonds for shares between 2 February 2004 and 30 June 2006.

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The following table presents the number of stock options for each option group:

	30/06/2005	30/06/2004
As at January 1	479,500	479,500
Granted	0	0
Cancelled	0	0
Realized	0	0
Expired	0	0
As at June 30	**479,500**	**479,500**
Exercisable at end of period	479,500	479,500

The price of exercising an option is the same for each group presented in the foregoing table: PLN 135.8. The period remaining until the end of the contractual term for options existing as at 30 June 2005 is 1 year.

The other employee options program was valuated in accordance with IFRS 2.

Employees pay 0.1% of the issue price for each share. The options are distributed in proportion: 20% each year in advance, starting from 15 October 2003 until 30 June 2007. October 15 is the first option distribution date. Each subsequent date is June 30 of the following year until (and including) 30 June 2007. Options that have been already assumed can be exercised not earlier than 1 June 2005 and not later than 30 June 2008. The options are non-transferable.

The following table presents the employee stock options program:

	30.06.2005	30.06.2004
As at the beginning of the period	**15 340**	**6 654**
Granted	2 154	4 343
Realized	-	-
Expired	-	-
As at the end of the period	**17 494**	**10 997**

The following table presents changes in the number of issued share options:

	30.06.2005	30.06.2004
At the beginning of the period	**493 000**	**471 300**
Granted	-	-
Realized	-	-
Expired	-	-
At the end of the period	**493 000**	**471 300**
Exercisable at end of period	493 000	0

471.300 share options, PLN 96.16 issue price each, were granted on 15 October 2003 and they expire on 1 July 2008. Additional 21,700 options were granted on 31 July 2004. The options were fair-valued for both these dates. The program stipulates that employees will assume 500,000 options (175,000 options for the Management Board and 325,000 options for other employees). As at 30 June 2005, 7,000 options were not yet granted. No stocks related to the options program had been issued by 30 June 2005.

The fair value of options granted on 15 October 2003, determined using the Black-Scholes valuation model, amounted to PLN 45.57 per option. The fair value of options granted on 31 July 2004, established using the same model, amounted to PLN 40.15 per option. Conditions of the program and the fact that no divided was planned for the previous year in 2003-2008 had an important effect on the choice of the valuation model. The variability of BRE Bank S.A.'s shares is calculated by applying a standard deviation estimator to a sample of 252 quotations (one year back) and an interest rate based on zero coupon rates capitalized on continuous basis, as required by the Black-Scholes model, determined on the basis of the structure of interest rates in effect on the valuation date.

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The following table presents movements in other capital and reserves:

	30.06.2005	31.12.2004	30.06.2004
General Banking Risk Fund			
As at the beginning of the period	558 000	558 000	558 000
Currency translation differences	-	-	-
Transfer of profit from the preceding years	-	-	1 595
As at the end of the period	**558 000**	**558 000**	**559 595**
Other reserve capital			
As at the beginning of the period	190 710	196 492	196 492
Currency translation differences	-	-	-
Transfer of profit from the preceding years	-	2 025	2 025
Loss coverage	(208 301)	(702)	(702)
Other changes	-	(7 105)	(8)
As at the end of the period	**(17 591)**	**190 710**	**197 807**
Share option program for employees			
As at the beginning of the period	15 340	6 654	6 654
Granted	2 154	8 686	4 343
Realized	-	-	-
Expired	-	-	-
As at the end of the period	**17 494**	**15 340**	**10 997**
Reserve capital from revaluation			
As at the beginning of the period	2 793	5 332	5 332
Currency translation differences occurred during the year	(1 073)	(2 539)	(1 543)
As at the end of the period	**1 720**	**2 793**	**3 789**
Capital from revaluation - securities available for sale			
As at the beginning of the period	1 711	(6 497)	(6 497)
Net change due to change of fair value	7 937	12 659	2 377
Net change transferred to the income statement due to sale and impairment loss	(3 176)	(1 246)	-
Deferred income tax	(844)	(3 205)	5
As at the end of the period	**5 628**	**1 711**	**(4 115)**

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Capital from revaluation - valuation of cash flow hedging instruments			
Currency swap			
As at the beginning of the period	(2 937)	(8 563)	(8 563)
Change in the balance sheet period	*1 467*	*5 626*	*3 190*
Net change due to change of fair value	1 810	6 946	3 190
Deferred income tax	(343)	(1 320)	-
Transfer to the income statement	-	-	
Deferred income tax	-	-	
As at the end of the period	**(1 470)**	**(2 937)**	**(5 373)**
Total other capital and reserves	**563 781**	**765 617**	**762 700**

The general banking reserve represents retained profit carry forwards made to meet the capital requirements of the Banking Law. The funds are undistributable.

The following table presents the movement in the retained earnings:

	30.06.2005	**31.12.2004**	**30.06.2004**
As at the beginning of the period	**(314 908)**	**62 024**	**62 024**
Dividend for the previous financial year	-	-	-
Write-off for the General Banking Reserve	-	(1 595)	(1 595)
Write-off for supplementary capital	(10 009)	(3 414)	(3 429)
Write-off for reserve capital	-	(2 025)	(2 025)
Coverage of loss from the preceding years with reserve capital	208 302	702	702
Coverage of loss from the preceding years with supplementary capital	69 842	-	-
Other changes	(647)	10 296	(4 560)
As at the end of the period	**(47 420)**	**65 988**	**51 117**

According to the Polish legislation, each bank is required to allocate 8% of its net profit to a statutory undistributable reserve capital until the capital reaches $1/3^{rd}$ of the share capital.

In addition, the Group transfers some of its net profit to the general banking risk fund to cover for unexpected risks and future losses. The general banking risk fund can be distributed only on consent of stockholders given at a general meeting.

The total amount of PLN 3,176 tousand representing the balance of increases/decreases of securities (bonds, treasury notes and stocks) sold in 2005 was charged off the revaluation capital and recognized in the Profit and Loss Account.

40. Dividend per Share

BRE Bank S.A. did not distribute dividend for 2004.

41. Cash and Cash Equivalents

For the purposes of the Cash Flow Statements, the balance of cash and cash equivalents comprises the following balances with maturities shorter than 3 months:

	30.06.2005	31.12.2004	30.06.2004
Cash and cash equivalents with the Central Bank (Note 17)	611 517	734 691	466 674
Debt securities eligible for rediscounting at the Central Bank	55 771	52 832	84 773
Loans and advances to banks (Note 19)	6 349 236	5 908 558	4 647 421
Trading securities (Note 20)	4 273 338	3 351 206	3 746 189
Total cash and cash equivalents	**11 289 862**	**10 047 287**	**8 945 057**

42. Transactions with Related Entities

On 31 May 2005, in implementation of an agreement between BRE Bank S.A. and TV-Tech Investment 1 Sp. z o.o. dated 5 November 2003, TV-Tech Investment 1 Sp. z o.o. paid BRE Bank S.A. US$ 40,585,903.92 (PLN 135,009,009.39 according to the mid exchange rate of the National Bank of Poland on 31 May 2005). The payment was a return of an advance granted for the acquisition of shares of TVN Sp. z o.o. (currently TVN SA).

On 27 June 2005, BRE Finance France SA, a subsidiary of BRE Bank S.A., issued notes at EUR 200,000,000 (PLN 809,460,000). BRE Bank S.A. is the guarantor of the issue. The details of the issue are presented in item 4 of Selected Explanatory Information.

	Directors and key management personnel		**Subsidiaries**	
(in PLN '000)	**30.06.2005**	**30.06.2004**	**30.06.2005**	**30.06.2004**
Loans outstanding as at 30 June	1 092	53	346	412
Deposits received as at 30 June	2 593	1 612	195	75
Interest expense on deposits	27	1	2	2
Fee and commission income	3	1	1	-
Key management compensation	6 522	7 473	10 173	10 222

No provisions were created in connection with credits granted to related entities (none in 2004).

PLN 773 thousand of housing loans granted to the members of the Management Board of the Bank during the year are repaid monthly during the term of 5 years and they bear 1% annual interest rate.

On 30 June 2004 outstanding loans and guarantees of the Memebers of the Management Board of the Bank amounted to:

- housing loans	PLN 814 thousand
- other loans	PLN 5,635 thousand
- guarantees	PLN2.5 thousand

Members of the Management Board of the Bank had no outstanding cash loans. “Other loans” relates to the loans granted as part of the Bank’s Private Banking activities. Such loans were granted on market conditions.

Members of the Management Board of the Bank and their spouses, relatives and other persons related to the members as at 30 June 2005 had no liabilities to the associates on the account of outstanding advances, guarantees, sureties or other commitments.

Management Board Compensation

See page 31 of *the Report of the Management Board on the Business Activities of the BRE Bank Group in the 1st Half of 2005* for a list of members of the Management Board.

The total compensation of members of the Management Board in the first half of 2005 amounted to PLN 5,020 thousand, including severance payments amounting to PLN 1,854 thousand (first half of 2004: PLN 6,190, including bonuses for 2003 amounting to PLN 2,918 thousand).

Additionally, in the first half of 2005 the members of the Bank's Management Board received PLN 55.7 thousand as the compensation for being the members of the the managament boards and supervisory boards of the Bank's related companies (in the first half of 2004: PLN 120 thousand).

Supervisory Board Compensation

The total compensation of members of the Supervisory Board in the first half of 2005 amounted to PLN 913 thousand (in the first half of 2004: PLN 870 thousand).

43. Acquisitions and Disposals

Acquisitions

There were no transactions of acquisition in 2004 and 2005.

Disposals

On 28 December 2004, BRE Bank sold its shares in RHEINHYP-BRE Bank Hipoteczny, representing 100% of the share capital and votes in the General Meeting of Shareholders of the Company. Because the Bank held the Company in its portfolio in 2004, the Company's profit for 2004 was fully disclosed in the Consolidated Profit and Loss Account. However, the Consolidated Balance Sheet of 31 December 2004 does not include the balance sheet items of RHEINHYP-BRE Bank Hipoteczny.

The subsidiary operated in the "Corporate Banking" segment and contributed PLN 21,221,000 profit on operating activities to the Group in the period between 1 January 2004 and 31 December 2004.

The following table presents details of fair values of purchased assets, liabilities and goodwill and disposed assets, liabilities and costs of disposal:

Disposal	**31.12.2004** **in thousand PLN**
Cash and cash equivalents	2 650
Receivables from the financial sector	76 909
Receivables from the non-financial and public sector	1 870 854
Amounts due to the financial [sector]	554 854
Amounts due to the public and non-financial sector	131 817
Other liabilities	757
Net assets	**147 059**
Proceedings from sale (cash)	132 500
Deducted cash and cash equivalents in sold subsidiary	(2 650)
Net cash proceedings from sale	**129 850**

44. Events after the Balance Sheet Date

- On 4 July 2005, the Appeal Court in Warsaw, 6th Civil Law Division, delivered its decision concerning claims filed by Art B Spółka z ograniczoną odpowiedzialnością Eksport – Import w Katowicach w likwidacji against BRE Bank S.A. The appeal procedure was opened after the claimant filed an appeal on 14 September 2004. The claimant appealed against the part of a court decision which dismissed claims for PLN 17,374,070.54. The Appeal Court dismissed all claims of Art B Spółka z ograniczoną odpowiedzialnością Eksport – Import w Katowicach, w likwidacji.
- On 7 July 2005, BRE Bank S.A. and an institutional client entered into a PLN 450 M loan agreement. The loan was granted for 12 months of the date of the agreement. It bears interest at WIBOR T/N plus the Bank's margin.
- On 13 July 2005, in the process of restructuring of the Bank's debt portfolio and simplification of its equity investment structure, BRE Bank S.A. finalised the acquisition of 12,450,000 stocks of VECTRA SA with its registered office in Gdynia with a nominal value of PLN 10 per stock, representing 26% of the Company's share capital and giving 12,450,000 votes at its General Meeting equal to 26% of all votes at its General Meeting. The assets were acquired from the Fifth National Investment Fund "Victoria" SA, the National Investment Fund "Fortuna" SA, Fund.1 the First National Investment Funds SA, and the Polish Pre-IPO Fund Societe d'Investissement a Capital Variable with its registered office in Luxembourg upon the fulfilment of the conditions precedent under conditional sale agreements concluded on 10 February 2005. BRE Bank S.A. holds 17% of the stocks of the Polish Pre-IPO Fund Societe d'Investissement a Capital Variable. There is no connection between BRE Bank S.A. and the other companies mentioned above. The said assets were acquired for PLN 137.1 M. Their value on the books of BRE Bank S.A. was equal to the acquisition price. Immediately upon the acquisition of the package of 26% of stocks of VECTRA SA, on 13 July 2005, BRE Bank S.A. concluded two sale agreements concerning some of the held stocks of VECTRA SA, wherein on 13/07/2005 the Bank sold 3,404,596 stocks representing 7.11% of the share capital of VECTRA SA and giving 3,404,596 votes at the Company's General Meeting equal to 7.11% of all votes at its General Meeting. 851,149 stocks of VECTRA SA representing 1.78% of the share capital of the Company and giving 851.149 votes at the Company's General Meeting equal to 1.78% of all votes at its General Meeting were acquired by Faworyt Sp. z o.o. The sale price of the stock package was PLN 10,025,099.63. There is no equity or personal connection between BRE Bank S.A. and the buyer. 2,553,447 stocks of VECTRA SA representing 5.33% of the share capital of the Company and giving 2,553,447 votes at the Company's General Meeting equal to 5.33% of all votes at its General Meeting were acquired by VECTRA SA for cancellation. The sale price of the stock package was PLN 30,021,973.88. On the sale of the package of stocks representing 7.11% of the share capital of VECTRA SA, BRE Bank S.A. earned a gross profit of PLN 4.3 million. As a result of the above transactions – the acquisition of 26% of the stocks of VECTRA SA and the sale of 7.11% of the stocks of VECTRA SA – BRE Bank S.A. now holds 9,045,404 stocks of VECTRA SA representing 18.89% of the share capital of the Company and giving 9,045,404 votes at the General Meeting of the Company equal to 18.89% of all votes at its General Meeting. BRE Bank S.A. paid for the currently held package of stocks of VECTRA SA through a conversion of BRE Bank S.A. debt into the assets of VECTRA SA without any cash investment.
- On 19 July 2005, acting in the framework of banking syndicates, BRE Bank S.A. and its client entered into two loan agreements concerning:
  - A 15-year investment loan where the part of the loan extended by the Bank is EUR 40,000,000.00 (PLN 164,392,000.00 according to the mid exchange rate of the National Bank of Poland on 19 July 2005);
  - A 2.5-year revolving loan where the part of the loan extended by the Bank is PLN 35,000,000.00

  The loans bear interest at EURIBOR 6M plus the Bank's margin. The documentation of the said loan agreements provides that the clients shall fulfil the standard conditions precedent, including the provision of collateral.
- On 21 September 2005, BRE Bank S.A. and its institutional client entered into five loan agreements amounting to PLN 1,360,000,000.

  BRE Bank SA granted five revolving loans in the following amounts:
  - PLN 200,000,000
  - PLN 240,000,000
  - PLN 280,000,000
  - PLN 300,000,000

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– PLN 340,000,000.

Loan agreements are for 12 months beginning from the date of signing the agreement. Loan in terest is based on WIBOR T/N plus Bank margin. The value of each of the agreement mentioned before exceeds 10% of Bank own capital.

- Lawsuit against BRE Bank by the Official Receiver of bankrupt Zakłady Mięsne POZMEAT SA: The receiver of bankrupt Zakłady Mięsne POZMEAT with registered office in Poznań ("POZMEAT") brought the case against BRE Bank SA ("Bank") and Tele-Tech Investment Sp. z o.o. ("TTI") to court on 29 July 2005. A copy of the lawsuit was delivered on 16 August 2005. The value of the dispute amounted to PLN 100,000,000. The purpose was to cancel the agreements for sale of Pozmeat's shares in the share capital of Garbary Sp. to TTI and then to the Bank. The dispute focuses on determination of the value of the right to perpetual usufruct of land and related buildings, representing the only assets of Garbary Sp. z o.o. on the date of sale of Pozmeat's interest in Garbary Sp. z o.o. (19 July 2001). In the opinion of the Bank's legal counsellors in charge, there is a basis to assume that the accusation is illegitimate.
- Lawsuit against Garbary Sp. z o.o. initiated by Bank BPH SA: Bank BPH SA brought the case to court on 17 February 2005. A copy of the lawsuit was delivered on 7 September 2005. The value of the dispute was estimated at PLN 42,853,892.10. The purpose was to recognize actions related to the creation of Garbary Sp. z o.o. and the contribution in kind as ineffective. The dispute focuses on determination of the value of the right to perpetual usufruct of land and related buildings that Zakłady Mięsne POZMEAT with registered office in Poznań contributed in kind to Garbary Sp. z o.o. as payment for Pozmeat's share in the PLN 100,000,000 share capital of Garbary. In the opinion of the Bank's legal counsellors in charge, there is a basis to assume that the accusation is illegitimate.

45. Reconciliation of differences between IFRS and Polish GAAP

Reconciliation of differences between IFRS and Polish GAAP in the Consolidated Balance Sheet as at 1 January 2004

Item	Note	Polish GAAP 01/01/2004	Adjustment	IFRS 01/01/2004
ASSETS				
Cash and balances with Central Bank	a	503,317	5	503,322
Debt securities eligible for rediscounting at the Central Bank		52,765		52,765
Loans and advances to banks	ą	4,324,770	(702,855)	3,621,915
Trading securities	b	3,532,064	(1,253,026)	2,279,038
Derivative financial instruments		1,694,839		1,694,839
Other financial instruments at fair value through profit and loss account		-		-
Loans and advances to customers	c	16,317,246	33,819	16,351,065
Investment securities	ć	838,341	(60,238)	778,103
Pledged assets	d	47,788	1,253,026	1,300,814
Investments in associated undertaking		13,446		13,446
Intangible assets	e	735,225	146,620	881,845
Tangible fixed assets	ę	979,629	(182,195)	797,434
Deferred income tax assets	f	701,913	548	702,461
Other assets	g	790,403	(286,031)	504,372
Total assets		**30,531,746**	**(1,050,327)**	**29,481,419**
EQUITY AND LIABILITIES				
Amounts due to Central Bank		-		-
Amounts due to other banks	h	6,469,132	(688,462)	5,780,670
Other deposits		-		-
Derivative financial instruments and other trading liabilities		1,629,805		1,629,805

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	Item	Note	Polish GAAP 01/01/2004	Adjustment	IFRS 01/01/2004
	Amounts due to customers	i	14,922,595	(21,877)	14,900,718
	Debt securities in issue		3,329,181		3,329,181
	Other borrowed funds		1,221,340		1,221,340
	Other liabilities	j	535,946	(222,336)	313,610
	Current income tax liabilities		267		267
	Provision for deferred income tax	k	596,637	1,446	598,083
	Provisions	l	136,796	(103,122)	33,674
	Total liabilities		**28,841,699**	**(1,034,351)**	**27,807,348**
	Equity				
	Capital and reserves attributable to the Company's equity holders				
	Share capital		91,882		91,882
	Supplementary capital		657,157		657,157
	Retained earnings	m	84,634	(22,610)	68,700
	Other capital and reserves	n	744,122	7,293	751,415
			-		-
	Minority interests	o	112,252	(659)	111,593
	Total equity		**1,690,047**	**(15,976)**	**1,674,071**
	Total equity and liabilities		**30,531,746**	**(1,050,327)**	**29,481,419**
*	Change of the scope of consolidation as a result of BRE.locum consolidation				
(a)	*Cash and balances with Central Bank*				
(i)	Change of the scope of consolidation			5	
	Total effect: increase in cash and balances with Central Bank			5	
(a)	*Loans and advances to banks*				
(i)	Decrease in receivables under suspended interest			(14,393)	
(ii)	Decrease in receivables under swap interest			(688,462)	
	Total effect: decrease in loans and advances to banks			(702,855)	
(b)	*Trading securities*				
(i)	*Change of presentation of sell-buy-back transactions*			(1,253,026)	
	Total impact: decrease of trading securities			(1,253,026)	
(c)	*Loans and advances to customers*				
(i)	Decrease in receivables under suspended interest			(216,923)	
(ii)	Decrease in receivables under swap interest			(20,781)	
(iii)	Change of the scope of consolidation			(22,326)	
(iv)	Decrease in receivables under general risk provisions			(103,122)	
(v)	Change of presentation of factoring portfolio			396,971	
	Total effect: increase in loans and advances to customers			33,819	

IFRS Consolidated Financial Statements for the 1st half of 2005 (PLN 000's)

	Item	Note	Polish GAAP 01/01/2004	Adjustment	IFRS 01/01/2004
(ć)	*Investment securities*				
(i)	Historical cost valuation of entities previously subject to equity accounting valuation			(12,774)	
(ii)	Change of the scope of consolidation			(47,464)	
	Total effect: decrease in investment securities			(60,238)	
(d)	*Pledged assets*				
(i)	*Change of presentation of sell-buy-back transactions*			1,253,026	
	Total impact: increase of pledged assets			1,253,026	
(e)	*Intangibles*				
(i)	*Change of presentation of investments of intangibles*			146,620	
	Total impact: increase of Intangibles			146,620	
(ę)	*Tangible fixed assets*				
(i)	Change of depreciation policy for fixed assets valued at less than PLN 3,500			7,465	
(ii)	Presentation adjustment: valuation of perpetual usufruct presented under other assets			(71,174)	
(iii)	Change of the scope of consolidation			28,134	
(iv)	Change of presentation of investments of intangibles			(146,620)	
	Total effect: decrease in tangible fixed assets			(182,195)	
(f)	*Deferred income tax assets*				
(i)	Change of the scope of consolidation			548	
	Total effect: increase in deferred income tax assets			548	
(g)	*Other assets*				
(i)	Change of presentation of perpetual usufruct and reconciliation settlement of acquisition cost of perpetual usufruct in time			71,174	
(ii)	Valuation of perpetual usufruct			2,212	
(iii)	Change of the scope of consolidation			37,554	
(iv)	**Change of presentation of factoring portfolio**			(396,971)	
	Total effect: decrease in other assets			(286,031)	
(h)	*Amounts due to other banks*				
(i)	Increase in swap interest liabilities			(688,462)	
	Total effect: decrease in amounts due to other banks			(688,462)	
(i)	*Amounts due to customers*				
(i)	Decrease in swap interest liabilities			(20,781)	
(ii)	Change of the scope of consolidation			(1,096)	
	Total effect: decrease in amounts due to customers			(21,877)	

IFRS Consolidated Financial Statements for the 1st half of 2005 (PLN 000's)

	Item	Note	Polish GAAP 01/01/2004	Adjustment	IFRS 01/01/2004
(j)	*Other liabilities*				
(i)	Decrease in receivables by suspended interest			(231,316)	
(ii)	Change of the scope of consolidation			8,980	
	Total effect: decrease in other liabilities			(222,336)	
(k)	*Provision for deferred income tax*				
(i)	Change of depreciation policy for fixed assets with small initial value			1,298	
(ii)	Change of the scope of consolidation			148	
	Total effect: increase in provisions for deferred income tax			1,446	
(l)	*Provisions*				
(i)	Decrease in receivables under general risk provisions			(103,122)	
	Total effect: decrease in provisions			(103,122)	
(m)	*Retained earnings*				
(i)	Change of depreciation policy for fixed assets valued at less than PLN 3,500			6,167	
(ii)	Valuation of perpetual usufruct acc. to IAS 39			2,212	
(iii)	Change of valuation policy for shares stated according to equity accounting to historical cost valuation			(12,774)	
(iv)	Change of the scope of consolidation			(11,561)	
(v)	Recognition of cost of remuneration (management stock options) in retained earnings			(6,654)	
	Total effect: decrease in retained earnings			(22,610)	
(n)	*Other capital and reserves*				
(i)	Increase in own capital on issue of management stock options			6,654	
(ii)	Change of valuation policy for shares stated according to equity accounting to historical cost valuation			639	
	Total effect: increase in other capital and reserves			7,293	
(o)	*Minority interest*				
(i)	Change of the scope of consolidation			(659)	
	Total effect: increase in minority interest			(659)	

Reconciliation of differences between IFRS and Polish GAAP in the Consolidated Balance Sheet as at 30 June 2004 and in Consolidated Profit and Loss Account for the period between 1 January 2004 and 30 June 2004

Item	Note	Polish GAAP 30/06/2004	Adjustment	IFRS 30/06/2004
ASSETS				
Cash and balances with Central Bank	a	466,673	1	466 674
Debt securities eligible for rediscounting at the Central Bank		84 773		84 773
Loans and advances to banks	ą	5 596 346	(1 816)	5 594 530

IFRS Consolidated Financial Statements for the 1st half of 2005 (PLN 000's)

Trading securities	b	4 184 634	(1,991,644)	2 192 990
Derivative financial instruments		1 297 861		1 297 861
Other financial instruments at fair value through profit and loss account		-		-
Loans and advances to customers	c	17 371 287	(928 099)	16 443 188
Investment securities	ć	789 187	(70 199)	718 988
Pledged assets	d	47 939	1 991 644	2 039 583
Investments in associated undertaking		8 180		8 180
Intangible assets	e	727 621	174 631	902 252
Tangible fixed assets	f	732 966	(145 533)	587 433
Deferred income tax assets	g	651 091	775	651 866
Other assets	h	1 062 136	(293 189)	768 947
Total assets		**33 020 694**	**(1 263 429)**	**31 757 265**
EQUITY AND LIABILITIES				
Amounts due to Central Bank		-		-
Amounts due to other banks	i	6 125 244	35 753	6 160 997
Other deposits		-		-
Derivative financial instruments and other trading liabilities		1 370 286		1 370 286
Amounts due to customers	j	16 656 005	(964 975)	15 691 030
Debt securities in issue		4 073 133		4 073 133
Other borrowed funds		1 176 075		1 176 075
Other liabilities	k	601 144	(205 819)	395 325
Current income tax liabilities		1 288		1 288
Provision for deferred income tax	l	550 515	772	551 287
Provisions	m	135 943	(106 000)	29 943
Total liabilities		**30 689 633**	**(1 240 269)**	**29 449 364**
Equity				
Own capital per company shareholders				
Share capital		114 853		114 853
Supplementary capital	n	1 185 922	1 511	1 187 433
Retained earnings	ń	80 453	(29 336)	51 117
Net profit/(loss)	o	70 808	(3 928)	66 880
Other capital and reserves	ó	750 333	12 367	762 700
Minority interests	p	128 692	(3 774)	124 918
Total equity		**2 331 061**	**(23 160)**	**2 307 901**
Total equity and liabilities		**33 020 694**	**(1 263 429)**	**31 757 265**
Interest income	q	641 453	3 125	644 578
Interest expenses	r	(419 131)	486	(418 645)
Net interest income		222 322	3 611	225 933
Fee and commission income	s	208 873	45 373	254 246
Fee and commission expense		(58 236)		(58 236)
Net fee and commission income		150 637	45 373	196 010
Dividend income		4 374		4 374
Net trading income	ś	114 619	(4 113)	110 506
Gains less losses from investment securities	t	35 611	(7 083)	28 528
Other operating income	u	351 614	(32 753)	318 861

IFRS Consolidated Financial Statements for the 1st half of 2005 (PLN 000's)

	Impairment losses on loans and advances		(85 466)		(85 466)
	Overhead costs	v	(335 730)	(5 800)	(341 530)
	Amortisation of intangible assets and depreciation of tangible fixed assets	w	(77 029)	6 432	(70 597)
	Other operating expenses	x	(265 452)	(9 676)	(275 128)
	Operating profit		115 500	(4 009)	111 491
	Share of profit/(loss) of associates		(31)		(31)
	Profit/(loss) before income tax		115 469	(4 009)	111 460
	Income tax expense	y	(27 866)	(85)	(27 951)
	Net profit/(loss) excluding minority interest		87 603		83 509
	Profit/(loss) attributable to minority interest	z	16 795	(166)	16 629
	Net profit/(loss)		70 808	(3 928)	66 880

*	Change of the scope of consolidation as a result of BRE.locum and Garbary consolidation	
(a)	*Cash and balances with Central Bank*	
(i)	Change of the scope of consolidation	1
	Total effect: increase in cash and balances with Central Bank	1
(ą)	*Loans and advances to banks*	
(i)	Decrease in receivables under suspended interest	(1 816)
	Total effect: decrease in loans and advances to banks	(1 816)
(b)	*Trading securities*	
(i)	*Change of presentation of sell-buy-back transactions*	(1,991,644)
	Total impact: decrease of Trading securities	(1,991,644)
(c)	*Loans and advances to customers*	
(i)	Decrease in receivables under suspended interest	(226 712)
(ii)	Decrease in receivables under swap interest	(928 269)
(iii)	Change of the scope of consolidation	(93 790)
(iv)	Decrease in receivables under general risk provisions	(106 000)
(v)	**Change of presentation of factoring portfolio**	426 672
	Total effect: decrease in loans and advances to customers	(928 099)
(ć)	*Investment securities*	
(i)	Historical cost valuation of entities previously subject to equity accounting valuation	(22 735)
(ii)	Change of the scope of consolidation	(47 464)
	Total effect: decrease in investment securities	(70 199)
(d)	*Pledged assets*	
(i)	*Change of presentation of sell-buy-back transactions*	1,991,644
	Total impact: increase of Pledged assets	1,991,644
(e)	*Intangible assets*	
(i)	Reversal of amortization of goodwill of PBR and Bank Częstochowa	5 449
(ii)	Reversal of amortization of goodwill of subsidiaries	15 376

IFRS Consolidated Financial Statements for the 1st half of 2005 (PLN 000's)

(iii)	Change of the scope of consolidation	(457)
(iv)	Change of presentation of investments of intangibles	154 263
	Total effect: increase in intangible assets	174 631

(f)	*Tangible fixed assets*	
(i)	Change of depreciation policy for fixed assets valued at less than PLN 3,500	7 557
(ii)	Presentation adjustment: valuation of perpetual usufruct presented under other assets	(66 739)
(iii)	Change of the scope of consolidation	67 912
(iv)	Change of presentation of investments of intangibles	(154 263)
	Total effect: decrease in tangible fixed assets	(145 533)

(g)	*Deferred income tax assets*	
(i)	Change of the scope of consolidation	775
	Total effect: increase in deferred income tax assets	775

(h)	*Other assets*	
(i)	Change of presentation of perpetual usufruct and reconciliation settlement of acquisition cost of perpetual usufruct in time.	66 739
(ii)	Valuation of perpetual usufruct	2 014
(iii)	Change of the scope of consolidation	81 510
(iv)	Provision for damages from insurer	(16 780)
(v)	Change of presentation of factoring portfolio	(426 672)
	Total effect: decrease in other assets	(293 189)

(i)	*Amounts due to other banks*	
(i)	Increase in swap interest liabilities	35 753
	Total effect: increase in amounts due to other banks	35 753

(j)	*Amounts due to customers*	
(i)	Decrease in swap interest liabilities	(964 022)
(ii)	Change of the scope of consolidation	(953)
	Total effect: decrease in amounts due to customers	(964 975)

(k)	*Other liabilities*	
(i)	Decrease in receivables by suspended interest	(228 562)
(ii)	Change of the scope of consolidation	22 743
	Total effect: decrease in other liabilities	(205 819)

(l)	*Provision for deferred income tax*	
(i)	Change of depreciation policy for fixed assets with small initial value	1 346
(ii)	Change of the scope of consolidation	(574)
	Total effect: increase in provisions for deferred income tax	772

(m)	*Provisions*	
(i)	Decrease in receivables under general risk provisions	(106 000)
	Total effect: decrease in provisions	(106 000)

IFRS Consolidated Financial Statements for the 1st half of 2005 (PLN 000's)

(n)	*Supplementary capital*	
(i)	Change of the scope of consolidation	1 511
	Total effect: increase in supplementary capital	1 511
(ń)	*Retained earnings*	
(i)	Change of depreciation policy for fixed assets valued at less than PLN 3,500	6 129
(ii)	Valuation of perpetual usufruct acc. to IAS 39	2 212
(iii)	Change of valuation policy for shares stated according to equity accounting to historical cost valuation	(14 400)
(iv)	Recognition of management compensation (options) in retained earnings	(6 654)
(v)	Change of the scope of consolidation	(16 623)
	Total effect: decrease in retained earnings	(29 336)
(o)	*Net profit/(loss)*	
(i)	Change of depreciation policy for fixed assets valued at less than PLN 3,500	82
(ii)	Valuation of perpetual usufruct acc. to IAS 39	(198)
(iii)	Change of valuation policy for shares stated according to equity accounting to historical cost valuation	(7 083)
(iv)	Provision for damages from insurer	(16 780)
(v)	Recognition of cost of remuneration (management stock options) in net profit/(loss)	(4 343)
(vi)	Reversal of amortization of goodwill of PBR and Bank Częstochowa	5 449
(vii)	Change of the scope of consolidation	3 569
(viii)	Change of depreciation policy for goodwill	15 376
	Total effect: decrease in net profit/(loss)	(3 928)
(ó)	*Other capital and reserves*	
(i)	Increase in own capital on issue of management stock options	10 997
(ii)	Change of valuation policy for shares stated according to equity accounting to historical cost valuation	1 370
	Total effect: increase in other capital and reserves	12 367
(p)	*Minority interest*	
(i)	Change of the scope of consolidation	(3 774)
	Total effect: decrease in minority interest	(3 774)
(q)	*Interest income*	
(i)	Change of the scope of consolidation	(988)
(ii)	Change of presentation of interest flows for derivative instruments. Presentation of net interest accrued on receivables and liabilities.	4 113
	Total effect: increase in interest income	3 125
(r)	*Interest expenses*	
(i)	Change of the scope of consolidation	486
	Total effect: decrease in interest expense	486
(s)	*Fee and commission income*	

(i)	Change of the scope of consolidation	45 373	
	Total effect: increase in income from fees and commissions	45 373	
(ś)	*Net trading income*		
(i)	Change of presentation of interest flows for derivative instruments. Presentation of net interest accrued on receivables and liabilities.	(4 113)	
	Total effect: decrease in net trading income	(4 113)	
(t)	*Gains less losses from investment securities*		
(i)	Change of valuation policy for shares stated according to equity accounting to historical cost valuation	(7 083)	
	Total effect: decrease in gains less losses on investment securities	(7 083)	
(u)	*Other operating income*		
(i)	Change of the scope of consolidation	(32 753)	
	Total effect: decrease in other operating income	(32 753)	
(v)	*Overhead costs*		
(i)	Reconciliation of cost of perpetual usufruct in time	(198)	
(ii)	Recognition of cost of remuneration (management stock options)	(4 343)	
(iii)	Change of the scope of consolidation	(1 259)	
	Total effect: increase in overhead costs	(5 800)	
(w)	*Amortisation of intangible assets and depreciation of tangible fixed assets*		
(i)	Change of depreciation policy for fixed assets valued at less than PLN 3,500	130	
(ii)	Reversal of amortization of goodwill of PBR and Bank Częstochowa	5 449	
(iii)	Change of the scope of consolidation	853	
	Total effect: decrease in of amortization of intangible assets and depreciation of tangible fixed assets	6 432	
(x)	*Other operating expenses*		
(i)	Change of the scope of consolidation	(8 272)	
(ii)	Provision for damages from insurer	(16 780)	
(iii)	Change of depreciation policy for goodwill	15 376	
	Total effect: increase in other operating expenses	(9 676)	
(y)	*Income tax expense*		
(i)	Change of depreciation policy for fixed assets valued at less than PLN 3,500	(48)	
(ii)	Change of the scope of consolidation	(37)	
	Total effect: increase in income tax expense	(85)	
(z)	*Minority interest*		
(i)	Change of the scope of consolidation	(166)	
	Total effect: decrease in profit of minority shareholders	(166)	

IFRS Consolidated Financial Statements for the 1st half of 2005 (PLN 000's)

Reconciliation of differences between IFRS and Polish GAAP in the Consolidated Balance Sheet as at 31 December 2004 and in Consolidated Profit and Loss Account for the period between 1 January 2004 and 31 December 2004

Item	Note	Polish GAAP 31/12/2004	Adjustment	IFRS 31/12/2004
ASSETS				
Cash and balances with Central Bank	a	734,690	1	734,691
Debt securities eligible for rediscounting at the Central Bank		52,832		52,832
Loans and advances to banks	ą	6,991,868	(1,817)	6,990,051
Trading securities	b	4,123,233	(1 750 225)	2,373,008
Derivative financial instruments		1,796,824		1,796,824
Other financial instruments at fair value through profit and loss account				
Loans and advances to customers	c	15,386,853	(1,056,469)	14,330,384
Investment securities	ć	685,871	(105,763)	580,108
Pledged assets	d	31,500	1,750,225	1,781,725
Investments in associated undertaking		2,225		2,225
Intangible assets	e	660,462	4,308	664,770
Tangible fixed assets	f	529,087	(6,100)	522,987
Deferred income tax assets	g	772,461	6,160	778,621
Other assets	h	953,808	(380,238)	573,570
Total assets		**32,721,714**	**(1,006,866)**	**31,181,796**
EQUITY AND LIABILITIES				
Amounts due to Central Bank		-		-
Amounts due to other banks	i	5,382,828	179,301	5,562,129
Other deposits		-		-
Derivative financial instruments and other trading liabilities		1,620,708		1,620,708
Amounts due to customers	j	18,300,797	(1,402,908)	16,897,889
Debt securities in issue		3,103,327		3,103,327
Other borrowed funds		1,020,144		1,020,144
Other liabilities	k	531,754	(197,293)	334,461
Current income tax liabilities		1,444		1,444
Provision for deferred income tax	l	686,943	1,650	688,593
Provisions	m	148,822	(103,122)	45,700
Total liabilities		**30,796,767**	**(1,522,372)**	**29,274,395**
Equity				
Own capital per company shareholders				
Share capital		114,853		114,853
Supplementary capital	n	1,190,793	1,511	1,192,304
Retained earnings	ń	84,996	(19,008)	65,988
Net profit/(loss)	o	(278,430)	(15,587)	(294,017)
Other capital and reserves	ó	749,726	15,891	765,617
Minority interests	p	63,009	(353)	62,656
Total equity		**1,924,947**	**(17,546)**	**1,907,401**
Total equity and liabilities		**32,721,714**	**(1,539,918)**	**31,181,796**

IFRS Consolidated Financial Statements for the 1st half of 2005 (PLN 000's)

	Interest income	q	1,353,410	(4,737)	1,348,673
	Interest expenses	r	(857,897)	(4,831)	(862,728)
	Net interest income		495,513	(9,568)	485,945
	Fee and commission income	s	434,664	89,664	524,328
	Fee and commission expense	ś	(126,371)	1,501	(124,870)
	Net fee and commission income		308,293	91,165	399,458
	Dividend income		7,176		7,176
	Net trading income	t	230,342	224	230,566
	Gains less losses from investment securities	u	(207,954)	10,815	(197,139)
	Other operating income	v	441,783	(47,548)	394,235
	Impairment losses on loans and advances		(124,575)		(124,575)
	Overhead costs	w	(736,756)	(12,606)	(749,362)
	Amortisation of intangible assets and depreciation of tangible fixed assets	x	(150,583)	1,841	(148,742)
	Other operating expenses	y	(486,938)	(47,920)	(534,858)
	Operating profit		(223,699)	(13,597)	(237,296)
	Share of profit/(loss) of associates		(35)		(35)
	Profit/(loss) before income tax		(223,734)	(13,597)	(237,331)
	Income tax expense	z	(41,656)	5,606	(36,050)
	Net profit/(loss) excluding minority interest		(265,390)	(7,991)	(273,381)
	Profit/(loss) attributable to minority interest	ż	13,040	7,596	20,636
	Net profit/(loss)		(278,430)	(15,587)	(294,017)
*	Change of the scope of consolidation as a result of BRE.locum and Garbary consolidation				
(a)	*Cash and balances with Central Bank*				
(i)	Change of the scope of consolidation			1	
	Total effect: increase in cash and balances with Central Bank			1	
(ą)	*Loans andadvances to banks*				
(i)	Decrease in receivables under suspended interest			(1,817)	
	Total effect: decrease in loans and avances to banks			(1,817)	
(b)	*Trading securities*				
(i)	*Change of presentation of sell-buy-back transactions*			(1,750,225)	
	Total impact: decrease of Trading securities			(1,750,225)	
(c)	*Loans and advances to customers*				
(i)	Decrease in receivables under suspended interest			(233,218)	
(ii)	Decrease in receivables under swap interest			(1,215,349)	
(iii)	Change of the scope of consolidation			(48,076)	
(iv)	Decrease in receivables under general risk provisions			(103,122)	
(v)	Change of presentation of factoring portfolio			543,296	
	Total effect: decrease in loans and advances to customers			(1,056,469)	
(ć)	*Investment securities*				

(i)	Historical cost valuation of entities previously subject to equity accounting valuation	(26,897)
(ii)	Change of the scope of consolidation	(78,866)
	Total effect: increase in investment securities	(105,763)
(d)	*Pledged assets*	
(i)	*Change of presentation of sell-buy-back transactions*	1,750,225
	Total impact: increase of Pledged assets	1,750,225
(e)	*Intangible assets*	
(i)	Reversal of amortization of goodwill of subsidiaries	4,701
(ii)	Change of the scope of consolidation	(393)
	Total effect: increase in intangible assets	4,308
(f)	*Tangible fixed assets*	
(i)	Change of depreciation policy for fixed assets valued at less than PLN 3,500	7,603
(ii)	Presentation adjustment: valuation of perpetual usufruct presented under other assets	(69,410)
(iii)	Change of the scope of consolidation	55,707
	Total effect: decrease in tangible fixed assets	(6,100)
(g)	*Deferred income tax assets*	
(i)	Change of the scope of consolidation	980
(ii)	Change of valuation policy for shares stated according to equity accounting to historical cost valuation	5,180
	Total effect: increase in deferred income tax assets	6,160
(h)	*Other assets*	
(i)	Change of presentation of perpetual usufruct and reconciliation settlement of acquisition cost of perpetual usufruct in time.	69,410
(ii)	Valuation of perpetual usufruct	1,861
(iii)	Change of the scope of consolidation	91,787
(iv)	Change of presentation of factoring portfolio	(543,296)
	Total effect: decrease in other assets	(380,238)
(i)	*Amounts due to other banks*	
(i)	Increase in swap interest liabilities	179,301
	Total effect: increase in amounts due to other banks	179,301
(j)	*Amounts due to customers*	
(i)	Decrease in swap interest liabilities	(1,394,650)
(ii)	Change of the scope of consolidation	(8,258)
	Total effect: decrease in amounts due to customers	(1,402,908)
(k)	*Other liabilities*	
(i)	Decrease in receivables by suspended interest	(235,035)
(ii)	Change of the scope of consolidation	37,742

IFRS Consolidated Financial Statements for the 1st half of 2005 (PLN 000's)

	Total effect: decrease in other liabilities	(197,293)
(l)	*Provision for deferred income tax*	
(i)	Change of depreciation policy for fixed assets with small initial value	1,393
(ii)	Change of the scope of consolidation	257
	Total effect: increase in provisions for deferred income tax	1,650
(m)	*Provisions*	
(i)	Decrease in receivables under general risk provisions	(103,122)
(ii)	Change of valuation policy for shares stated according to equity accounting to historical cost valuation	5,180
(iii)	Change of the scope of consolidation	(5,180)
	Total effect: decrease in provisions	(103,122)
(n)	*Supplementary capital*	
(i)	Change of the scope of consolidation	1,511
	Total effect: increase in supplementary capital	1,511
(ń)	*Retained earnings*	
(i)	Change of depreciation policy for fixed assets valued at less than PLN 3,500	6,128
(ii)	Valuation of perpetual usufruct acc. to IAS 39	2,212
(iii)	Change of valuation policy for shares stated according to equity accounting to historical cost valuation	(15,662)
(iv)	Recognition of management compensation (options) in reatained earnings	(6,654)
(v)	Change of the scope of consolidation	(5,032)
	Total effect: decrease in retained earnings	(19,008)
(o)	*Net profit/(loss)*	
(i)	Change of depreciation policy for fixed assets valued at less than PLN 3,500	82
(ii)	Valuation of perpetual usufruct acc. to IAS 39	(351)
(iii)	Change of valuation policy for shares stated according to equity accounting to historical cost valuation	(11,235)
(iv)	Provision for damages from insurer	
(v)	Recognition of cost of remuneration (management stock options) in net profit/(loss)	(8,686)
(vi)	Change of the scope of consolidation	(98)
(vii)	Change of depreciation policy for goodwill	4,701
	Total effect: decrease in net profit/(loss)	(15,587)
(ó)	*Other capital and reserves*	
(i)	Increase in own capital on issue of management stock options	15,340
(ii)	Change of valuation policy for shares stated according to equity accounting to historical cost valuation	551
	Total effect: increase in other capital and reserves	15,891
(p)	*Minority interest*	

(i)	Change of the scope of consolidation	(353)
	Total effect: decrease in minority interest	(353)
(q)	*Interest income*	
(i)	Change of the scope of consolidation	(4,737)
	Total effect: decrease in interest income	(4,737)
(r)	*Interest expenses*	
(i)	Change of the scope of consolidation	(4,607)
(ii)	Change of presentation of interest flows for derivative instruments. Presentation of net interest accrued on receivables and liabilities.	(224)
	Total effect: increase in interest expense	(4,831)
(s)	*Fee and commission income*	
(i)	Change of the scope of consolidation	89,664
	Total effect: increase in income from fees and commissions	89,664
(ś)	*Fee and commission expense*	
(i)	Change of the scope of consolidation	1,501
	Total effect: decrease in fee and commission expenses	1,501
(t)	*Net trading income*	
(i)	Change of presentation of interest flows for derivative instruments. Presentation of net interest accrued on receivables and liabilities.	224
	Total effect: increase in net trading income	224
(u)	*Gains less losses from investment securities*	
(i)	Change of valuation policy for shares stated according to equity accounting to historical cost valuation	(11,235)
(ii)	Change of the scope of consolidation	22,050
	Total effect: increase in gains less losses from investment securities	10,815
(v)	*Other operating income*	
(i)	Change of the scope of consolidation	(47,548)
	Total effect: decrease in other operating income	(47,548)
(w)	*Overhead costs*	
(i)	Reconciliation of cost of perpetual usufruct in time	(589)
(ii)	Recognition of cost of remuneration (management stock options) in net profit/(loss)	(8,686)
(iii)	Change of the scope of consolidation	(3,331)
	Total effect: increase in overhead costs	(12,606)
(x)	*Amortisation of intangible assets and depreciation of tangible fixed assets*	
(i)	Change of the scope of consolidation	1,841
	Total effect: decrease in of amortization of intangible assets and depreciation of tangible fixed assets	1,841

IFRS Consolidated Financial Statements for the 1st half of 2005 (PLN 000's)

(y)	*Other operating expenses*	
(i)	Change of the scope of consolidation	(47,856)
(ii)	Reconciliation of cost of perpetual usufruct in time	238
(iii)	Change of depreciation policy for fixed assets valued at less than PLN 3,500	177
(iv)	Change of depreciation policy for goodwill	4,701
(v)	Change of valuation policy for shares stated according to equity accounting to historical cost valuation	(5,180)
	Total effect: increase in other operating expenses	(47,920)

(z)	*Income tax expense*	
(i)	Change of depreciation policy for fixed assets valued at less than PLN 3,500	(95)
(ii)	Change of the scope of consolidation	521
(iii)	Change of valuation policy for shares stated according to equity accounting to historical cost valuation	5,180
	Total effect: decrease in income tax expense	5,606

(ż)	*Minority interest*	
(i)	Change of the scope of consolidation	7,596
	Total effect: increase in profit of minority shareholders	7,596

Reconciliation of adjustments recognized in the IFRS Consolidated Balance Sheet as at 1 January 2005 without translation of comparable data for previous accounting periods

Item	Note	IFRS 31/12/2004	Adjustment	IFRS 01/01/2005
ASSETS				
Cash and balances with Central Bank		734,691		734,691
Debt securities eligible for rediscounting at the Central Bank		52,832		52,832
Loans and advances to banks	a	6,990,051	(859)	6,989,192
Trading securities		2,373,008		2,373,008
Derivative financial instruments		1,796,824		1,796,824
Other financial instruments at fair value through profit and loss account	b	11	118,401	118,412
Loans and advances to customers	c	14,330,384	(1,754)	14,328,630
Investment securities	d	580,108	(118,401)	461,707
Pledged assets		1,781,725		1,781,725
Investments in associated undertaking		2,225		2,225
Intangible assets		664,770		664,770
Tangible fixed assets		522,987		522,987
Deferred income tax assets	e	778,621	21,401	800,022
Other assets	f	573,570	(8,009)	565,561
Total assets		**31,181,796**	**10,779**	**31,195,384**
EQUITY AND LIABILITIES				
Amounts due to Central Bank		-		-
Amounts due to other banks		5,562,129		5,562,129
Other deposits		-		-

	Derivative financial instruments and other trading liabilities		1,620,708		1,620,708
	Amounts due to customers		16,897,889		16,897,889
	Debt securities in issue	g	3,103,327	(236)	3,103,091
	Other borrowed funds	h	1,020,144	6,287	1,026,431
	Other liabilities	i	334,461	35,727	370,188
	Current income tax liabilities		1,444		1,444
	Provision for deferred income tax	j	688,593	5,552	694,145
	Provisions	k	45,700	53,136	98,836
	Total liabilities		**29,274,395**	**100,466**	**29,374,861**
	Equity				
	Own capital per company shareholders				
	Share capital		114,853		114,853
	Supplementary capital		1,192,304		1,192,304
	Retained earnings	l	(228,029)	(86,879)	(314,908)
	Other capital and reserves		765,617		765,617
	Minority interests	m	62,656	(2,808)	59,848
	Total equity		**1,907,401**	**(89,688)**	**1,820,523**
	Total equity and liabilities		**31,181,796**	**10,779**	**31,195,384**
(a)	*Loans and advances to banks*				
(i)	Adjustment of receivables for application of amortised cost valuation method			(859)	
	Total effect: decrease in loans and advances to banks			(859)	
(b)	*Other financial instruments at fair value through profit and loss account*				
(i)	Reclassification of trading investments to financial instruments at fair value trough profit and loss			118,401	
	Total effect: increase in other financial instruments at fair value through profit and loss account			118,401	
(c)	*Amounts due to customers*				
(i)	Adjustment of receivables for application of amortised cost valuation method			(21,181)	
(ii)	Decrease in receivables on the account of permanent impairment			19,427	
	Total effect: decrease in amounts due to customers			(1,754)	
(d)	*Investment securities*				
(i)	Reclassification of trading investments to financial instruments at fair value trough profit and loss			(118,401)	

IFRS Consolidated Financial Statements for the 1st half of 2005 (PLN 000's)

	Total effect: decrease in investment securities	(118,401)
(e)	*Deferred income tax assets*	
(i)	Increase in tax asset in connection with adjustment of the Bank's profit/(loss) carried forward, resulting from application of amortized cost valuation of certain financial instruments	11,696
(ii)	Increase in tax asset in connection with adjustment of the Bank's profit/(loss) carried forward, resulting from recognition of impairment of certain assets	7,754
(iii)	One-time referral to costs of commission paid in connection with financial assets purchase contract, previously recognized in time	1,951
	Total effect: increase in deferred income tax assets	21,401
(f)	*Other assets*	
(i)	Adjustment of receivables for application of amortised cost valuation method	2,262
(ii)	One-time referral to costs of commission paid in connection with financial assets purchase contract, previously recognized in time	(10,271)
	Total effect: decrease in other assets	(8,009)
(g)	*Debt securities in issue*	
(i)	Adjustment of liabilities for application of amortized cost depreciation method	(236)
	Total effect: decrease in debt securities in issue	(236)
(h)	*Other borrowed funds*	
(i)	Adjustment of liabilities for application of amortized cost depreciation method	6,287
	Total effect: increase in other borrowed funds	6,287
(i)	*Other liabilities*	
(i)	Adjustment of liabilities for application of amortized cost depreciation method	35,727
	Total effect: increase in other liabilities	35,727
(j)	*Provision for deferred income tax*	
(i)	Increase in provisions for deferred income tax in connection with adjustment of the Bank's profit/(loss) carried forward, resulting from recognition of impairment of certain assets	5,552
	Total effect: increase in provisions for deferred income tax	5,552
(k)	*Provisions*	

(i)	Change in provisions, resulting from application of financial assets' value loss method	53,136
	Total effect: increase in provisions	53,136

(l)	*Retained earnings*	
(i)	Adjustment of the Bank's retained earnings for application of amortized cost valuation method for certain financial assets	(49,860)
(ii)	Adjustment of the Bank's retained earnings for application of financial assets' value loss method	(28,699)
(iii)	One-time referral to costs of commission paid in connection with financial assets purchase contract, previously recognized in time	(8,320)
	Total effect: decrease in retained earnings	(86,879)

(m)	*Minority interest*	
(i)	Adjustment of the Bank's minority interest for application of financial assets' value loss method	(2,808)
	Total effect: decrease of minority interest	(2,808)

BRE BANK SA

REPORT OF THE MANAGEMENT BOARD ON THE BUSINESS ACTIVITIES OF THE BRE BANK GROUP IN THE 1st HALF OF 2005

Warsaw, September 2005

CONTENTS

I. Factors and Events Exerting Impact upon the Group's Performance in 1H 2005

Gross (before tax) profit of the BRE Bank Group for 1H 2005 amounted to **PLN 196.7 million and it was 76.4%** higher than one year earlier, whereas net profit reached **PLN 144.5 million,** which was **116.1%** greater than the result of 1H 2004. This implies that the BRE Bank Group is well on the way toward reaching the target for the whole year 2005, which consists of generating gross (before tax) consolidated profit of PLN 290 million.

The factors contributing to such substantial improvement of performance consisted, above all, of the **improvement of results on the core business activities**, evidenced by the much higher (44.8%) net interest income than in the first half of 2004. Fee and commission income remained on a level similar to last year's, whereby one needs to remember that in compliance with the International Financial Reporting Standards (IFRS) a part of the commissions – commissions on the account of loans – is presently accounted for under interest income. Moreover, the Group has achieved much higher dividend proceeds amounting to PLN 21.7 million, versus PLN 4.4 million a year ago. There have also been some **incidental one-off earnings**, which include:

- Sale of a block of TVN shares, (10% by the subsidiary TV-Tech Investment 1, and 0.42% by the BRE Bank); these transactions resulted in net income of PLN 11.4 million.
- Release of provisions amounting to close to PLN 30 million with respect to receivables on the account of granted loans, in connection with unexpected repayments of loans previously classified as non-performing.

At the same time, taking advantage of the increased revenues, as well as taking into the account the achievement, and often the surpassing of sales targets by the employees, the Management Board has decided to set up a provision for incentive bonuses payments amounting to PLN 50 million. This decision is also intended to mitigate the volatility of financial results over successive periods. Compared against 1H 2004 the total level of overhead administrative costs of the Group was 17.8% higher, mainly owing to the above indicated provision.

Improvement of financial results was noted by the core business areas of the BRE Bank Group. Corporate Banking achieved gross (before tax) profit amounting to PLN 117.4 million (taking into account the above noted reversal of provisions), which was a level over twice as high as in 1H 2004. The financial result of Investment Banking (gross profit of PLN 83.7 million) was 4.2% higher. Retail and Private Banking, in turn, noted a profit of PLN 8.6 million, up from a loss of PLN 17.3 million in the same period of the previous year. This business area is characterized by strong sales expansion, thanks to which the achievement of the gross profit target at the level of PLN 31 million assumed for the year 2005 is realistic.

The improvement of portfolio quality and effective credit risk management have contributed to **lower net revaluation write offs than the year before**. Although their net result was still negative (PLN -10.6 million), but it was much more favorable than last year (PLN -85.5 million). The share of doubtful loans in the whole portfolio carried in the balance sheet of the Bank was reduced from 12.4% to 10.8% of the portfolio.

Good results were also generated by the strategic subsidiaries, contributing to the improvement of performance of the Group as a whole. Particularly high profit growth rates were achieved by: Dom Inwestycyjny BRE Banku, taking advantage of a bull trend on the stock market, which with net profit of PLN 9 million more than doubled its performance of one year ago. Total earnings of the factoring subsidiaries of the Intermarket Group reached the equivalent of PLN 17.2 million (EUR 4.2 million versus EUR 3.7 million one year earlier). The PLN 6.2 million achieved by the company BRE Leasing was 25.7% better than its result of 1H 2004.

A very significant event of the past half year at the Bank consisted of the initiation of work on **business model changes in the Corporate Banking area**, combined with concurrent changes in the operational domain and in the organization and conduct of the lending process, under the joint name of **BREactivation**. The purpose of the project is to clearly improve the profitability of the Corporate Banking business and it should result in growth of income, improvement of profitability and competitive edge of the Bank in forthcoming years. These changes are presented in more detail in the section devoted to the Bank's activities in the Corporate Banking business area.

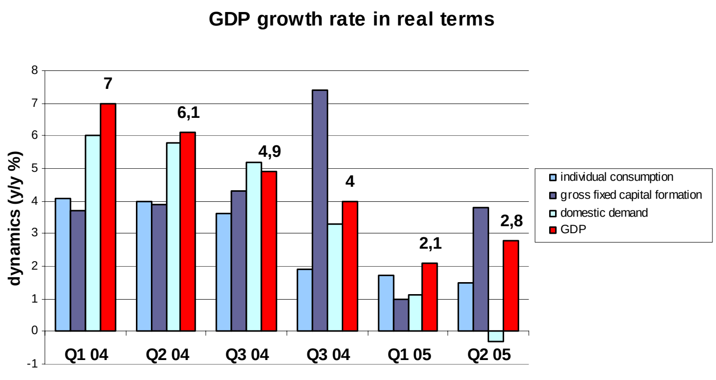
In February 2005 the Bank issued subordinated bonds worth EUR 100 million. The equivalent of that amount, with the consent of the Bank Supervision Commission (KNB), was booked in full to the account of supplementary capital funds of the Bank for the purposes of calculating the solvency ratio, therewith contributing to its improvement.

The adoption from 1 January 2005 of the International Financial Reporting Standards (IFRS) significantly influenced the level of the Group's capital shown in the opening balance on 1.01. 2005. The adoption of the international standards resulted in the reduction of capital (mainly due to the increase of the accumulated losses of previous years) by the amount of **PLN 104.7 million.** The strongest impact was caused by the application of the effective interest rate (PLN -49.9 million), impairment (PLN -28.7 million), change of valuation policy for shares stated according to equity accounting to historical cost valuation (PLN -15.7 million).

II. Changes in the Business Environment

II.1. Macroeconomic Situation in Poland in 1H 2005

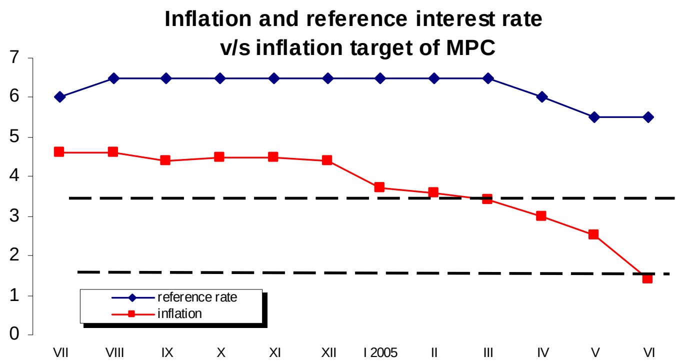
The development of the economic situation in Poland had a significant bearing upon the financial condition of the BRE Bank Group. The Polish economy in 1H 2005 featured moderate economic growth (**GDP growth by 2.4% versus 6.5%** in the same period of the previous year). It should be taken into account that the results of comparisons in this regard are distorted by the effect of an exceptionally high statistical base value, being the effect of the boom preceding the accession of Poland to the European Union. The rate of growth of domestic demand and personal consumption declined, investment activity is weak, whereas the driver of the economy continues to consist of production for exports.



Consumer demand has not grown to any significant extent, in spite of the growth of employment in the sector of business enterprises, the decline of the unemployment rate (from 19.5% in January to 18% in June), and a slight nominal and real growth of wages.

The **rate of growth of industrial output sales** was much weaker than in the same period of the previous year **(1.5%,** versus 17.6% in the previous year), annualized retail sales fell by 1.9% (12.4% growth in the previous year). On the other hand, **the crisis in the construction industry was overcome,** as it increased in 1H 2005 by **8.5%** (after a 3.2% decline in 1H 2004). The weaker results in terms of production output were accompanied by deterioration of financial performance of enterprises employing more than 50 employees. Their revenues increased by 3.2% (by 19% in the previous year), and costs by 4.4% (15%), which resulted in negative consequences for profitability (gross return on sales fell to 5.2% from 6.5% in 1H 2004). The percentage of enterprises showing net profits went down from 70.3% to 66%. Investments in firms of that size category increased in 1H 2005 slightly faster in the economy as a whole - by 4.5% (8.7% in the previous year). After the very good year 2004 the enterprises have sufficient owners' equity funds for these purposes, but they continue to **postpone investment decisions for a later time**.

Weaker economic growth dynamics were accompanied by the progressive **reduction of inflationary pressure**, both at the level of retail prices and producer prices. The prices of consumer goods and services **in June 2005 were 1.4% higher** than in the same period of the previous year, whereas industrial producer prices increased by 0.1%. Inflation came down below the inflation target of the Monetary Policy Council (MPC) and the risk faced by the economic policy objectives for the current year led the MPC mitigate its approach to monetary policy and interest rate reductions. Between January and June interest rates were reduced 3 times, in total by 150 basis points. At the end of 1H 2005 the basic interest rates were as follows: reference rate 5%, rediscount rate 5.5%, Lombard rate 6.5%, deposit rate 3.5%.



In spite of the persistence of relatively high exchange rates of the PLN in relation to EUR, the **rate of growth of exports continues to be high.** Over the past 12 months exports have increased by EUR 10,900 million (18.1%) and imports by EUR 8,800 million (13.5%). In June 2005 alone, Poland noted a balance of trade surplus of the order of EUR 29 million. Exports grew by 13.4% (year/year) and imports by 9.3% (year/year).

The exchange rate of PLN in relation to USD and EUR was a function of the strengthening of the American currency on global markets. By the end of 1H 2005 the USD exchange rate amounted to 3.3461 PLN/USD and was 11.9% higher than at the end of the year 2004. The EUR exchange rate amounted to 4.0401 PLN/EUR, after having declined by almost 1%.

II.2. Improvement of the Financial Condition of Banks

In spite of the slow-down of the economy, the past half year was a very favorable period for the banks. According to Central Bank (NBP) data, in 1H 2005 the banking sector generated total **net profits of PLN 4,600 million**, which were thus 24.6% greater than the result of 1H 2004. Indeed, this reflected over 26% growth of net interest income. The good business performance was significantly contributed to by the improvement of loan portfolio quality. At the end of June 2005 the share of doubtful receivables was down to 13.2% from 14.4% % at the end of 2004 and from 17.3% at the end of June 2004.

The value of loans granted to retail customers was growing rapidly, the growth driver consisting of mortgage loans. On the other hand, there were no apparent signs of growth of demand for loans on the part of the business enterprises.

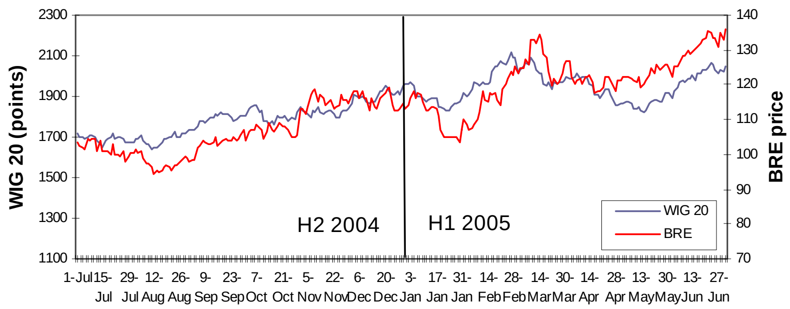
Other indicators of the condition of the banking system in the past half year period were as follows:

- Growth of commercial bank **assets** in relation to their balance at the end of June 2004 by 16.6% and by **9.2%** in relation to the end of the year 2004.
- Growth of **deposits and other liabilities** in comparison to the balance at the end of the year 2004 **by 3.4%,** comprising growth of household deposits by 1.5%, growth of business enterprise deposits by 1%, and much faster growth of deposits of local administration (municipal) institutions (up by 33.7%) and non-monetary financial institutions (by 9.0%).
- Increase of **receivables by 5.9%** (including growth of receivables due from households by 9.3%, from business enterprises by 3.6%, non-monetary financial institutions by 12.7%, and the decline of receivables from municipal self-government institutions by 6.3%).
- Return on Equity Ratio **(ROE) 21.5**% versus 18.5% in the previous year.
- Return on Assets Ratio **(ROA) at the level of 1.7%** versus 1.5% at the end of June 2004.

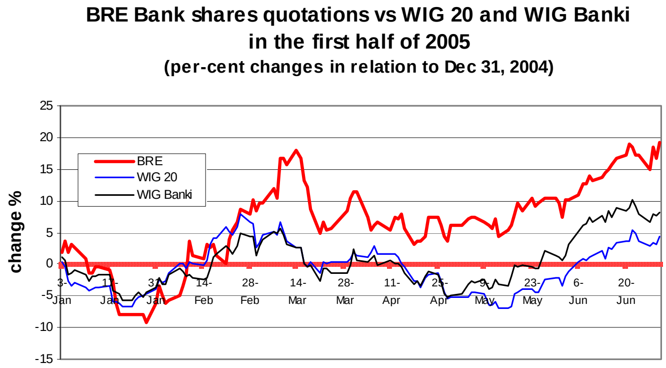
III. BRE Bank's Share Price Listed on the Warsaw Stock Exchange (WSE)

During 1H 2005 the Bank's listed share price was subject to common trends prevailing on the Warsaw Stock Exchange. The beginning of the year temporarily interrupted the bull market cycle continuing from the year 2004, but by the end of February the unfavorable trends were reversed, despite the worries concerning the economic condition of the country and its impact upon the financial performance of the listed companies. By the end of May yet another phase of dynamic growth of listed share prices began, generated mainly by foreign investors. It was initiated by vigorous demand for shares of the banks, which followed the announcement of the planned merger between Unicredito and HVB, bearing consequences also for the market in Poland. The new booming wave embraced practically every sector, but the trends were driven by the quoted stock prices of the largest companies. The WIG 20 Index grew in 1H 2005 by 4.3%, whereas WIG Banks Index reached its historically highest level in June and in comparison to the last day of December 2004 it was 8.1% higher.

BRE Bank shares quotations vs WIG 20 in H2 2004 and H1 2005



Share price of BRE Bank, which amounted to **PLN 114** at the end of 2004, fell to PLN 103.5 by the end of January, yet in June it reached the value of **PLN 136** – its highest level since April 2002. The market capitalization of the Company at the date of 30 June 2005 amounted to PLN 3,900 million. **Over the half-year period the shares of the Bank gained 19.3% in terms of their value,** which was significantly more than the growth of the basic stock market indices. In terms of the rate of growth of its listed stock price, BRE Bank was the **leader of growth** compared against its peer group of publicly listed banks.



IV. Composition of the BRE Bank Group

IV.1. Consolidated Subsidiaries

The consolidated financial statement for 1H 2005 comprises the following subsidiary companies (individual company financial data)

Company name	Business type	BRE Bank Group's equity stake in the company	Capital of the company	Profit/loss in individual company accounts for 1H 2005	Assets
1. BRE Bank SA	Bank		1,857,423	134,237	30,663,757
2. DI BRE Banku SA	Brokerage House	100%	41,279	8,975	270,106
3. BRE Corporate Finance SA	Consulting	100 %	3,177	-93	3,655
4. PTE Skarbiec-Emerytura SA	Pension Fund	100 %	100,003	1,760	107,622
5. BRE Leasing Sp. z o.o.	Leasing business	50.004%	34,948	6,245	1,623,361
6. SKARBIEC Asset Management Holding S.A. (SAMH)	Asset management	100%	118,879	3,404	127,303
7. Intermarket Bank AG	Factoring	54.84 %	95,855	7,941	724,701
8. Transfinace a.s.	Factoring	77.42 %	29,276	2,757	356,931
9. Polfactor SA	Factoring	77.42%	19,744	3,434	255,072
10. Magyar Factor Rt	Factoring	77.42%	18,269	3,058	205,733
11. Centrum Rozliczeń i Informacji CERI Sp. z.o.o	Clearing services	100%	12,167	863	16,970
12. BRE International Finance BV	Special purpose financial vehicle	100%	348	270	1,312
13. BRE Finance France SA	Special purpose financial vehicle	99.97%	1,092	174	2,518,412
14. Tele-Tech Investment Sp. z o.o.	Special purpose financial vehicle	24.0%	1,334	-172	59,814
15. TV-Tech Investment 1 Sp. Z o.o.	Special purpose financial vehicle	100%	802	766	803
16. BRE.locum Sp. z o.o.	Developer company	61.99%	21,673	-1,108	118,735
17. Garbary Sp .z o.o	Own property management	100%	50,015	-1,420	52,724

IV.2. BRE Bank Group's Organization

In the course of 1H 2005 certain modifications were introduced concerning the distinction of business areas within the BRE Bank Group. The five business areas existing hitherto, which included:

- Corporate Banking
- Investment Banking
- Strategic Investments
- Proprietary Investments

- Retail Banking combined with Private Banking

were reduced to three areas:

- Corporate Banking
- Investment Banking
- Retail Banking.

The companies operating in the financial services sphere, owing to the profile of their activities and the type of Clients, whom they provide with their services, were subordinated to the different business areas as presented in the table below:

BRE Bank's own business activities

Corporate Banking	Investment Banking	Retail Banking
Services provided to corporations (capital holding groups)	Financial Markets	mBank
Financial services provided to large business enterprises	Treasury	MultiBank
Services provided to small and medium size enterprises (SME)	Project Finance	Private Banking
Foreign trade financing	Financial Institutions	
	Proprietary Investments	

Strategic subsidiaries of the Bank (subject to consolidation)

Corporate Banking	Investment Banking	Retail Banking
BRE Leasing Sp. z o.o.	Dom Inwestycyjny BRE Banku SA (DI BRE Banku)	
Intermarket Group Intermarket Bank AG: Polfactor S.A. Transfince a.s. Magyar Factor Rt	BRE Corporate Finance SA (BCF)	
	BRE International Finance B.V. and BRE Finance France SA	
	Tele-Tech Investment Sp.z o.o.	
	TV-Tech Investment 1 Sp. zo.o.	
	Garbary Sp. z.o o.	

Additionally Skarbiec Asset Management Holding SA (SAMH) and PTE Skarbiec Emerytura S.A. were separated in asset management segment, which is now under restructuring in connection with the planned sale of PTE Skarbiec Emerytura S.A. by the end of this year.

The companies CERI Sp.z .o.o. and BRE.locum, owing to the nature of their activities, were not assigned to any of the business areas, so they have been classified as "**others**". The companies BRE.locum and Garbary were included for consolidation purposes starting from 1Q 2005 in connection with the adoption of the IFRS standards. In accordance with the requirements of these standards, the full consolidation method is applied to all subsidiaries.

V. BRE Bank Group's Position on the Financial Services Market

BRE Bank belongs to the leading tier of Polish banks in terms of the value of assets and capital. Among the banks listed on the Warsaw Stock Exchange at the end of June 2005 BRE Bank was in position No 6 in terms of the value of assets and No 8 in terms of owners' equity funds (consolidated figures).

In terms of the value of the consolidated portfolio of loans and credits granted to the non-financial and public sector, BRE Bank was in 4th place among Polish banks as at the end of June 2005. Liabilities with respect to clients put the Bank in the 6th place.

Type of business		Market position	Market Share
Corporate Banking			
Loans to enterprises			6.3 %
Deposits from enterprises			9.1%
Leasing		2	13.2%
Factoring			
	Poland	2	22%
	Austria*/	1	56%
	Hungary*/	1	33%
	Czech Republic	1	24%
Retail Banking			
Loans to retail clients			3.1%
Deposits from retail clients			2.1%
Retail current accounts (ROR)			4.4%
Internet accounts		1	21%
Investment Banking			
Dealing in treasury bills and bonds		1	15%
Dealing with interest rate derivative instruments			17%
Non-treasury debt securities			
	short term debt paper	2	18.0%
	corporate bonds	2	13.0%
	bonds issued by banks	2	29.4%
	municipal bonds	5	6.0%
Brokerage business			
	turnover in shares	9	3.8
	turnover in bonds	9	1.7%
	transactions in derivatives	2	11.2
	options	1	34.5%
Asset Management			
OFE	number of fund participants	6	4.1 %
	assets under management	9	3.0%
TFI	assets under management	9	4.1%

Source: own calculations based on data from BRE Bank and NBP combined with information from the press.
*/ data as at the end of the year 2004.

VI. Development of Business Areas of the BRE Bank Group in 1H 2005

VI.1. Corporate Banking – BREactivation Project – a New Business Model and Change of Operating Strategy

BREactivation is currently one of the Bank's key projects. This project was launched due to external factors, like:

- growing competition in corporate banking and margin squeeze
- increasing importance of customer relationship management

- increasing role of small and medium size enterprises (SME) in the economy
- new market opportunities: EU funds, customer's new needs, new products.

and internal factors:

- lasting growth of profitability of the corporate banking business
- corporate banking focus to shift from support to sales
- fuller and more effective use of own resources, experience and assets.

BREactivaton Project presently involves next areas: Project Corporate Banking, Project Operating Area and Project Credit System.

The goals of Project BREactivation - Corporate Banking are:

- To develop a new business model ensuring a competitive advantage on the market and the achievement of strategic objectives of the Bank
- To grow the number of the Bank's customers with a high income potential
- To enhance productivity, including acquisition of customers
- To strengthen the market position of the Bank.

The above mentioned goals will be achieved by:

- Precise definition of client's target group and defining strategic products and distribution channels
- Implementation of new organization structure of the Corporate Banking and rules of management in this structure. Branches are to be business units relieved from back-office functions. Adjusting of the organization structure of the Corporate Banking business line to a new business model is fundamental for successful implementation and functioning.
- Re-segmentation of clients which adjusts the level of client service to his real needs. It will also help the Bank to manage its product offer for clients in different segments. Re-segmentation puts salesmen' portfolios in order to offer better service for clients.
- Increasing of sales force potential through improvement of sales support process both in the Bank and Group companies.

The pilot implementation of the new business model at the Olsztyn Regional Branch and the Białystok Branch was launched on 1 July 2005, and at the Bydgoszcz Regional Branch on 15 July 2005. It was intended to verify the adopted solutions in order to ensure the best possible preparation of the future implementation across the Bank, which was started as of 1 September 2005.

The goals of **BREactivation Project Operational Area** are:

- To adjust the back office to the newly changed business model
- Branches to focus on sales and to be relieved of other non-sales related functions
- Consolidation of knowledge and resources
- To optimise the operating cost of Branches**.**

The above mentioned goals will be achieved by:

- Creation of operation area in the Bank, embracing and consolidating support functions for sales, servicing and security functions
- Organizational changes, including setting of Regional Operation Centers (RCO)
- Elimination of recurrent and irrational procedures/functions
- Arrangement and functional management of outsourcing and the Bank's real estate properties.

Starting from 1 September 2005 four RCO's located in Olsztyn, Katowice, Warsaw and Łódź have become operational. The previously existing Regional Branches, in turn, have changed their names to "BRE Bank SA Corporate Business Branch .... (name of the town, where the given unit is based)". The names and organizational status of the remaining Branches of the Bank have remained unchanged. Such branches will obtain the status of branch offices that are independent in business terms, the ultimate objective being to transform them into Corporate Business Branches.

The **Project Credit System's goals** are:

- To optimise the credit process (adjusted to the new business model)
- To manage credit risk effectively (according to the requirements of the New Capital Accord)
- To improve the quality of the credit process, including lending to SMEs.

The ways to achieve these goals are:

- Verification and modification of credit process for the corporate segment of BRE Bank
- Adjustment of credit procedures to particular groups of clients
- Implementation of IT solutions supporting functions of the risk management area.

VI.1.1. New Client Segmentation

In the past half of the year main target customer groups were defined as: K1,K2,K3. The implementation of the above projects should generate a major growth of the number of services Clients, the growth of the number and value of transactions concluded with them, and consequently a substantial improvement of the Bank's performance. The business objectives for the different corporate Client segments are as follows:

The target group of the segment **K3** consists of 15,000 active firms, operating in future oriented industries, employing new technologies, with **revenues up to PLN 30 million,** keeping full financial accounts. The Bank intends to increase the number of serviced firms in this segment from by about 50%. For 70% of the serviced Clients BRE Bank should become their first choice bank. It is also planned to increase the contribution of the K3 segment to the financial result of the corporate banking business line up to 30-35%.

Clients of the segment **K2** consist of firms with revenues between **PLN 30 million and PLN 1,000 million**. BRE is to become the first choice bank for half of the Clients with the desired profile and strengthen its position as market leader in the area of handling commercial transactions, in particular in foreign trade. K2 contribution in the result of business line is expected to reach 50% by the year 2008.

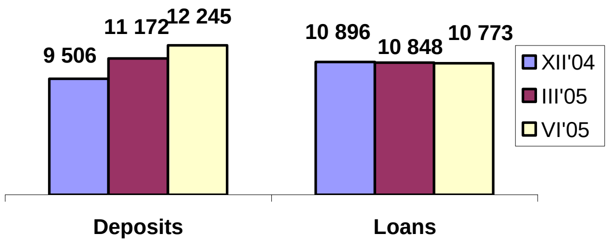
Plans for the segment **K1** (capital holding groups with annual revenues above **PLN 1,000 million**) assume the maintenance of the number of clients at the present level of about 100 capital holding groups, which implies approximately 800 clients. It is assumed, however, that the number of capital groups pointing at BRE Bank as one of their basic banks should be increased. K1 will be treated as a product innovation segment and as an access channel for attracting clients from the segments K2 and K3 (subcontractors).

VI.I. 2. Corporate Deposits and Loans in 1H 2005 at BRE Bank

In the corporate banking area in 1H 2005 there has been dynamic growth of the balance of **deposits.** Apart from business enterprises, some financial units and public sector institutions are also assigned at BRE Bank as clients of that business area. Also the funds of the largest customers placed in the investment banking area are taken into account here. At the end of June 2005 the volume of corporate deposits was 28.8% greater than at the end of December 2004.

In the same period, the balances of **credits** (including loans to corporate clients granted as part of syndicated loans and project finance in the investment banking area, and also loans granted to the public sector and municipal administration authorities) remained at a very similar level. Over the period of 6 months into the year 2005, the loan portfolio decreased by 1.1%. It should be stressed, however, that the average balance of the loan portfolio in corporate banking in the 2nd quarter amounted to PLN 10,900 million and was 6.4% greater than in the 1st quarter of 2005.

Corporate Client Deposits and Loans */1H 2005 (PLN m)
Balances at month end



The above presentation of corporate loans and deposits follows the internal classification applied by the Bank, hence the discrepancies with the data contained in the Financial Report for 1H 2005.

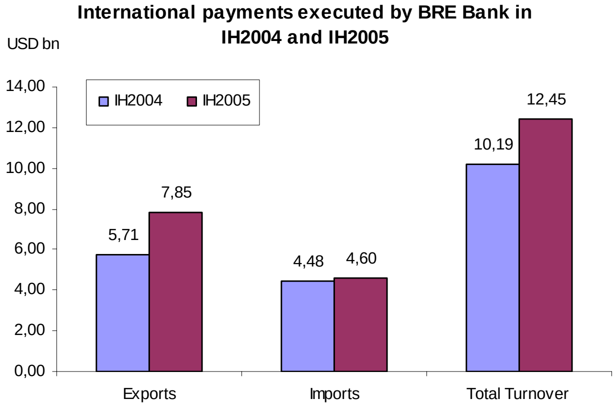
VI.1.3.Absorption of EU Funds

Commitments, loans, and guarantees extended by BRE Bank in connection with EU funds from 1 January to 30 June 2005 stood at PLN 230 million. The sales of banking products related to EU funds grew in the course of subsequent periods of submission of applications to individual operating programmes thanks to the Bank's very active EU Fund Consultants.

VI.1.4.Handling of Foreign Trade Transactions

The Bank continued to develop its business financing companies' foreign trade: in H1 2005, compared to H1 2004, exports handled by the Bank grew 37.4% and imports by 2.7%. Total foreign trade payments handled by BRE Bank in January—June 2005 stood at USD 12,500 million, up 22.2% year on year.

The Bank's offer addressed to exporters, directly linked to export activities (settlements, foreign exchange transactions), is supplemented with an offer of risk management instruments, which in the face of favorable market conditions (variations of currency exchange rates, interest rates and commodity prices) enabled to increase the volume of transactions and to achieve 43% growth of the net gains on the FX margin and the improvement of performance on financial instruments.



VI.I.5. Product Development

The developed offer of cash management services (including mass payments identifiers, identifiers for commercial payments, a system of identification of payments, value added services for creditors – providers of mass volume services) has enabled to increase the volume of direct debit transactions by 50% in relation to 1H 2004 and to increase the scope of transactions covered by the debt collection identification.

Also the sales of the "Current operations financing Package" to K2 segment firms increased rapidly. At the end of June the value of outstanding customer debts on that account amounted to approximately PLN 750 million.

Hitherto, segment K3 clients were offered EFEKT and EFEKT Plus packages. Throughout the whole first half of the year 413 Packages in both versions were made available, so jointly 2,632 Clients have been able to use them. In order to increase the efficiency of SME loan handling, the credit limit in the EFEKT Plus package was raised from PLN 200,000 to PLN 600,000. Moreover, a new package called "EFEKT Finansowy" was launched, in which the maximum exposure limit amounts to PLN 1 million and allows to make use of overdraft on current account, of working capital credit, of bill of exchange discounting, of bank guarantees and letters of credit.

VI.2. Corporate Banking Line Subsidiaries

VI.2.1. Intermarket Group

In 1H2005 the Intermarket Group Companies (**Intermarket Bank AG, Transfinance a.s., Polfactor SA, Magyar Factor Rt**.) generated total turnover worth EUR 1,800 million, which implies 15% growth compared to 1H2004. The fastest rate of growth of sales was shown by Magyar Factor (23%) and Intermarket Bank (19%). The subsidiaries pertaining to this Group jointly generated net profits totaling EUR 4.2 million (PLN 17.1 million) in 1H2005, versus EUR 3.7 million in the same period of the previous year.

In 1H2005 the Intermarket Group paid dividends for the year 2004 to the BRE Bank totaling PLN 3.8 million.

Intermarket Bank AG

In 1H 2005 the turnover of the Company for the period of 6 months exceeded for the first time the threshold of EUR 1,000 million, reaching the value of EUR 1,037 million, which implies 19% growth in relation to 1H 2004. Over the period of 6 months into the year 2005 the Intermarket Bank achieved the highest net profit growth rate of all the Intermarket Group subsidiaries in relation to 1H 2004, which exceeded 30%.

Transfinace a.s.

In 1H 2005 the Company continued to operate in the face of increasing competition on the part of companies that finance small and medium size enterprises on the Czech market. As a consequence of this situation, its market share fell from 26% at the end of 2004 to 24% at the end of 1H 2005. The value of turnover realized by the Company in 1H 2005 remained on the same level as in 1H 2004 and amounted to EUR 330 million.

Magyar Factor Rt.

In 1H 2005 also Magyar Factor operated under unfavorable business conditions. Firstly, the Company had to face aggressive competition on the Hungarian factoring market, mainly on the part of banks. Moreover, the Hungarian tax authorities introduced additional income tax burdens for financial institutions, including factoring firms, for the years 2005 and 2006. The turnover of the Company increased in relation to 1H 2004 by 23% (the highest turnover growth rate in the Intermarket Group over 6 months into 2005) and reached EUR 200 million, especially dynamic growth was noted in factoring on the local market (26% growth). The Company closed the first half of the year with a positive financial result PLN 3.1 million, on the similar level of 1H 2004.

Polfactor SA

In 1H 2005 Polfactor continued the dynamic growth of turnover and net profit as in the previous year, although its rate of growth was now slightly slower, which resulted from the increasing competition on the Polish factoring market. The turnover of the Company amounted to EUR 276 million and increased by 13% in relation to 1H 2004. Net (after tax) profit of the company amounting to PLN 3.4 million was 9.4% higher than after 6 months of the year 2004.

VI.2.2. BRE Leasing Sp. z o.o.

The value of concluded leasing contracts in 1H 2005 amounted to PLN 976.5 million, which was 38.2% more than in 1H 2004. Thanks to this the Company occupied the 2nd position on the market, with a market share of 13.2%.

Leasing of real estate property is developing significantly – over the reporting period property leasing represented 44% of the portfolio of new contracts. The property leasing transaction concluded in 1H 2005 concerns a property located in the centre of downtown Warsaw at Rondo ONZ Place. It consists of two buildings: commercial-office-with parking lot and a 40-floor office sky-scraper.
In the area of leasing of moveable assets, compared to last year, the value of personal motor car leasing increased very dynamically – almost 2.5 times (to PLN 92 million). Altogether, transport vehicles represented 61% of the value of concluded agreements, mainly under the guise of the products called BREL 48 and BREL 72.

Activities connected with the utilization of EU structural funds are developing dynamically. BRE Leasing offers the product BREL-UNIA to customers seeking such co-financing. In 1H 2005 promises of leasing commitments worth over PLN 100 million on such account were issued.
The Company generated PLN 6.2 million of net (after tax) profit, which was 25.7% higher than in 1H 2004, and it also returned capital contributions totaling PLN 18 million, including PLN 9 million paid back to BRE Bank.

VI.3.Retail Banking and Private Banking

VI.3.1. mBank

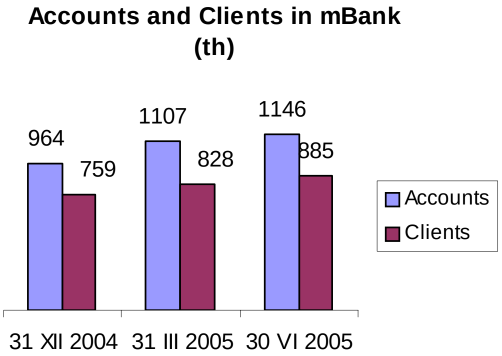
In H1 2005, mBank acquired 126 thousand new customers. In total, at the end of June 2005, 885,000 clients were using the services of mBank. In total, over the period from January to June 2005 mBank received deposits worth PLN 566.7 million, the greatest increase being booked on eMAX plus accounts. The balance of funds on the accounts exceeded PLN 3,600 million and was 18.5% greater than at the end of the year 2004.

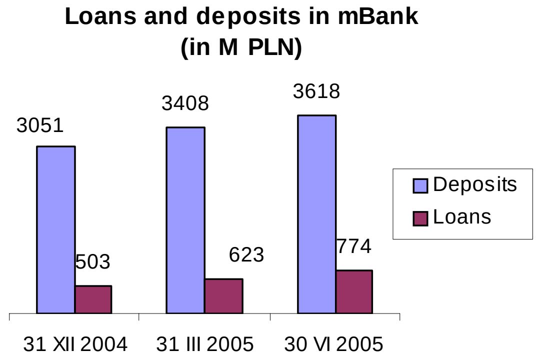
Lending activities are expanding dynamically, driven by the mortgage loan product mPLAN Hipoteczny. Since the beginning of the year the loan portfolio increased by PLN 274 million. The value of loans outstanding on 30.06.2005 amounted to PLN 777.7 million , including PLN 584.0 million of mortgage credit under the mPlan Hipoteczny schemes.

Funds placed by over 105,000 clients in investment funds through the Investment Funds Supermarket (SFI) increased from PLN 380.3 million at the end of the year 2004 to PLN 418.7 million at the end of June 2005.

Starting from April 2005 sales of life insurance combined with an investment fund were launched, warranting significant discount on the costs of purchase of insurance. The customer is able to buy the insurance policy with the investment fund component over the Internet, without the intermediation of the insurance agent and without related commission. In July mBank introduced the Internet service **–eMakler**, which enables easy access to a broad range of shares, bonds and securities traded on the Warsaw Stock Exchange.

Work on the modification of the mKIOSK model were concluded, and at the end of June as many as 22 mKIOSKs were functioning. A number of new Financial Centers was also opened. By the end of June their number increased to 15 locations (at there end of the year 2004 there were only 2 of them).





VI.3.2.MultiBank

In 1H 2005 MultiBank attracted 33,900 Clients, and their total number at the end of June approached the figure of 225,000. Over the period from January to June 2005 deposits increased by PLN 137 million, reaching the level of over PLN 846 million. The loan portfolio grew by PLN 516.7 million to the level of PLN 2,291.7 million. The greatest contribution came from Financial Plan products, representing about 3/4 of the increase as well as of the total portfolio value.

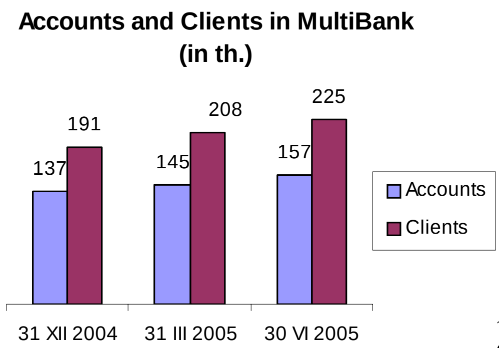
At the end of June MultiBank disposed of 57 outlets all over the country, including 34 Financial Services Centers (CUF) and 23 partner outlets (as a matter of comparison: at the end of the year 2004 there were 46 functioning outlets: 33 CUFs and 13 partner outlets).

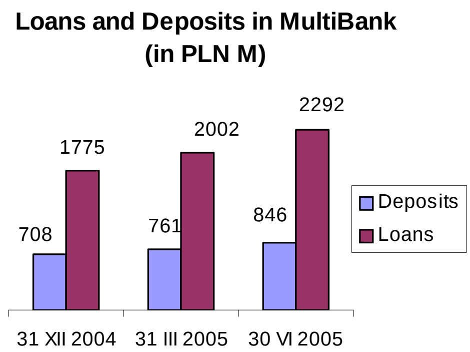
The following products were added to the range of services offered by MultiBank:

- BRE Emisja loans for the acquisition of shares of the companies Lotos, Opoczno, Ambra;
- A credit card tailored for teachers;
- Visa Business Charge Card.

The RSS was launched – a system of automatic notification of the clients about changes in the offered product range and in the functioning of MultiBank's service. MultiBank is the first bank in Poland to implement this solution.

MultiBank has also organized a number of promotion campaigns, including the promotion of the package: Konto+Karta+Kredyt (Account+Card+Credit), motor car loan, Business Financing Plan and European MultiCredit (investment loan for firms comprising EU subsidies).





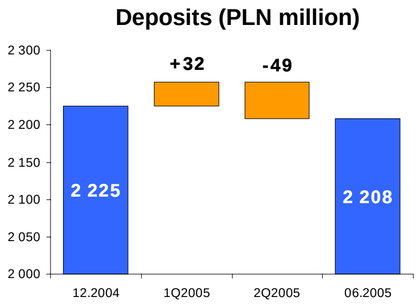
Both
data, in 1H 2
increased by 9.3%, the main driver of growth consisting of loans attached to acquisitions of real estate

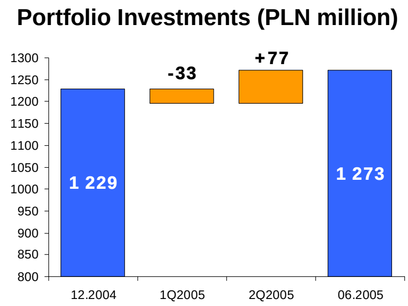
property. At mBank and MultiBank taken jointly, however, the value of deposits increased by 18.7% over the 6 months of 2005, whereas loans increased by 34.1%.

The number of clients using internet personal accounts is also growing rapidly in Poland. By the end of June 2005 it exceeded 4 million. Account holders at mBank and MultiBank continue to represent about ¼ of them all.

VI.3.3. Private Banking

At the end of June Private Banking services were being provided to over 8,000 clients. The assets accumulated by them on term accounts at BRE Bank amounted to PLN 2,208 million and the value of their portfolio investments reached PLN 1,272 million. The highest sales growth rate was noted with respect to products combining insurance with capital investment.





During 1H 2005 a marked increase of clients' interest in portfolio investments resulting from a decrease of interest rates and lower profitability of deposits was observed. In the framework of the sales model based on open architecture Private Banking clients have a choice of the best financial market products among a wide range of offered products. Between January and March 2005, the offer was enriched among others by Skarbiec Funds of funds. The subscription of the first foreign fund in the Polish market, Merill Lynch Global Index Fund, operating according the law of Luxemburg was carried out.

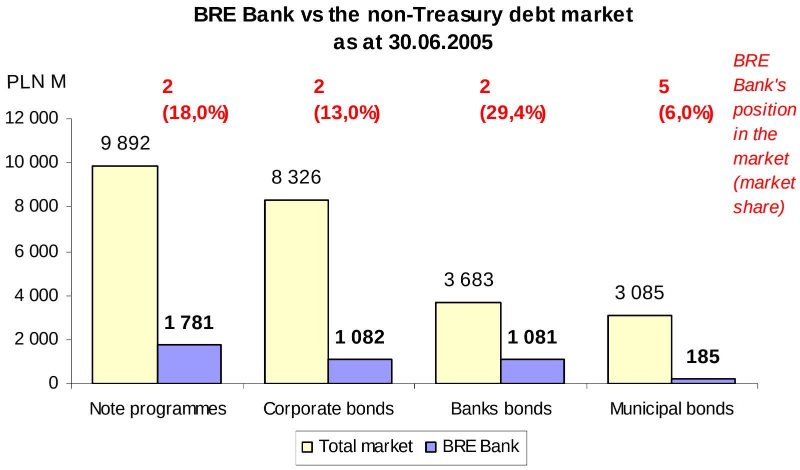
Over the whole 1H 2005 the loan portfolio in the Private Banking segment increased by PLN 41.6 million, reaching PLN 332.7 million in June 2005. A significant increase of short-term loans for the purchase of stocks offered in the IPO was recorded (total value of granted loans about PLN 871 million).

VI.4. Investment Banking

The business milestones in 1H 2005 included:

- Signing of a mandate for the management of a program of securitization of bank assets for one of Polish banks,
- Issue of additional tranches of medium-term debt paper,
- Issue of short-term debt instruments which helped to grow the share in the short-term debt market from 15.6% at the end of 2004 to 18% at the end of June 2005;
- Execution of first transactions on hybrid investments for Private Banking Clients with embedded option structures;
- Continued development of commodity swaps;
- Active presence on the markets, helping to maintain a high share in the interest rate derivative market (ca. 17%) and the Treasury bond and bill market (ca. 15%);

- Issue of EUR 200 million 3-year Eurobonds by the subsidiary BRE Finance France in June 2005; they have the lowest ever credit spread at +24 bps over LIBOR. Moody's has confirmed A3 rating for the tranche. On 27 June, BRE Finance France placed a EUR 199.8 million cash deposit with BRE Bank as collateral for the guarantee given by BRE Bank. The cash deposit will be held by the Bank until the redemption of the bonds in 2008.



The Investment Banking business area also covers the management of the Bank's liquidity. The liquidity situation in 1H 2005 was sound, as indicated by the following factors:

- Current liquidity remaining on a high level;
- Greater increase of deposits than of loans;
- Gradual reduction of the share of financing drawn from the inter-bank market;
- Gradual reduction of the issues of PLN denominated depository recipes and privately placed bonds;
- Maintenance on an unchanged level of proprietary issues denominated in foreign currencies and of the volume of loans received from foreign banks;
- Maintenance of the liquidity portfolio on an unchanged level of approximately PLN 2,000 million, necessary to assure the secure financial position of the Bank;
- High degree of activity of the Bank on the money market (investment and deposit transactions and FX swap transactions concluded on the local and international inter-bank markets, participation in open market operations).

VI.4.1.Project Finance

Loan agreements signed in 1H 2005 totaled the equivalent of PLN 106.5 million. The average balance of the portfolio in June 2005 amounted to PLN 1,769.2 million. The granted loans included, i.a., the export project finance loan extended to a Russian client and backed by insurance provided by the Export Credit Insurance Corporation (KUKE) (loans of this type have zero risk weight). It is the first transaction of this kind ever finalized on the market in Poland. Currently work is in progress on further projects of this kind, all of them being destined for firms from Russia.

Already after the end of H1, in July 2005, two large loans were extended in syndication with other banks: an investment loan with BRE Bank's contribution of EUR 40 million (PLN 164.4 million), and a revolving loan where the BRE Bank's contribution was PLN 35 million.

VI.4.2.Proprietary Investments of BRE Bank

At the end of H1 2005, the proprietary investments portfolio totaled PLN 485.2 million at cost (down PLN 115.2 million compared to the opening balance 2005), mainly comprising:

- increase on the acquisition of securities totaling PLN 33 million (Beverly Hills Video SA, Zachodni Fundusz Inwestycyjny NFI SA);
- decrease on the sale of securities totaling PLN 183 million (repaid advance for the acquisition of TVN SA stocks, sale of Beverly Hills Video SA, Pozmeat SA, TVN SA, Zachodni Fundusz Inwestycyjny SA, V NFI Victoria SA, deregistration Częstochowska Grupa Kapitałowa SA under liquidation from the National Court Register /KRS/);
- increase due to FX gains totaling PLN 35 million.

BRE Bank's Proprietary Investments (PLN'000,000)	30.06.05	01.01.05	Change 06/01	
			PLN'000,000	%
Value at cost	485.2	600.4	-115.2	-19.2
Carrying value in the balance sheet	464.8	559.3	-94.5	-16.9

Major Transactions realized in 1H 2005

TVN SA

In two package transactions (in February and in May 2005) a subsidiary company of the Bank (TV-Tech Investment 1 Sp. z o.o.) sold a 10% stake of TVN shares to a subsidiary company of ITI Holdings SA (N-Vision B.V.). The disposal of TVN shares took place as the exercise of a call option granted to ITI Holdings SA by the BRE Bank at the time when TV-Tech Investment 1 was acquiring shares in TVN Sp. z o.o. (presently TVN SA shares). In 1H 2005 the Bank sold 0.42% stake from their own 5.01% package. Total income from the sale of TVN shares amounted to PLN 11.4 million.

Beverly Hills Video SA (BHV SA)

The Bank took into possession 22,018,668 of its shares in return for debt claims on the account of credit granted to the company BHV SA. The agreement concerning the acquisition of these shares was concluded as part of the implementation of the agreement on the restructuring of the debts of that company, concluded with the participation of BRE Bank and Thamyris Holding Ltd. Subsequently, the Bank sold the whole block of BHV SA shares in its possession to the company Thamyris Holding Ltd. The total impact of these transactions upon the profit and loss account of the Bank was equal to zero.

Zachodni Fundusz Inwestycyjny NFI SA

In a package stock-market transaction the Bank acquired 1.5 million shares of that company for the total amount of PLN 10.8 million. From the acquired block of shares, in 1H 2005 417,911 shares were sold on for the total amount of PLN 2.2 million. The total financial gain of the Bank on the disposal of these shares in 1H 2005 amounted to PLN 93,500 (taking into account the gain on the reversal of the respective provision).

VI.4.3. Investment Banking Line Subsidiaries

BRE Bank Secourities - Dom Inwestycyjny BRE Banku (DI BRE Banku)

DI BRE Banku takes advantage of the period of an excellent business cycle trade on the Warsaw Stock Exchange (WSE). The Company posted net (after tax) profit in 1H 2005 at the level of almost PLN 9 million (in accordance with IFRS standards). The net financial result of the first half of the year is more than 2 times better than the result of the same period of the previous year.

DI BRE Banku is a leader in trading with options listed on the stock market, with 35.9% market share, and it occupies the third place in terms of the volume of turnover in futures contracts (11.4% market share). In terms of trading in stocks the Company had 3.8 market share at the end of 1H 2005, with turnover volume at the level of PLN 2,800 million. During the past half year period DI BRE Banku participated in the offering of shares of three issuers (Lotos Group, Ambra, Polmos Lublin).

The Company has declared the payment of the second largest dividend in its history and the largest one since the year 2000, as the dividend for the year 2004, to the Bank – amounting to PLN 7.6 million.

BRE Corporate Finance S.A.

Since July 2004, BRE Corporate Finance has been the adviser to Nafta Polska S.A. in the process of consolidation and privatization of the LOTOS Group, the second largest (after PKN Orlen) oil refinery in w Poland. The work conducted by BRE CF comprised consulting in the process of consolidation of the LOTOS Group with the companies Rafinerie Południowe and Petrobaltic, as well as the management of the initial public offering of shares of the company on the Warsaw Stock Exchange, in close cooperation with Dom Inwestycyjny BRE Banku. The IPO of the LOTOS Group took place in June 2005. In May 2005 BRE Corporate Finance won the tender for advising the Ministry of the State Treasury in connection with the privatization of the Jastrzębska Spółka Węglowa coal mining company.

BRE International Finance B.V. oraz BRE Finance France S.A.

In 1H 2005 both BRE International Finance B.V. and BRE Finance France SA continued the execution of the Eurobond Issue Program (EMTN) to the total amount of EUR 1,500 million.

In June 2005 the company BRE International Finance B.V. bought out the last tranche of Eurobonds amounting to EUR 200 million.

In June 2005 BRE Finance France SA conducted the issue of the fourth tranche of Eurobonds amounting to EUR 200 million, due to mature in 2008. The three previous tranches were issued as follows:

- in 2003 – EUR 200 million with maturity date in 2006;
- in 2004 – EUR 225 million with maturity date in 2007;
  USD 10 million with maturity date in 2009.

In 1H 2005 the general shareholders' meetings of the companies BRE International Finance B.V. and BRE Finance France SA distributed the profits of the year 2004 and approved the payment of dividends to the BRE Bank totaling EUR 262,200.

Tele-Tech Investment Sp. z o.o. (TTI)

The scope business activities of the Company consists of the following:
a/ investment of funds in securities and trading in debt receivables;

b/ transactions in securities, conducted on its own account;
c/ management of business enterprises under its control;
d/ advising concerning the conduct of business operations and management.

The portfolio of TTI at the end of June 2005 contained shares of 3 subsidiary companies, including BREL-RES Sp.z o.o., TV-Tech Investment 2 Sp. z o.o. and BRE.locum Sp. zo.o. In the course of the past half year shares of the company BREL-MAR were sold off. That portfolio also contained the bonds of Autostrada Wielkopolska SA.

TV-Tech Investment 1 Sp.z o.o.

The Company was established in connection with the execution of an agreement with ITI Holdings and the conversion of a part of their bonds for shares, followed by conversion for TVN shares. In 1H 2005 the Company disposed of the entire 10% block of TVN shares and since that time it did not hold any other assets.

Garbary Sp. z o.o.

The Company is in the Bank's portfolio since May 2004 as a result of restructuring of the Bank's exposure to debt paper of Tele Tech Investment Sp. z o.o. –TTI bonds with redemption value of PLN 51.5 million (issued in 2001 to finance the acquisition of the company by TTI) were converted for 100% shares of the Company. The only asset held by the company Garbary consists of built up property located at 101/111 Garbary Street in Poznań, built up with a complex of meet processing facilities (presently not in use), which is subject to strict heritage conservation protection.

VI.5. Segment: Asset Management

Asset management at the BRE Bank's Group comprises the activities of two subsidiary companies: Skarbiec Asset Management Holding S.A. and PTE Skarbiec Emerytura.

Skarbiec Asset Management Holding S.A.

Skarbiec Asset Management Holding (SAMH) comprises the companies Skarbiec TFI, Skarbiec Investment Management, BRE Agent Transferowy and Skarbiec Serwis Finansowy, whereby only the first two of them manage assets entrusted by Clients. BRE Agent Transferowy keeps and handles the registers of members of pension funds and investment funds, as well as providing sevice support to employee pension plans. Skarbiec Serwis Finansowy is in charge of the distribution of TFI (investment fund) and OFE (pension fund) products to retail and institutional customers, and also for promotion and marketing activities on behalf of the whole business line, serving as a particular sales and marketing platform for the Holding. In 1H 2005 SAMH recorded a net (after tax) consolidated profit of PLN 3.4 million (versus loss of PLN 1.0 million one year earlier).

Skarbiec TFI

In 1H 2005 Skarbiec TFI recorded the growth of fund assets by PLN 58 million in relation to their balance at the end of the year 2004. Especially the assets of the funds Skarbiec-Akcja, Skarbiec-Depozytowy and Skarbiec-Gotówkowy, as well as Skarbiec-Nieruchomości grew remarkably. The rate of growth of the assets of Skarbiec TFI in 1H 2005 (3.2%) was nevertheless clearly slower than that of the market as a whole (20%). TFI market share decreased from 4.8% to 4.1%

Skarbiec Investment Management

In 1H 2005 assets under the management of the Company fell from PLN 708 million to PLN 378 million, which was mainly the result of the withdrawal of assets worth ca. PLN 200 million by the Foundation for Polish Science (*Fundacja na Rzecz Nauki Polskiej*).

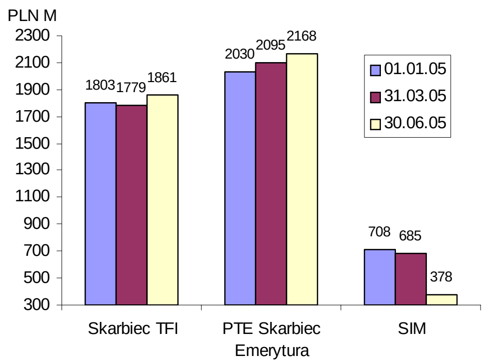
Powszechne Towarzystwo Emerytalne Skarbiec-Emerytura (PTE)

Assets of the PTE pension fund increased by PLN 139 million in relation to their balance at the end of the year 2004. The growth of assets over the past half year (6.8%) was clearly slower than the growth of the market as a whole (16.3%), which was mainly the result of further desertion by its members (22,000 of them switched to other funds in 1H 2005) in reaction to the relatively poor asset management results. The number of records maintained at the end of June 2005 amounted to 484,200. The share in OFE assets at the end of June amounted to 3%, versus 3.3% at the end of the year 2004.

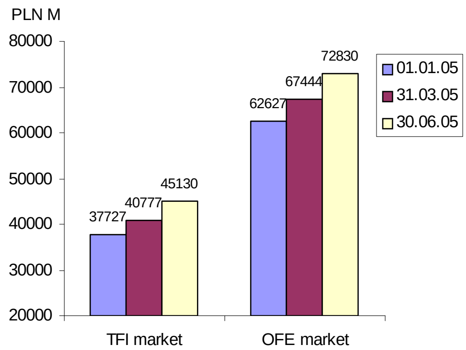
PTE achieved a net profit of PLN 1.7 million; the General Shareholders' Meeting of the Company adopted a resolution to reduce the share capital of the Company by the amount of PLN 15 million. Owing to the lengthy legal procedure, the disbursement of funds to BRE on the account of reduction of capital may take place not earlier than in the 4th quarter of 2005.

The total value of assets under management by the above indicated companies at the end of 1H 2005 amounted to PLN 4,407 million (PLN 133 million decrease in relation to the end of December 2004). The situation of the particular companies against changes on the whole market is presented on the graph below.

Assets under management – BRE Group subsidiaries



Assets under management – the market



VI.6.Other Consolidated Subsidiaries

Centrum Rozliczeń i Informacji CERI Sp. z o.o. (CERI)

The scope of business of the Company includes the provision of auxiliary support services for banking activities, including in particular the management of clearing accounts and data bases for the Bank and for external clients. In 1H 2005 the activities of the Company were focused on the following operations:

- sales to external clients, i.e. outside of the BRE Bank Group, of services other than clearing (electronic archive, traditional archive, data input) and clearing services;
- expansion of cooperation with companies belonging to the BRE Bank Group, mainly concerning the electronic and the traditional archive;
- taking over from BRE Bank the handling of successive operating processes from the Retail Banking and Corporate Banking business lines.

The Company generated a positive net financial result for the past half year amounting to PLN 0.9 million.

BRE.locum Sp. z o.o.

BRE.locum Sp. z o.o. is a developer company, in which BRE Bank S.A. holds a 49.99% equity stake. The remaining shares belong to the company Tele-Tech Investment Sp. z o.o., in which BRE Bank holds a 24% equity interest. The company is consolidated by the full consolidation method in the accounts of BRE Bank Group since 1 January 2005.
BRE.locum focuses on investments in residential property, above all buildings serving as residential homes, but it also implements projects related with residential housing construction and provides

property management services. The Company operates since 2001 and is present in Łódź, Wrocław, Kraków, and since last year it has also entered the Warsaw market (investments on Pola Mokotowskie).
The Company expands its presence on the Warsaw market, by acquiring land for new investments of its own. The Company closed the 1H 2005 at a loss of PLN 1.1 million, but result was better than planned.

VII. Financial Results of the BRE Bank Group 1H 2005

The balance sheet data presented in the report as at the dates of 30.06.2004 and 31.12.2004, as well as the figures of the profit and loss account for 1H 2004 were prepared in a way comparable with the consolidated balance sheet for the date of 30.06.2005 and with the profit and loss account for 1H 2005, with the exception of IAS 39 (application of the effective interest rate and of impairment accounting).

The impact of IFRS standards upon the financial results of the BRE Bank Group was presented in detail in the report for IIQ 2005 ("Accounting for the differences between IFRS and Polish Accounting Principles") as well as in the Consolidated Financial Statement according to International Accounting Standards for 1H 2005."

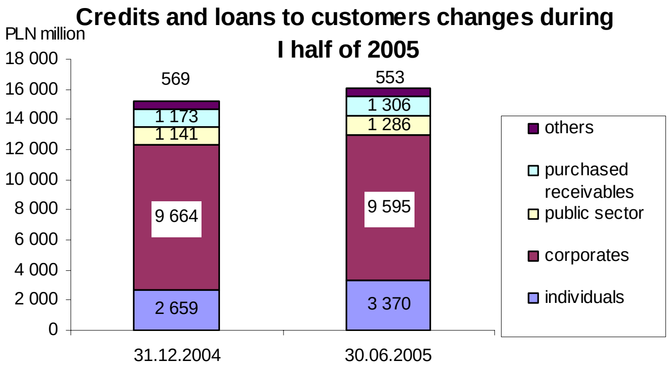
When making comparisons it is also necessary to keep in mind the somewhat different composition of the BRE Bank Group: in 1H 2004 it comprised the mortgage bank Rheinhyp BRE Bank Hipoteczny S.A., which at the end of 2004 was accounted for only in the consolidated profit and loss account. At the end of 1H 2005 the consolidation covered for the first time the companies BRE.locum and Garbary, what was reflected also in comparable data of consolidated financial statement.

VII.1. Changes in the Consolidated Balance Sheet in 1H 2005

The balance sheet total at the date of 30 June 2005 amounted to PLN 33,376 million and was 7.0% greater than the respective figure on 31 December 2004. The table below presents the consolidated balance sheet as on 30 June 2005 compared against the financial position on 31 December 2004.

Consolidated assets	**30.06.2005**	**31.12.2004**	**31.12.2004=100%**
Cash in hand, transaction with the central bank	611 517	734 691	83,2%
Bill of exchange eligible for discounting at the central bank	55 771	52 832	105,6%
Receivables from banks	7 444 063	6 990 051	106,5%
Securities held for sale	2 893 966	2 372 997	122,0%
Derivative financial instruments	1 672 056	1 796 824	93,1%
Other financial instruments measured at fair value through the profit and loss account	148 015	11	
Credits and loans granted to clients	15 244 806	14 330 384	106,4%
Investment in securities	470 584	580 108	81,1%
1. Available for sale	445 180	564 785	78,8%
2.Held to maturity	25 404	15 323	165,8%
Pledged assets	2 538 938	1 781 725	142,5%
Investments in associated companies	2 139	2 225	96,1%
Intangible assets	671 458	664 770	101,0%
Tangible fixed assts	535 566	522 987	102,4%
Deffered income tax assets	541 205	778 621	69,5%
Other assets	544 214	573 570	94,9%
Total assets	**33 374 298**	**31 181 796**	**107,0%**

With respect to major items one should note in the past half year the 6.4% increase of loans and credit granted to clients. The main source of this increase consisted of retail customers, whose debts increased by as much as 26.8%, reaching the level of PLN 3,370.1 million. Also the level of receivables from the public sector increased (by 12.7%), as well as the volume of receivables repurchased (11.3% up). On the other hand, loans and credit granted to corporate clients remained on an almost unchanged level (change of just -0.8%). Changes in the loan portfolio structure are illustrated by the graph below:



Receivables due from banks increased at a similar rate as the loans (6.5%). The portfolio of securities held for sale increased substantially – up 22.0%, whereas the portfolio of investment securities decreased. The significant growth of assets pledged as collateral security resulted from the growth of sell buy back transactions, involving securities covered by existing repurchase contracts.

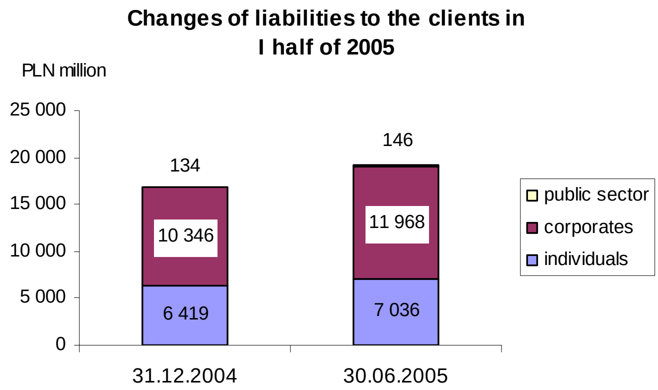
Changes in the liabilities of the Group are illustrated by the table below:

Consolidated liabilities	**30.06.2005**	**31.12.2004**	**31.12.2004=100%**
Liabilities toward the central bank			
Liabilities toward other banks	5 230 426	5 562 129	94,0%
Derivative finacial instruments and other liabilities held for sale	1 766 625	1 620 708	109,0%
Liabilities toward customers	19 150 574	16 897 889	113,3%
Liabilities in respect of issues of debt securities	2 837 518	3 103 327	91,4%
Other borrowed funds	1 424 964	1 020 144	139,7%
Other liabilities	453 087	334 460	135,5%
Current invcome tax liability	1 358	1 444	94,0%
Deffered income tax liabilty	442 728	688 593	64,3%
Provisions	100 826	45 700	220,6%
Total liabilities	**31 408 107**	**29 274 394**	**107,3%**
Equity	**1 966 192**	**1 907 401**	**103,1%**
Total liabilities and equity	**33 374 298**	**31 181 796**	**107,0%**

Relatively fast growth, by as much as 1% was noted in the case of client deposits placed with the Bank. At the end of June 2005 they represented 57.4% of total liabilities and equity. The level of subordinated liabilities increased significantly, by as much as 39.7% ("Other borrowings"). The main cause behind this development consisted of the issue of subordinated bonds conducted by the BRE Bank in February 2005 to the value of EUR 100 million. The funds raised from this issue are treated as a subordinated loan and by virtue of the decision of the Banking Supervision Commission (KNB) they were classified in full as part of supplementary funds for the purposes of calculation of the solvency ratio.

On the other hand, the level of liabilities towards other banks has decreased by 6.0%. The level of liabilities on the account of issues of debt securities was also lower than at the end of last year.

Changes in the structure of client liabilities are illustrated by the graph below:



At Group level there was rather fast growth (15.6%) of corporate client liabilities, whereas the level of retail client liabilities was increased by 9.6%.

Equity funds of the Group increased over the half year period by3.1%, representing 6.0% of its total liabilities and equity by the end of 1H 2005. The only shareholder of the BRE Bank, which at the date of 30.06.2005 possessed more than 5% of the Bank's shares was its strategic shareholder the Commerzbank AG, which owned 72.16% shares of BRE Bank.

VII.2. Profit and Loss Account of the BRE Bank Group

Gross profit (before tax) of the BRE Bank Group for 1H 2005 amounted to **PLN 196.7 million and was 76.4%** higher than one year earlier, whereas net profit (after tax) reached **PLN 144.5 million,** which was **116.1%** more than the result of 1H 2004. The greatest contribution to the improvement of this result was generated by the dominant entity, namely the BRE Bank, the single company financial result of which, after 6 months of 2005, consisted of net profit (after tax) of PLN 134.2 million, comparing with PLN 62.6 million a year earlier.

Consolidated profit and loss account (PLN'000)	**01.01.2005 to 30.06.2005**	**01.01.2004 to 30.06.2004**	**Dynamic IH 2004 =100%**
Interest income	791 935	644 578	122,9%
Interest expense	-464 735	-418 645	111,0%
Net interest income	327 200	225 933	144,8%
Fee and commission income	254 047	254 246	99,9%
Fee and commission expense	-56 583	-58 236	97,2%
Net fee and commission income	197 464	196 010	100,7%
Dividend income	21 740	4 374	497,0%
Profit on trading	106 890	110 507	96,7%
1. FX gains	88 043	129 543	68,0%
2. Othet trading income	18 847	-19 036	
Profit on investment securities	11 878	28 528	41,6%
Other operating income	39 964	318 861	12,5%
Net impairment write-offs for credits and loans	-10 635	-85 466	12,4%
Overhead costs	-402 523	-341 530	117,9%
Depreciation of tangible fixed assets	-65 771	-70 597	93,2%

Other operating costs	-29 375	-275 128	10,7%
Net operating income	196 832	111 491	176,5%
Share in the profit (loss) of associated companies	-170	-31	548,4%
Gross profit	**196 662**	**111 460**	**176,4%**
Income tax	-43 875	-27 951	157,0%
Net profit including minority interest, of which:	152 787	83 509	183,0%
Profit attributable to minority interest	8 249	16 629	49,6%
Net profit	**144 538**	**66 880**	**216,1%**

It is especially worth stressing the **44.8% higher net interest income** as the effect of 22.9% higher interest income, but also somewhat higher (11.1% up) level of interest expenses. The highest increase of net interest income in absolute terms took place at the BRE Bank (reaching PLN 294.9 million after consolidation adjustments). The main source of interest proceeds consisted of interest charged on loans and credit, which contributed 68.4%, and interest on cash assets and short-term investments (12.6%).

Subsidiaries, which generated net interest income significantly contributing to the financial performance of the Group, traditionally include BRE Leasing (PLN 32.3 million), Intermarket Bank AG (PLN 11.2 million) and Polfactor (ca. PLN 8 million).

Net fee and commission income remained at a level similar to that of 1H 2004 (+0.6%), whereby it should be remembered that in the current year, in compliance with IFRS standards, a part of the commissions – commissions on loans – is accounted for as part of net interest income. Incomparability of this item to 2004 results also from the fact, that now it includes income from asset management in PTE Skarbiec Emerytura and SAMH while in the 1H 2004 this income in the amount of about PLN 27 million was presented In other operating income.
The Group result PLN 197.5 million consists mainly from the Bank result (after consolidation adjustments PLN 113.1 million). Substantial net commission income was generated by the following subsidiaries: SAMH (PLN 23.4 million), PTE Skarbiec – Emerytura (PLN 18.6 million), Dom Inwestycyjny (PLN 13.2 million), Intermarket Bank (PLN 11.3 million).

Higher level **of dividend income** was the effect of dividend payment by DI BRE Banku (PLN 7.6 million), PZU SA (PLN 5.3 million) and company Novitus SA (PLN 8.9 million).

Performance **on trading activities** was slightly weaker than the year before (-3.3%), although it was the effect of lower gains on foreign exchange and much more favorable results than last year on other trading activities.

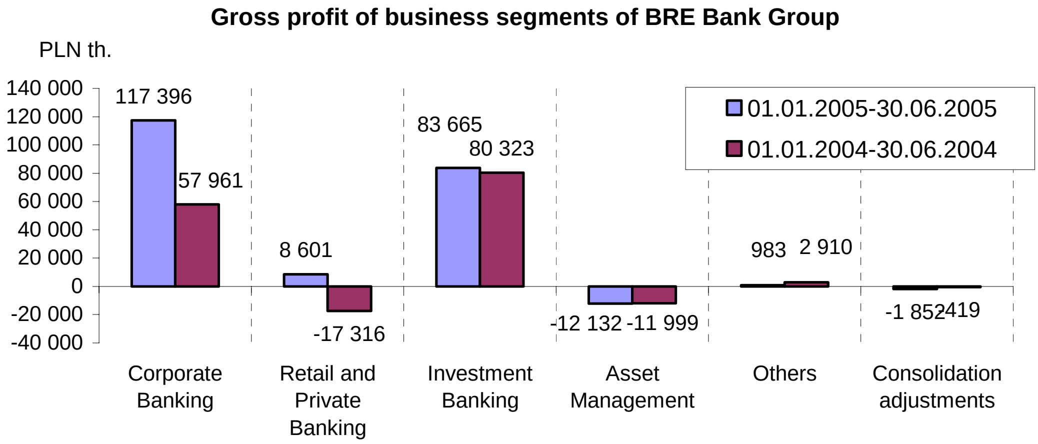
Significantly higher results achieved under such items as net gains/losses on investment securities (-58.4%) and other operating income (-87.5%) were due to the effect of incidental one-off events in 1H 2004, such as the disposal of Elektrim shares, reversal of provisions for ITI bonds and disposal of real estate property.

A positive impact upon the financial result after the two quarters of 2005 was exerted by much lower (by 87.6%) **net charge on the account of revaluation of receivables** than a year ago. This is related with the improving quality of the loan portfolio.

General overhead **costs of administration** of the Group increased by 17.9 %, which was mostly the consequence of growth of staff costs by 28.1% (mainly at the Bank, where a provision for bonuses amounting to PLN 50 million was set up), an to a lesser degree due to growth of the costs of materials, which increased by 9.9%. At the Bank the expenses resulting from leasing payments, rental payments and information technology expenses accounted for the growth of overhead costs.

VII.3. Financial Results by segments

Financial results of business lines after the 1H 2004 were recalculated and adjusted to internal settlements rules applied in BRE Bank in 2005 in order to make them comparable to 1H 2005.r. It is the reason of discrepancies between the numbers published in "Report of the Management Board on the business activities of the BRE Bank Group in the 1st half of 2004."



The highest gross profit (after tax) in the period from 01.01.2005 to 30.06.2005, which amounted to PLN **117.4 million**, was noted in **Corporate Banking**. In this area there was also major improvement (PLN +59.4 million) in relation to 1H 2004, owing to higher interest income and a more favorable balance of doubtful loan provisions, mainly thanks to the unexpected repayment of three loans, which had been classified as non-performing.

Stable lending to enterprises, focusing on quality and performance of the exposures, enabled to minimize the consequences of falling interest rates. At the same time, the growth of corporate deposits at a much higher rate than the market average compensated the shrinking volume of the net interest income on that account.

Furthermore, positive effects resulted from commission fees on the account of broadly conceived services of financial assets management, constituting a strategic product line in corporate banking.

Thanks to the developed range of financial instruments mitigating FX risk, interest rate risk and price risk, offered to participants in foreign trade and also to the favorable market conditions prevailing in 1H 2005 (variations of foreign exchange rates, rising commodity prices), the third most important component of the bottom line result of corporate banking consisted of gains on foreign exchange and financial instruments.

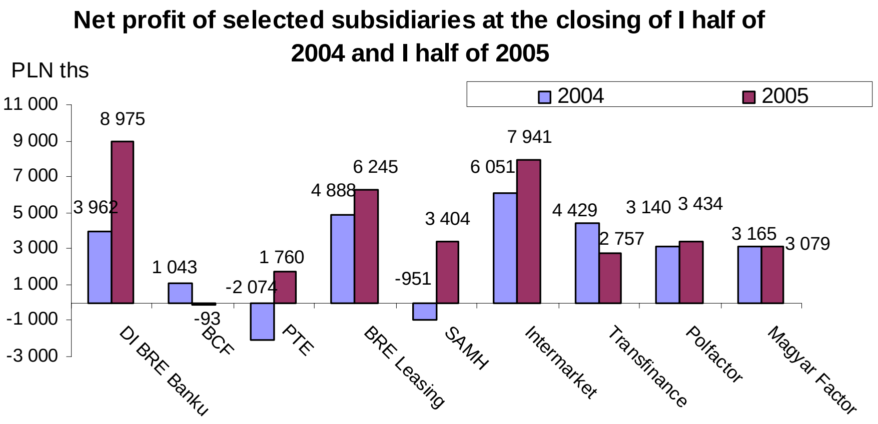
Decisive qualitative change took place in **Retail and Private Banking**. In the past half year, for the first time, this business area generated a gross profit (before tax) amounting to **PLN 8.6 million**, contrasting with the loss of PLN 17.3 million still a year ago. Very dynamic growth of the business (especially of deposits and mortgage loans) resulted in the effect that during the past half year mBank and MultiBank taken jointly (excluding Private Banking) **achieved the break even point by generating almost PLN 6 million worth of profit,** whereas in 1H 2004 they had still been in the red figures, with losses totaling PLN 15.5 million. Private Banking also generated a profit (PLN 2.9 million), whereas in 1H 2004 it had suffered a loss of PLN 1.8 million. This achievement was due to the growth of portfolio investments and vivid interest on the part of clients in loans for the acquisition of stocks.

A loss was still recorded by the **Asset Management** segment, which amounted to PLN 12.0 million after 6 months into the current year. It should be stressed, however, that the results of the asset management subsidiaries, mainly thanks to Skarbiec Asset Management Holding, are showing close to

35% growth year/year over this period, whereas the loss at the gross level of this business line stems from the allocation of the costs of financing of these companies.

VII.4. Financial Results of Consolidated Subsidiaries

The value of the companies, which had been consolidated already a year ago, at the closing of 1H 2005, reached much more favorable figures, as presented on the graph below:



Deterioration of results was noted by the company BCF, where, nevertheless, commission income from transactions is anticipated, which will be finalized in the second half of the year, which will then significantly improve the financial result of the whole year 2005. The inferior result of the Czech company Tranfinance, in turn, is mainly the effect of rapidly growing competition on that market.

In total, the subsidiaries covered by consolidation recorded gross profits (before tax) totaling PLN 50.0 million in 1H 2005. Nevertheless, when **consolidation adjustments** are taken into the account, the contribution of the subsidiaries to the gross profit (before tax) of the BRE Bank Group amounted to **PLN 23.3 million.**

VII.5 Performance Indicators

The key performance indicators (financial ratios) at the end of 1H 2005 (annualized) were as follows:

	BRE Bank	Group
ROA	0.9%	0.9%
ROE gross	19.3%	21.7%
ROE net	15.7%	16.9%
CIR	69.7%	69.3%
Solvency Ratio	13.03%	10.97%

ROA= net profit (including minority interests)/balance sheet total
ROE gross = gross profit / equity (including minority interests, excluding current year's profit/loss)
ROE net = net profit (including minority interests /equity (including minority interests, excluding current year's profit/loss)
CIR = overhead costs + depreciation/income(including the balance of other operating income/expenses)

VIII. Basic Risk Factors in BRE Bank Group's Business Operations

The BRE Bank attaches major importance to mitigation and monitoring of the risks existing in its business. This is dealt with on a current basis by the respective organizational units of the Bank, such as the Financial Risk Department (DRF), Credit Department (DK), Credit Administration Department (DAK), Treasury Department (monitoring of liquidity), Financial Operations Controlling Office (BKOF). For the same purpose respective committees have also been established, which involve representatives of the Management Board and top management staff. At the end of June 2005 the particular risk areas were dealt with by the following Credit Committees: of the Management Board, of the Bank, of the Credit Department, of Retail Banking, of Private Banking, the Capital, Assets and Liabilities Management Committee of the Bank , as well as the Financial Risk Committee. There is also a Risk Committee at the Supervisory Board.

Detailed descriptions of the risks existing in the business activities of the BRE Bank Group as well as their measurements are contained in Section 3. "Financial Risk Management" of the Consolidated Financial Statement according to International Financial Reporting Standards for 1H 2005. They include the following risk categories:

- credit risk;
- liquidity risk;
- market risk (interest rate risk exposure of the trading book, foreign exchange risk).

Operating risk is also monitored.

VIII.1 Credit Risk

One of the methods of credit risk mitigation consists of the system of credit related decision making by the competent decision making bodies. The criterion qualifying any given case to be considered by the appropriate decision making body consists of the amount of exposure and the level of risk attached to the Client and to the realized transaction. In addition, BRE Bank attaches importance to credit risk mitigation by means of loan portfolio diversification. This is supported, among others, by the analysis of the structure of the Bank's portfolio together with the resulting conclusions, guidelines and recommendations concerning the Bank's exposure to selected sectors and markets.
Credit risk procedures applied by the subsidiaries of the Group are consulted with the Head Office of the Bank.

The Bank applies credit portfolio risk measurement methods based on Expected Loss estimation and Credit Value at Risk. In order to assure credit risk monitoring on a current basis, internally applied credit ratings and default events are subject to verification in accordance with the definitions of the Basel II Accord and IFRS.

Presently, as part of the works of the BREactivation Credit System Project, work is conducted on improvement of credit risk management efficiency, also in the context of the full compliance with the New Capital Accord (Basel). This work is done in cooperation with the Commerzbank.

VIII.2. Liquidity Risk

The purpose of liquidity risk management is to assure and maintain the capacity of the Bank to honor both its current and future liabilities, taking into the account the costs of achieving liquidity. BRE Bank monitors financial liquidity on a daily basis, using cash flow analysis methods. Liquidity risk measurement is based on an in-house model developed on the basis of analysis of the specific features of the Bank, variance of the deposit base, concentration of financing and planned developments of particular positions. Daily monitoring covers the following items: the value of cash flow gaps in determined time intervals (miss-match), the level of liquidity reserves of the Bank, and the degree of utilization of internal limits.

The Bank measures liquidity risk using methods based on the estimation of cash flow gaps. Among others, the Bank monitors liquidity ratios, including the short term liquidity ratio, which determines the cash flow gap up to one month. Apart from liquidity rations, the Bank also monitors the level of concentration of deposits and the degree of coverage, provided by the Bank's liquidity reserves, for estimate scenarios of possible volumes of deposit outflows. In 1H 2005 the liquidity of the Bank stayed locked on a safe and stable level. The Bank has determined contingency procedures, both in case of increasing liquidity risk and of substantial deterioration of the financial liquidity position of the Bank.

VIII.3. Market Risk

In the conduct of its business, the Bank is exposed to market risk, consisting of interest rate risk, currency risk and risk attached to changing prices of securities held by the Bank, as well as other types of risk resulting from variations of market parameters. Market risk is quantified by means of measurement of Value at Risk (VaR) and by applying Stress Tests assuming extreme scenarios. In order to limit the level of exposure to market risk, the Financial Risk Committee sets binding VaR limits and Stress Test limits.

In 1H 2005 the market risk for the trading book measured by VaR remained at a safely low level in relation to the market risk limits and control figures. According to the regularly conducted stress tests, the level of trading risk was also contained within a safe range of values well below the adopted limit.

For the estimation of interest rate risk exposure of the banking book, i.e. its vulnerability to interest rate volatility, the Bank applies methods based on gap analysis of re-pricing terms of the instruments contained in the banking book. One of the aggregate measures used consists of [interest] Earnings at Risk (EAR). The EAR indicator determines the potential loss (decrease of interest income), which might result from adverse changes of interest rates, assuming that the portfolio is held unchanged for the period of one year. The level of interest rate risk is moderate for the positions held in PLN, low for positions in USD and EUR, owing to the relatively small gaps prevailing between interest rate positions maintained in these currencies.

VIII.4. Operating Risk

Starting from July 2003, every organizational unit of the Bank is required to identify and record operating losses in a central database created and supervised by the Financial Risk Department (DRF). The main purpose is to develop a sufficiently far reaching set of historical data concerning loss events occurring at the Bank, in order to be able to identify, analyze, 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 Basel Accord.

Depending on the value of losses attached to the respective loss event, the organizational 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, by means of creating new operating procedures and by independent process control inspections being conducted at the respective organizational units by the Internal Audit Department (DAW).

IX. Financial Ratings of BRE Bank and the Group's Subsidiaries

Ratings by the Fitch Agency

At the end of June 2005, BRE Bank had the following ratings:
- BBB+ long term rating (4th grade from the top on a 12-grade scale),
- F2 short term rating (2nd grade from the top on a 6-grade scale)
- D/E individual rating (8th grade from the top on a 9-grade scale)
- Support rating "2" (2nd grade from the top on a 5-grade scale)
- BRE Bank's long-term rating outlook - positive.

On 19 August 2005 the above specified rating was confirmed.

The subsidiary company **BRE Leasing** has also been rated by the Fitch Agency, the respective ratings are as follows: BBB+ long term rating, F2 short term rating, positive outlook and support rating 2.

Ratings by Moody's Investors Service

At the end of June 2005, BRE Bank had the following ratings by that agency:
- A3 long term rating of deposits and debt (7th grade from the top on a 21-grade scale)
- P-2 indebtedness rating (short term deposits) (2nd grade from the top on a 4-grade scale) with a stable outlook.
- D- financial strength rating (on a rating scale from A to E) with a stable outlook.

The following subsidiary companies of the BRE Bank also have ratings from the Moody's Agency:

BRE International Finance BV- A3 rating of ordinary non-subordinated debt paper;
BRE Finance France SA- A3 rating of Eurobonds issued by the company BRE Finance France (the same rating as in the case of debt paper issued by BRE International Finance);

Intermarket Bank AG: A3 rating of long term deposits, P-2 rating of short term deposits, C rating of financial strength.

X. Changes in BRE Bank's Governing Bodies

The Extraordinary General Shareholders' Meetings on 27.01.2005 appointed Mr Marting Blessing, representing the Commerzbank AG, to the function of a Member of the **Supervisory Board**. He became Vice-Chairman of the Supervisory Board and also replaced Ms Renate Krümmer in the Executive Committee, where he also performs the duties of Vice-Charman. Therefore, the present composition of the Supervisory Board is as follows:

1. Maciej Leśny – Chairman of the Supervisory Board, Chairman of the Executive Committee
2. Martin Blessing – Vice-Chairman of the Supervisory Board, Vice-Chairman of the Executive Committee
3. Nicholas Teller – Member of the Supervisory Board, Member of the Executive Committee
4. Jan Szomburg – Member of the Supervisory Board, Member of the Executive Committee
5. Gromosław Czempiński – Member of the Supervisory Board
6. Renate Krümmer – Member of the Supervisory Board
7. Teresa Mokrysz – Member of the Supervisory Board
8. Michael Schmid – Member of the Supervisory Board
9. Krzysztof Szwarc– Member of the Supervisory Board.

In the course of the past half year period there have also been **changes in the Management Board of the BRE Bank:**

On 27 January 2005, the Supervisory Board has appointed Mr Jerzy Jóźkowiak to the position of a Member of the Management Board, Bank Director in charge of Retail and Private Banking.

A change has taken place concerning the position of the Management Board Member, Bank Director in charge of Corporate Banking. On 22 March 2005, the Supervisory Board has appointed Mr Janusz Wojtas, replacing Mr Krzysztof Kokot, who filed his resignation.

Following the resignation of Mr Anton Burghardt, 1st Deputy President of the Management Board and Bank Director in charge of Investment Banking on 22 March 2005 the Supervisory Board has appointed Mr Bernd Loewen to the position of the Member of the Management Board responsible for this business area.

At present, the Management Board works having six members:

1. Sławomir Lachowski – President of the Management Board, Director General of the Bank
2. Jerzy Jóźkowiak – Member of the Management Board, Bank Director in charge of Retail Banking
3. Bernd Loewen - Member of the Management Board, Bank Director in charge of Investment Banking
4. Rainer Ottenstein – Member of the Management Board, Bank Director in charge of Finance
5. Wiesław Thor – Member of the Management Board, Bank Director in charge of Risk Management.
6. Janusz Wojtas – Member of the Management Board, Bank Director in charge of Corporate Banking.

Information on Board and Supervisory members remuneration is presented in point 42 of Consolidated Financial Statement according to the International Financial Reporting Standards for I half of 2005.

XI. Statements by the BRE Bank's Management Board

Corporate Governance

In accordance with the Current Report No 58/2005 dated 22.03.2005, the Management Board of the company BRE Bank SA has informed that on 22.03.2005 the Ordinary General Shareholders' Meeting (OGSM) of BRE Bank SA adopted a resolution concerning the observance of the principles of corporate governance.

Therewith, the OGSM adopted the corporate governance principles laid down in the document "Best Practice in Publicly Listed Companies 2005", constituting an Annex to the Resolution No 445/2004 of the Management Board of the Warsaw Stock Exchange S.A. dated 15 December 2004 and in the Resolution No 44/1062/2004 of the Supervisory Board of the Warsaw Stock Exchange S.A. dated 15 December 2004, formulated as a text proposed by the Management Board of the BRE Bank SA in the document "Proposals of the Management Board of BRE Bank SA concerning the observance of corporate governance principles" (Proposals of the Management Board), constituting an Annex to the Resolution of the Management Board of BRE Bank No 16/05 dated 3 March 2005. The Proposals of the Management Board were also approved by the Supervisory Board of BRE Bank SA by virtue of its Resolution No 36/05 dated 15 March 2005.

Pursuant to the Resolution of the Management Board of the Bank dated 3 March 2005, the Resolution of the Supervisory Board of the Bank dated 15 March 2005, and the Resolution of the OGSM dated 22 March 2005, the Bank shall implement the principles of corporate governance specified in the Proposals of the Management Board, as from the date of registration by the Registry Court of the respective amendments of the Bye-Laws of the Bank (*Statut*), adopted by the OGSM on 22 March 2005.

True and Fair Picture in the Presented Reports

The Management Board of BRE Bank SA declares that according to its best knowledge:
- The semi-annual financial statement and the comparative figures were drafted in compliance with the binding accounting principles and reflect a true, fair and clear picture of the financial position and the condition of the assets of the BRE Bank Group as well as its financial performance;
- The report of the Management Board concerning the business activities in 1H 2005 presents a true picture of the developments, achievements and the situation of BRE Bank's Group, including main risks description.

Selection of the Auditors

Chartered auditor that conducts the audit of the financial accounts, performing the audit review of the semi-annual financial statement of the Capital Holding Group of BRE Bank SA was chosen in compliance with regulations of the law. This entity and the engaged certified auditors fulfilled the conditions required for the issue of an impartial and independent audit report, in compliance with the respective regulations of Polish law.

Signatures of BRE Bank SA Management Board Members

Date	Name	Position	Signature
30.09.2005	Sławomir Lachowski	President of the Management Board	
30.09.2005	Jerzy Jóźkowiak	Management Board Member	
30.09.2005	Bernd Loewen	Management Board Member	
30.09.2005	Rainer Ottenstein	Management Board Member	
30.09.2005	Wiesław Thor	Management Board Member	
30.09.2005	Janusz Wojtas	Management Board Member	

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Independent registered auditor's report on the review of the abridged semi-annual financial statements for the period from 1 January 2005 to 30 June 2005

to the Shareholders and the Supervisory Board of BRE Bank S.A.

We have reviewed the attached abridged semi-annual financial statements of BRE Bank S.A. (hereinafter called *the Bank*), Warsaw, ul. Senatorska 18, which comprise:

(a) the balance sheet as at 30 June 2005, showing total assets and total equity and liabilities of PLN 30,663,757 thousand;

(b) the income statement for the period from 1 January to 30 June 2005, showing a net profit of PLN 134,237 thousand;

(c) the statement of changes in equity for the period from 1 January to 30 June 2005, showing an increase in equity of PLN 55,122 thousand;

(d) the cash flow statement for the period from 1 January to 30 June 2005, showing a net increase in cash and cash equivalents of PLN 1,178,410 thousand;

(e) the notes to the financial statements.

The Bank's Management Board is responsible for preparing the abridged semi-annual financial statements which comply with the applicable regulations. Our responsibility was to present a report on these semi-annual financial statements based on our review.

We have performed our review in accordance with the auditing standards issued by the National Board of Registered Auditors, applicable in the Republic of Poland. Under these standards, we were obliged to plan and perform our review to obtain reasonable assurance that the abridged semi-annual financial statements were free of material irregularities. We have performed our review on the basis of an analysis of the above-mentioned semi-annual financial statements, a review of the books of account and the information obtained from the Management Board and the employees of the Bank.

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The scope of our work was considerably smaller than the scope of an audit of financial statements, because our review was not aimed at expressing an opinion on the truth and fairness of the abridged semi-annual financial statements. This report does not constitute an audit opinion on the financial statements within the meaning of the Accounting Act of 29 September 1994 (Journal of Laws of 2002, No. 76, item 694 with subsequent amendments).

Our review has not revealed a need to make any significant changes to the attached abridged semi-annual financial statements to achieve compliance with the accounting standards adopted in the European Union applicable to interim reporting.

On behalf of PricewaterhouseCoopers Sp. z o.o. and performing the review:

Adam Celiński	
Board Member	Registered Audit
Registered Auditor	Company
No. 90033/7039	No. 144

Warsaw, 30 September 2005

BRE BANK SA

IFRS Concise Financial Statements

of BRE Bank SA

for the 1st half of 2005

CONTENTS

1. Concise Financial Data

Profit and Loss Account from 1 January 2005 to 30 June 2005 and from 1 January to 30 June 2004 (in PLN 000's)

	30.06.2005	30.06.2004
Interest income	690 449	484 725
Interest expense	(414 634)	(337 845)
Net interest income	**275 815**	**146 880**
Fee and commission income	154 867	155 610
Fee and commission expense	(43 393)	(48 959)
Net fee and commission income	**111 474**	**106 651**
Dividend income	36 875	22 530
Net trading income	104 360	94 258
Gains less losses from investment securities	1 908	26 130
Other operating income	14 190	296 626
Impairment losses on loans and advances	4 849	(71 602)
Overhead costs	(311 837)	(237 485)
Amortisation of intangible assets and depreciation of tangible fixed assets	(56 954)	(60 093)
Other operating expenses	(15 656)	(254 580)
Operating profit	**165 024**	**69 315**
Profit before income tax	**165 024**	**69 315**
Income tax expense	(30 787)	(6 694)
Net profit (loss)	**134 237**	**62 621**
Net profit (loss) (for 12 months) per shareholder	**(245 266)**	**7 169**
Weighted average number of ordinary shares	**28 713 125**	**22 970 500**
Earnings per 1 ordinary share (in PLN)	**(8,54)**	**0,31**
Weighted average number of ordinary shares for diluted earnings	**28 789 221**	**22 977 059**
Diluted earnings per ordinary share	**(8,52)**	**0,31**

Balance Sheet as at 30 June 2005, 31 December 2004 and 30 June 2004 (in PLN 000's)

	30.06.2005	31.12.2004	30.06.2004
ASSETS			
Cash and balances with Central Bank	611 457	734 608	466 162
Debt securities eligible for rediscounting at the Central Bank	55 771	52 832	84 773
Loans and advances to banks	7 479 626	6 839 644	5 743 067
Trading securities	2 823 192	2 390 684	2 252 284
Derivative financial instruments	1 671 452	1 796 824	1 299 797
Other financial instruments at fair value through profit and loss account	148 002	-	-
Loans and advances to customers	12 718 357	11 704 573	11 998 917
Investment securities	350 976	473 363	526 450
- Available for sale	350 976	473 363	526 450
- Held to maturity	-	-	-
Pledged assets	2 538 938	1 781 725	2 039 583
Investments in subsidiaries	653 062	671 743	969 289
Investments in associated undertakings	826	826	7 076
Intangible assets	356 780	350 148	395 178
Tangible fixed assets	478 650	477 051	521 632
Deferred income tax assets	496 257	734 421	605 759
Other assets	280 410	434 599	675 556
Total assets	**30 663 756**	**28 443 041**	**27 585 523**
EQUITY AND LIABILITIES			
Amounts due to the Central Bank	-	-	-
Amounts due to other banks	3 268 885	3 457 310	3 764 861
Other deposits	-	-	-
Derivative financial instruments and other trading liabilities	1 762 994	1 613 462	1 366 228
Amounts due to customers	21 430 426	19 300 059	17 630 948
Debt securities in issue	92 951	407 792	700 135
Other borrowed funds	1 424 964	1 020 144	1 135 766
Other liabilities	315 463	143 865	288 207
Current income tax liabilities	-	-	-
Provisions for deferred income tax	430 894	672 580	522 701
Provisions	79 756	25 528	11 004
Total liabilities	**28 806 333**	**26 640 740**	**25 419 850**
Equity	**1 857 423**	**1 802 301**	**2 165 673**
Share capital	114 853	114 853	114 853
Supplementary capital	1 283 552	1 283 552	1 275 584
Retained earnings	(257 000)	(44 779)	(48 396)
Net profit (loss)	134 237	(316 882)	62 621
Other capital and reserves	581 781	765 557	761 011
Total equity	**1 857 423**	**1 802 301**	**2 165 673**
Total equity and liabilities	**30 663 756**	**28 443 041**	**27 585 523**
Capital adequacy ratio	**13,03**	**11,76**	**14,28**
Book value	**1 857 423**	**1 802 301**	**2 165 673**
Number of shares	**28 713 125**	**28 713 125**	**28 713 125**
Book value per share (in PLN)	**64,69**	**62,77**	**75,42**
Diluted number of shares	**28 789 221**	**28 750 436**	**28 719 684**
Diluted book value per share (in PLN)	**64,52**	**62,69**	**75,41**

Changes in equity from 1 January 2005 to 30 June 2005 (in PLN 000's)

	Equity				
	Share capital	**Supplementary capital**	**Other capital**	**Retained earnings**	**Total**
Equity as at 1 January 2005	**114 853**	**1 283 552**	**765 557**	**(361 661)**	**1 802 301**
- reclassification to book value through profit and loss account	-	-	-	-	-
- changes to accounting policies	-	-	-	(84 070)	(84 070)
- adjustment of errors	-	-	-	-	-
Adjusted equity as at 1 January 2005	**114 853**	**1 283 552**	**765 557**	**(445 731)**	**1 718 231**
Net change in investments available for sale, net of tax	-	-	3 301	-	3 301
Net change in cash flow hedges, net of tax	-	-	-	-	-
Currency translation differences	-	-	(474)	-	(474)
Net profit not recognised in income statement	**-**	**-**	**2 827**	**-**	**2 827**
Net profit (loss)	**-**	**-**	**-**	**134 237**	**134 237**
Total profit recognised in current year	**-**	**-**	**2 827**	**134 237**	**137 064**
Dividends paid	-	-	-	-	-
Transfer to General Banking Risk Fund	-	-	-	-	-
Transfer to supplementary capital	-	-	-	-	-
Transfer to reserve capital	-	-	-	-	-
Loss coverage with reserve capital	-	-	(188 757)	188 757	-
Loss coverage with supplementary capital	-	-	-	-	-
Issue of shares	-	-	-	-	-
Redemption of shares	-	-	-	-	-
Purchase/sale of own shares	-	-	-	-	-
Agio	-	-	-	-	-
Issue expenses	-	-	-	-	-
Additional shareholder payments	-	-	-	-	-
Sale of fixed assets	-	-	-	-	-
Change in the scope of consolidation	-	-	-	-	-
Increase of share in consolidated company	-	-	-	-	-
Other changes	-	-	-	(26)	(26)
Stock option program for employees	-	-	2 154	-	2 154
- value of services provided by the employees	-	-	2 154	-	2 154
- proceeds from issue of shares	-	-	-	-	-
Equity as at 30 June 2005	**114 853**	**1 283 552**	**581 781**	**(122 763)**	**1 857 423**

Changes in equity from 1 January 2004 to 31 December 2004 (in PLN 000's)

	Equity				Total
	Share capital	Supplementary capital	Other capital	Retained earnings	
Equity as at 1 January 2004	**91 882**	**748 739**	**757 092**	**(44 635)**	**1 553 078**
- reclassification to book value through profit and loss account	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-
- adjustment of errors	-	-	-	-	-
Adjusted equity as at 1 January 2004	**91 882**	**748 739**	**757 092**	**(44 635)**	**1 553 078**
Net change in investments available for sale, net of tax	-	-	7 842	-	7 842
Net change in cash flow hedges, net of tax	-	-	-	-	-
Currency translation differences	-	-	(1 929)	-	(1 929)
Net profit not recognised in income statement	**-**	**-**	**5 913**	**-**	**5 913**
Net profit (loss)	**-**	**-**	**-**	**(316 882)**	**(316 882)**
Total profit recognised in current year	**-**	**-**	**5 913**	**(316 882)**	**(310 969)**
Dividends paid	-	-	-	-	-
Transfer to General Banking Risk Fund	-	-	-	-	-
Transfer to supplementary capital	-	-	1 836	(1 836)	-
Transfer to reserve capital	-	-	-	-	-
Loss coverage with reserve capital	-	-	-	-	-
Loss coverage with supplementary capital	-	-	-	-	-
Issue of shares	22 971	-	-	-	22 971
Redemption of shares	-		-	-	-
Purchase/sale of own shares	-	-	-	-	-
Agio	-	528 321	-	-	528 321
Issue expenses	-	(1 477)	-	-	(1 477)
Additional shareholder payments	-	-	-	-	-
Sale of fixed assets	-	7 969	-	-	7 969
Change in the scope of consolidation	-	-	-	-	-
Increase of share in consolidated company	-	-	-	-	-
Other changes	-	-	(7 970)	1 692	(6 278)
Stock option program for employees	-	-	8 686	-	8 686
- value of services provided by the employees	-	-	8 686	-	8 686
- proceeds from issue of shares	-	-	-	-	-
Equity as at 31 December 2004	**114 853**	**1 283 552**	**765 557**	**(361 661)**	**1 802 301**

Changes in equity from 1 January 2004 to 30 June 2004 (in PLN 000's)

	Equity				
	Share capital	**Supplementary capital**	**Other capital**	**Retained earnings**	**Total**
Equity as at 1 January 2004	**91 882**	**748 739**	**757 092**	**(44 635)**	**1 553 078**
- reclassification to book value through profit and loss account	-	-	-	-	-
- changes to accounting policies	-	-	-		-
- adjustment of errors	-	-	-	-	-
Adjusted equity as at 1 January 2004	**91 882**	**748 739**	**757 092**	**(44 635)**	**1 553 078**
Net change in available investments for sale, net of tax	-	-	(288)	-	(288)
Net change in cash flow hedges, net of tax	-	-	-	-	-
Currency translation differences	-	-	(1 972)	-	(1 972)
Net profit not recognised in income statement	**-**	**-**	**(2 260)**	**-**	**(2 260)**
Net profit (loss)	**-**	**-**	**-**	**62 621**	**62 621**
Total profit recognised in current year	**-**	**-**	**(2 260)**	**62 621**	**60 361**
Dividends paid	-	-	-	-	-
Transfer to General Banking Risk Fund	-	-	-	-	-
Transfer to supplementary capital	-	-	1 836	(1 836)	-
Transfer to reserve capital	-	-	-	-	-
Loss coverage with reserve capital	-	-	-	-	-
Loss coverage with supplementary capital	-	-	-	-	-
Issue of shares	22 971	-	-	-	22 971
Redemption of shares	-	-	-	-	-
Purchase/sale of own shares	-	-	-	-	-
Agio	-	526 845	-	-	526 845
Issue expenses	-	-	-	-	-
Additional shareholder payments	-	-	-	-	-
Sale of fixed assets	-	-	-	-	-
Change in the scope of consolidation	-	-	-	-	-
Increase of share in consolidated company	-	-	-	-	-
Other changes	-	-	-	(1 925)	(1 925)
Stock options program for employees	-	-	4 343	-	4 343
- value of services provided by employees	-	-	4 343	-	4 343
- proceeds from issue of shares	-	-	-	-	-
Equity as at 30 June 2004	**114 853**	**1 275 584**	**761 011**	**14 225**	**2 165 673**

Cash Flow Statement from 1 January 2005 to 30 June 2005 and from 1 January to 30 June 2004 (in PLN 000's)

	from 01.01.2005 to 30.06.2005	from 01.01.2004 to 30.06.2004
A. Cash flow from operating activities - indirect method	**780 213**	**(8 357)**
Profit before income tax	**165 024**	**69 315**
Adjustments:	***615 189***	***(77 672)***
Income taxes paid (negative amount)	(7 668)	(535)
Amortisation	56 954	60 093
Foreign exchange gains (losses)	(3 634)	(94 553)
Gains (losses) on investing activities	-	(27 445)
Impairment of financial assets	600	1 872
Dividends received	(27 626)	(18 615)
Interest paid	370 855	327 980
Change in loans and advances to banks	(183 920)	(2 039 803)
Change in trading securities	419 937	964 547
Change in derivative financial instruments	125 372	401 709
Change in other financial instruments at fair value	(148 002)	-
Change in loans and advances to customers	(1 021 398)	235 228
Change in investment securities	141 191	(24 770)
Change in other assets	(614 763)	(709 439)
Change in amounts due to other banks	(171 693)	362 653
Change in other deposits	-	-
Change in financial instruments and other trading liabilities	149 532	(242 983)
Change in amounts due to customers	1 689 795	244 071
Change in debt securities in issue	(314 605)	354 111
Change in provisions	1 092	(2 820)
Change in other liabilities	153 170	131 027
Net cash from operating activities	**780 213**	**(8 357)**
B.Cash flows from investing activities	**(28 914)**	**(15 436)**
Investing activity inflows	**36 115**	**114 682**
Disposal of shares in associates	-	-
Disposal of shares in subsidiaries, net of cash disposed	8 489	-
Proceeds from sale of intangible assets and tangible fixed assets	-	140
Other investing inflows	27 626	114 542
Investing activity outflows	**65 029**	**130 118**
Acquisition of associates	-	-
Acquisition of subsidiaries, net of cash acquired	9 213	57 933
Purchase of intangible assets and tangible fixed assets	38 493	58 090
Other investing outflows	17 323	14 095
Net cash used in investing activities	**(28 914)**	**(15 436)**
C. Cash flows from financing activities	**437 857**	**698 673**
Financing activity inflows	**526 805**	**821 430**
Proceeds from loans and advances from other banks	-	90 888
Proceeds from other loans and advances	120 975	-
Issue of debt securities	-	180 726
Increase of subordinated liabilities	405 830	-
Issue of ordinary shares	-	549 816

Sale of own shares	-	-
Other financing inflows	-	-
Financing activity outflows	**88 948**	**122 757**
Repayments of loans and advances from other banks	2 517	49 831
Repayments of other loans and advances	19 117	30 831
Redemption of debt securities	-	-
Decrease of subordinated liabilities	-	-
Other financial liabilities	-	-
Payments of financial lease liabilities	17 299	-
Dividends and other payments to shareholders	-	-
Other than payments to shareholders expenditures due to appropriation of profit	-	-
Purchase of own shares	-	-
Other financing outflows	50 015	42 095
Net cash from financing activities	**437 857**	**698 673**
Net increase / decrease in cash and cash equivalents (A+B+C)	**1 189 156**	**674 880**
Cash and cash equivalents at the beginning of the reporting period	**9 990 138**	**8 006 016**
Cash and cash equivalents at the end of the reporting period	**11 179 294**	**8 680 896**

2. Description of Relevant Accounting Policies

The key accounting policies applied to the drafting of these Concise Financial Statements are presented below. These principles were applied consistently over all of the presented periods, unless indicated otherwise.

2.1. Accounting Basis

These interim Concise Financial Statements of BRE Bank SA are prepared for the six month period ended 30 June 2005.

These Concise Financial Statements of the BRE Bank were prepared in compliance with the International Financial Reporting Standards (IFRS) issued to use in the European Union, according to the historical cost method, as modified by the revaluation of available for sale financial assets, financial assets and financial liabilities measured at fair value through the profit or loss, as well as all derivative contracts.

The presented report for the 1st half of 2005 fulfils the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" concerning mid-year financial statements and the International Financial Reporting Standard (IFRS) 1 *First-time Adoption of International Financial Reporting Standards* which sets out the requirements for reports prepared for the first time according to the IFRS.

Until 31 December 2004 the financial statements of the BRE Bank have been prepared in compliance with the Accounting Act dated at 29 September 1994 ("The Act" – full text – Dz.U. 2002 No 76 pos. 694). The Accounting Act is different in some areas from International Financial Reporting Standards (IFRS) accepted by the European Union. The comparative data of the Bank at 30 June 2004 and 31 December 2004 have been presented to adjust to International Financial Reporting Standards accepted by the European Union. The balance sheet and profit and loss effect of transition from Polish Accounting Standards to International Financial Reporting Standards is presented in Note 45.

The IFRS standards that will be applicable at 31 December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial statements.

The drafting of a financial report in compliance with IFRS requires application of specific accounting estimates. It also requires the Management to apply its own judgment when applying the accounting policies adopted by the Company. The issues in relation to which a greater degree of judgment is required, more complex issues, or such issues which involve a significant degree of application of estimates or judgments for the purpose of the Concise Financial Statements are disclosed in Note 3.

Any changes in accounting policies applied were introduced in compliance with the transition provisions of the respective standards. All the standards adopted by the Bank require retrospective application, with the exception of the waivers listed below, which are allowed under IFRS 1:

- IAS 16 *Property, Plant and Equipment* – transactions consisting of the exchange of fixed tangible assets, which are recognised prospectively at fair value;
- IAS 21 *The Effects of Changes in Foreign Exchange Rates* – goodwill and fair value adjustments concerning the valuation of foreign subsidiaries are recognised prospectively;
- IAS 39 *Financial Instruments: Recognition and Measurement* – changes concerning the derecognition of financial assets are applied prospectively;
- IFRS 2 *Share-based Payment* – the standard is applied retrospectively with respect to all equity instruments recognised in the accounts after 07 November 2002, which are still recognised in the accounts as at 1 January 2004;
- IFRS 3 *Business Combinations* – applied prospectively after 1 January 2004.

IFRS 3 must be adopted at the same time as IAS 36 *Impairment of Assets* and IAS 38 *Intangible Assets*.

The adoption of the above specified standards did not affect the balance of retained profits/(losses) of previous years as at 1 January 2004.

The Management Board approved these interim Concise Financial Statements on 30 September 2005.

2.2. Interest Income and Expenses

All interest proceeds linked with financial instruments valued at amortised cost using the effective interest rate method are recognised in the Profit and Loss Account.

The effective interest rate method is a method of calculation of the amortised initial value of financial assets or financial liabilities and allocation of interest income or interest expenses to the proper periods. The effective interest rate is the interest rate at which the discounted future payments or future cash inflows are equal to the net present carrying value of the respective financial asset or liability. When calculating the effective interest rate, the Bank estimates the cash flows taking into account all the contractual conditions attached to the given financial instrument (e.g., earlier redemption options), but without taking into account the possible future losses on account of non-recovered loans. This calculation takes into account all the fees paid or received between the contracting parties, which constitute an integral component of the effective interest rate, as well as transaction expenses and any other premiums or discounts.

At the time of recognition of an impairment loss on a financial asset or a group of similar financial assets, the proceeds on account of interest are measured according to the interest rate at which the future cash flows were discounted for the purpose of valuation of impairment.

Interest income includes interest and commissions received or due on account of loans, inter-bank deposits or investment securities recognised in the calculation of the effective interest rate.

Interest income, including interest on loans, is recognised in the Profit and Loss Account, and the respective side in the Balance Sheet as receivables from banks or from other customers.

Interest on doubtful receivables is subject to analysis similar to credit receivables analysis and in the appropriate part are recognised as income in the Profit and Loss Account.

Interest income also comprises capital gains on the sale of bonds, and interest flows from IRS and CIRS, presented on a net basis.

2.3. Fee and Commission Income

Income on account of fees and commissions is basically recognised on the accrual basis, at the time of performance of the respective services. Fees charged for the opening of credit facilities for loans which will most probably be actually used are deferred (together with the respective direct costs) and recognised as adjustments of the effective interest rate charge on the loan. Fees on account of syndicated loans are recognised as income at the time of closing of the process of organisation of the respective syndicate, if the Bank has not retained any part of the credit risk on its own account or has retained a part with the same effective interest rate as other participants. Commissions and fees on account of negotiation or participation in the negotiation of a transaction on behalf of a third party, such as the acquisition of shares or other securities, or the acquisition or disposal of an enterprise, are recognised at the time of realisation of the respective transaction. Fees on account of portfolio management and fees for management, consulting and other services are recorded on the basis of the respective contracts for the provision of services, usually pro rata to time. Fees for the management of the assets of investment funds are recognised on a straight-line basis over the period of performance of the respective services. The same principle is applied in the case of management of client assets, financial planning and custody services, that are continuosly provided over an extended period of time.

Commissions comprise payments collected by the Bank on account of cash management operations, keeping of customer accounts, managing bank transfers and providing letters of credit. Moreover, commissions comprise revenues from brokerage business activities, as well as commissions received through pension funds.

2.4. Segment Reporting

A business segment consists of a group of assets and operations engaged in providing products and services which are subject to different risks and returns that are different from those of other business segments. A geographic segment supplies products and services in a specific economic environment, which are exposed to risks and returns other than in the case of segments functioning in other economic environments.

2.5. Financial Assets

The Bank classifies its financial assets according to the following categories: financial assets valued at fair value through the Profit and Loss Account; loans and receivables; investments held to maturity; available for sale financial assets. The classification of investments is determined by the Management at the time of their initial recognition.

Financial assets valued at fair value through the Profit and Loss Account

This category comprises two subcategories: financial assets held for trading and financial assets designated at fair value through Profit and Loss Account at inception. A financial asset is classified in this category if it was acquired principally for the purpose of short-term resale or if it was classified in this category by the Bank. Derivative instruments are also classified as "held for trading", unless they were designated for hedging.

Disposals of debt securities held for trading are accounted for according to the FIFO method, which implies that the securities are derecognised successively starting with those acquired most early.

Loans and Receivables

Loans and receivables consist of financial assets not classified as derivative instruments, with payments either determined or possible to determine, not listed on an active market. They arise when the Bank supplies monetary assets, goods or services directly to the debtor, without any intention of trading the receivable.

Held to Maturity Investments

Investments held to maturity comprise of financial assets, not classified as derivative instruments, where the payments are determined or possible to determine and specified maturity dates, which the Management of the Bank intends and is capable of holding until their maturity.

In the case of sale by the Bank of a part of assets held to maturity, which cannot be deemed immaterial, the held to maturity portfolio is frozen, and therewith all the assets of this category are reclassified to the available for sale category.

According to the policy of the Bank, financial assets classified in this category are not maintained.

Available for Sale Investments

Availabe for sale investments consist of investments which the Bank intends to hold for an undetermined period of time. They may be sold, e.g., in order to improve liquidity, in reaction to changes of interest rates, foreign exchange rates, or prices of equity instruments.

Transactions consisting of buying and selling of financial assets valued at fair value through the Profit and Loss Account, held to their maturity date, and available for sale are recognised at the date of transaction – the date on which the Bank commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at their fair value increased by the transaction costs, with the exception of financial assets measured at fair value through the Profit and Loss Account. Financial assets are derecognised when the rights to receive cash flows have expired or where the Bank has transferred substiantially all rights and rewards of ownership.

Available for sale financial assets and financial assets measured at fair value through the Profit and Loss Account are valued at the Balance Sheet date according to their fair value. Loans and receivables, as well as investments held to maturity are measured at adjusted cost of acquisition (amortised cost), applying the effective interest rate method. Profits and losses resulting from changes in the fair value of "financial assets measured at fair value through the Profit and Loss Account" are recognised in the Profit and Loss Account in the period in which they arise. Gains and losses arising from changes in the fair value of available for sale financial assets are recognised directly in equity until the derecognition of the respective financial asset in the Balance Sheet or until its impairment: at such time the aggregate net gain or loss previously recognised in equity is now recognised in the Profit and Loss Account. However, interest calculated using the effective interest rate is recognised in the Profit and Loss Account. Dividends on available for sale equity instruments are recognised in the Profit and Loss Account when the entity's right to receive payment is established.

The fair value of quoted investments in active markets are based on current bid prices. If the market for a given financial asset is not an active one (and also in the case of securities that are not listed), the Bank determines the fair value by applying valuation techniques. These comprise recently conducted transactions concluded according to normal market principles, reference to other instruments, discounted cash flow analysis, as well as valuation models for options and other valuation methods generally applied by market participants. Bonds listed on the CETO market or on the inter-bank market are valued at fair value.

2.6. Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.7. Impairment of Financial Assets

<u>Assets Carried at Amortised Cost</u>

At each Balance Sheet date, the Bank estimates whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial assets or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

i) Significant financial difficulties of an issuer or obligor;

ii) a breach of contract, such as a default or delinquency in interest or principial payments;

iii) Concessions granted by the Bank to a borrower caused by the economic or legal aspects of such borrower's financial difficulties, which would not have been taken into account under different circumstances;

iv) Probability of bankruptcy or other financial reorganisation of the debtor;

v) Disappearance of the active market for the respective financial asset caused by financial difficulties; or

(vi) Noticeable data indicating a measurable decrease of estimated future cash flows attached to a group of financial assets since the time of their initial recognition, even if such reduction cannot yet be assigned to particular items of the respective group of financial assets, including:
   - Adverse changes in the payment status of borrowers; or
   - Economic situation of the country or on the local market causing the impairment of assets belonging to the respective group.

The Bank first assesses whether objective indications exist individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that for the given financial asset assessed individually there are no objective indications of its impairment (regardless of whether that particular item is material or not), the given asset is included in a group of financial assets featuring similar credit risk characteristics, which is subsequently collectively assessed in terms of its possible impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

In the event of existence of objective evidence indicating the impairment of loans and receivables or investments held to maturity and recognised at amortised cost, the impairment amount is calculated as the difference between the carrying value in the Balance Sheet of the respective asset and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying value of the asset is reduced through the use of an allowance account, and the resulting impairment loss is charged to the Profit and Loss Account. If a loan or held to maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is possible.

For the purpose of collective evaluation of impairment, the credit exposures are grouped in order to ensure the uniformity of credit risk attached to the given portfolio. Many different parameters may be applied to the grouping into homogeneous portfolios, e.g., the type of counterparty, the type of exposure, estimated probability of default, the type of security provided, overdue status outstanding, maturities and their combinations. Such features influence the estimation of the future cash flows attached to specific groups of assets as they indicate the capabilities of repayment on the part of debtors of their total liabilities in conformity with the terms and conditions of the contracts concerning the assessed assets.

Future cash flows concerning groups of financial assets assessed collectively in terms of their possible impairment are estimated on the basis of contractual cash flows and historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

For the purpose of calculation of the amount to be provisioned against balance sheet exposures analysed collectively, the probability of default (PD) method has been applied. Such PD values should allow already arisen losses to be identified and should cover only the period in which the losses arising at the date of establishment of impairment should crystallise.

When a loan is uncollectible, it is written off against the related provision for impairment. Before any loan is written off, it is necessary to conduct all the required procedures (in accordance with IAS 39) and to determine the amount of the loss. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the Profit an Loss Account.

If in a subsequent period the impairment loss amount is decreasing and the decrease can be related objectively to an event occurring after the impairment was recognised (e.g., improvement of the debtor's credit rating), then the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recorded in the Profit and Loss Account.

Assets Measured at Fair Value through the Profit and Loss Account

At each Balance Sheet date the Bank estimates whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If such kind of evidence concerning available for sale financial assets exists, the cumulative loss – determined as the difference between the cost of acquisition and the current fair value, less any impairment loss on that financial asset previously recognised in the Profit and Loss Account – is removed from equity and recognised in the Profit and Loss Account. Impairment losses concerning equity instruments recorded in the Profit and Loss Account are not reversed through the Profit and Loss Account, but through equity. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases, and such increase can be objectively related to an event occuring after the recording of the impairment loss in the Profit and Loss Account, then the respective impairment loss is reversed in the Profit and Loss Account.

2.8. Cash and Cash Equivalents

Cash and cash equivalents comprise items with maturities of up to three months from the date of their acquisition, including: cash in hand and cash held at the Central Bank with unlimited availability for disposal, Treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks, and short-term government securities.

Bills of exchange eligible for rediscounting with the Central Bank comprise PLN bills of exchange with maturities of up to three months.

2.9. Sell-buy-back Contracts

Repo and reverse-repo transactions are defined as selling and purchasing securities for which a commitment has been made to repurchase or resell them at a contractual date and for a specified contractual price.

Repos (securities sold with a repurchase clause) are reclassified in the financial statements as pledged assets if the entity receiving them has the contractual or customary right to sell or pledge them as collateral security. The liability towards the counterparty is recognised as amounts due to other banks, deposits from other banks, other deposits or amounts due from customers, depending on its nature. Reverse repos (securities purchased together with a resale clause) are recognised as loans and advances to other banks or other customers, depending on their nature.

When concluding a repo or reverse repo transaction, BRE Bank sells or buys securities with a repurchase or resale clause specifying a contractual date and price. Such transactions are presented in the Balance Sheet as financial assets held for trading or as investment financial assets, and also as liabilities in the case of "sell-buy-back" transactions and as receivables in the case of "buy-sell-back" transactions.

Securities borrowed by the Bank are not recognised in the financial statements. In this case, the actual purchase or sale transactions are recognised in the financial statements, whereas the gains or losses on such transactions are recognised in net trading income. The obligation to return the borrowed securities is recorded at fair value as a liability held for trading.

2.10. Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are recognised at fair value from the date of transaction. Fair value is determined based on prices of instruments listed on active markets, including recent market transactions and on the basis of valuation techniques, including models based on discounted cash flows and options pricing models, depending on which method is appropriate in the particular case. All derivative instruments with a positive fair value are recognised in the Balance Sheet as assets, those with a negative value: as liabilities.

The best fair value indicator for a derivative instrument at the time of its initial recognition is the price of the transaction (i.e., the fair value of the paid or received consideration), unless the fair value of the particular instrument may be determined by comparison with other current market transactions concerning the same instrument (not modified) or relying on valuation techniques based exclusively on market data that are available for observation. If such a price is known, the Bank recognises the respective gains or losses from the first day.

Some embedded derivative instruments are treated as separate derivative instruments if the risks attached to them and their characteristics are not strictly linked to the risks and characteristics of the underlying contract and the underlying contract is not measured at fair value through the Profit and Loss Account. Embedded derivative instruments of this kind are measured at fair value and the changes in fair value are recognised in the Profit and Loss Account.

The method of recognising the resulting fair value gain or loss depends on whether the given derivative instrument is designated as a hedging instrument, and if it is, it also depends on the nature of the hedged item. The Bank designates some derivative instruments either as (1) fair value hedges against a recognised asset or liability or against a binding contractual obligation (fair value hedge), or as (2) highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge). Derivative instruments designated as hedges against positions maintained by the Bank are recorded by means of hedging accounting, subject to the fulfilment of the criteria specified in IAS 39.

The Bank documents the objectives of risk management and the strategy of concluding hedging transactions, as well as at the time of concluding the respective transactions, the relationship between the hedging instrument and the hedged item. The Bank also documents its own assessment of efficiency of fair value hedging and cash flow hedging transactions, measured both prospectively and retrospectively from the time of their designation and throughout the period of duration of the hedging relationship between the hedging instrument and the hedged item.

Fair Value Hedges

Changes in the fair value of derivative instruments designated and qualifying as fair value hedges are recognised in the Profit and Loss Account together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

In case a hedge has ceased to fulfil the criteria of hedging accounting, the adjustment to the carrying value of the hedged item for which the effective interest method is used is amortised to Profit and Loss Account over the period to maturity. The adjustment to the carrying amount of the hedged equity security remains in revaluation reserve until the disposal of the equity security.

Cash Flow Hedges

The effective part of the fair value changes of derivative instruments designated and qualified as cash flow hedges is recognised in equity. The gain or loss concerning the ineffective part is recognised in the Profit and Loss Account of the current period.

The amounts recognised in equity are transferred to the Profit and Loss Account and recognised as income or cost of the same period in which the hedged item will affect the Profit and Loss Account (e.g., at the time when the forecast sale that is hedged takes place).

In the case when the hedging instrument has expired or has been sold, or when the hedge has ceased to fulfil the criteria of hedging accounting, any aggregate gains or losses recognised at such time in equity remain in equity until the time of recognition in the Profit and Loss Account of the forecast transaction. When a forecast transaction is no longer expected to occur, the aggregate gains or losses recorded in equity are immediately transferred to the Profit and Loss Account.

Derivative Instruments Not Fulfilling the Criteria of Hedge Accounting

Changes of the fair value of derivative instruments that do not meet the criteria of hedge accounting are recognised in the Profit and Loss Account of the current period.

The Bank holds the following derivative instruments in its portfolio:

Market risk instruments:
a) Warrants for shares
b) Futures contracts for bonds, index futures
c) Options for securities and for stock-market indices
d) Options for futures contracts
e) Forward transactions for securities

Interest rate risk instruments:
a) Forward Rate Agreement (FRA)
b) Interest Rate Swap (IRS), Cross Currency Interest Rate Swap (CIRS), Overnight Index Swap (OIS)
c) Interest Rate Options

Foreign exchange risk instruments:
a) Currency forwards, fx swap, fx forward
b) Currency options

2.11. Loans and Advances

Loans and advances are initially recognised at fair value reduced by the incurred transaction costs. After the initial recognition, loans and advances are recorded at adjusted cost of acquisition (amortised cost). Any differences between the amount received (reduced by transaction costs) and the redemption value are recognised in the Profit and Loss Account over the period of duration of the respective agreements according to the effective interest rate method. Specific provisions against loans and advances are formed on the basis of the estimated impairment of the respective receivables in the amount of the difference between the anticipated present value of future cash flows connected with the repayment of the receivables or the acquisition of the collateral security and the carrying balance sheet amount shown in the accounts.

2.12. Intangible Assets

Intangible assets are recognised at their cost of acquisition adjusted by the costs of improvement (rearrangement, development, reconstruction, adaptation or modernisation) and accumulated amortisation. Accumulated amortisation is accrued by the straight line method taking into account the period of economically useful life of the respective intangible assets.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Bank's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in "intangible assets". Goodwill on acquisition of associates is recognised in "investment in associates". Goodwill is not amortised, but it is tested annually for impairment, and it is carried in the Balance Sheet at cost reduced by accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. Each of those cash generating units is represented by the investments of the Bank classified by basic reporting business segments.

Computer software

Purchased computer software licences are capitalised in the amount of costs incurred for the purchase and adaptation for use of specific computer software. These costs are amortised on the basis of the expected useful lifes of the software (2-5 years). Expenses attached to the development or maintenance of computer software are expensed when incurred. Costs directly linked to the development of identifiable and unique proprietary computer programmes controlled by the Bank, which are likely to generate economic benefits in excess of such costs expected to be gained over a period exceeding one year, are recognised as intangible assets. Direct costs comprise personnel expenses attached to the development of software and the corresponding part of the respective general overhead costs.

Capitalised costs attached to the development of software are amortised over the period of their estimated useful lifes.

Computer software directly connected with the functioning of specific information technology hardware is recognised as "Tangible fixed assets".

2.13. Tangible Fixed Assets

Land and buildings consist mainly of branch outlets and offices. Tangible fixed assets are carried at historical cost reduced by depreciation. Historical cost takes into the account the expenses directly attached to the acquisition of the respective assets.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only where it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

Any other expenses incurred on repairs and maintenance are expensed to the Profit and Loss Account in the reporting period in which they were incurred.

Fixed assets designated for liquidation or decommissioning are valued at net book value or at fair value less selling costs, depending on which value is lower: the difference arising on this account is recognised under "Other operating profit/loss".

Land is not depreciated. Depreciation of other fixed assets is accounted for according to the straight line method in order to spread their initial value or revalued amount reduced by the residual value over the period of their useful life which is estimated as follows for the particular categories of fixed assets:

– Buildings and structures	25-40 years,
– Technical plant and machinery equipment	8-17 years,
– Transport vehicles	5 years,
– Information technology hardware	3 years,
– Investments in third party (leased) fixed assets	10-40 years or the period of the lease contract, if it is shorter than 25 years
– Office equipment, furniture	5-7 years.

Residual values and estimated useful life periods are verified at each Balance Sheet date and adjusted accordingly as the need arises.

Depreciable fixed assets are tested in terms of possible impairment always after the occurrence of events or change of circumstances indicating that their carrying value in the Balance Sheet might not be possible to be recovered. The value of a fixed asset carried in the Balance Sheet is reduced to the level of its recoverable value if the carrying value in the Balance Sheet exceeds the estimate recoverable amount. The recoverable value is the higher of two amounts: the fair value of the fixed asset reduced by its selling costs and the value in use.

Gains and losses on account of the disposal of fixed assets are determined by comparing the proceeds from their sale against their carrying value in the Balance Sheet and they are recognised in the Profit and Loss Account.

2.14. Deferred Tax Assets and Liabilities

The Bank forms a provision for the temporary difference on account of deferred corporate income tax arising due to the discrepancy between the timing of recognition of income as earned and of costs as incurred according to accounting regulations and according to legal regulations concerning corporate income taxation. A positive net difference is recognised in liabilities as "Provisions for deferred income tax". A negative difference is recognised under "Deferred income tax assets". Any change in the balance of the deferred tax liability in relation to the previous accounting period is recorded under the item "Income tax". The balance sheet method is applied for the calculation of the deferred corporate income tax.

Liabilities or assets on account of deferred corporate income tax are recognised in their full amount according to the balance sheet method in connection with the existence of temporary differences between the tax value of assets and liabilities and their carrying value in the Balance Sheet in the financial statements. Liabilities or assets on that account are determined applying the tax rates in force by virtue of law or of actual obligations at the Balance Sheet date. According to expectations such tax rates applied will be in force at the time of realisation of the assets or settlement of the liabilities on account of deferred corporate income tax.

The main temporary differences arise on account of impairment loss write-offs recognised in relation to the loss of value of credits and granted guarantees of repayment of loans, amortisation of intangible assets, revaluation of certain financial assets and liabilities, including contracts concerning derivative instruments and forward transactions, provisions for retirement benefits and other benefits following the period of employment, and also deductible tax losses.

Deferred income tax assets are recognised in the books of accounts at their realisable value. If the forecast amount of income determined for tax purposes does not allow the realisation of the asset on account of deferred income tax in full or in part, such an asset is recognised to the respective amount, accordingly. The above described principle also applies to tax losses recorded as part of the deferred tax asset.

The Bank presents the deferred tax assets and provisions separately in the Balance Sheet. Such assets and provisions may be netted against each other if the Bank possesses the legal rights allowing it to simultaneously account for them when calculating the amount of the tax liability.

The Bank discloses separately the amount of negative temporary differences (mainly on account of unreconcilled tax losses or unutilised tax allowances) in connection with which the deferred tax asset was not recognised in the Balance Sheet, and also the amount of temporary differences attached to investments in subsidiaries and associates for which no deferred tax provision has been formed.

The Bank does not include in the deferred tax calculation any liability or asset on account of temporary differences arising in connection with investment in subsidiaries or associates unless, based on the available evidence, the realisation of such temporary differences is subject to control by the Bank and it is probable that in the foreseeable future the respective differences will be reversed.

Deferred income tax on account of revaluation of available for sale investments and of revaluation of cash flow hedging transactions is accounted for in the same way as any revaluation, directly in equity, and it is subsequently transferred to the Profit and Loss Account when the respective investment or hedged item affects the Profit and Loss Account.

2.15. Assets Taken Over for Debts

Assets taken over in return for debts are measured at fair value. The difference between the debt amount and the value of assets acquired that is lower than the amount of the debt is charged to a specific provision formed on such account or written off and charged to the revaluation of such assets owing to their impairment. In the case when the fair value of acquired assets is higher than the debt amount, the difference constitutes a liability toward the debtor.

2.16. Accruals and Deferred Income

Cost accruals are recorded if the respective expenses concern the months succeeding the month in which they were incurred. Any negative provision for deferred corporate income tax is also recorded under accruals. Costs and income of future periods are accounted for in the Balance Sheet under "Other assets".

Deferred liabilities include costs of supplies delivered to the Company but not yet resulting in its payable liabilities. Income of future periods includes, i.e., received amounts of future benefits. Deferred liabilities of future periods and income attributable to future periods are carried in the Balance Sheet under "Other liabilities".

2.17. Provisions

The value of provisions for contingent liabilities such as unutilised guarantees and (own) letters of credit, as well as for unutilised irreversible unconditionally granted credit limits, is measured in compliance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

2.18. Jubelee and Retirement Benefits and Other Employee Benefits

Jubelee and Retirement Benefits

The Bank forms provisions against future liabilities on account of retirement benefits and length-of-service bonuses ("jubilee bonus") determined on the basis of an estimation of liabilities of that type, using an actuarial model. All provisions formed are charged to the Profit and Loss Account.

Benefits Based on Shares

The Bank runs a programme of employee remuneration based on and settled in shares. These benefits are accounted for in compliance with IFRS 2 "Share-based Payment". The fair value of the work performed by employees in return for options granted increases the costs of the respective period, corresponding to equity. The total amount which needs to be expensed over the period when the outstanding rights of the employees for their options to become exercisable are vested is determined on the basis of the fair value of the granted options. In accordance with IFRS 2, that value does not change over the term of the programme, i.e., the initial fair value recognised at the date of granting of options is not subject to any changes over the term.

2.19. Equity

Equity consists of capital and funds created in compliance with the respective provisions of the law, i.e., the appropriate legislative acts, the Company By-laws, or Articles of Association.

Share Capital

a) Share Issue Costs

Costs directly connected with the issue of new shares, the issue of options, or the acquisition of a business entity, reduce the proceeds from the issue recognised in equity.

b) Dividends

Dividends for the given year, which have been declared after the Balance Sheet date, are shown under the liabilities on account of dividends payable under the item of "Other liabilities".

c) Own Shares

In the case of acquisition of stocks or shares in the Bank by the Bank, the amount paid reduces the value of equity as Treasury shares until the time when they are cancelled. In the case of sale or reallocation of such shares, the payment received in return is recognised in equity.

Share capital is presented at its nominal value, in accordance with the Bylaws and with the entry in the business register.

Supplementary capital

Supplementary capital is formed from deductions from profit or from the share premium obtained from the issue of shares reduced by the attached direct costs incurred with that issue.

Other Capital and Reserves

Other capital and reserves are formed from deductions from profits and are assigned to purposes specified in the Bylaws or other provisions of the law. Other capital and reserves include revaluation reserves arising on revaluation of fixed assets and of available for sale financial assets, the general banking risk fund, the fund assigned for the brokerage business, as well as other reserves. Revaluation reserves arising from revaluation of fixed assets conducted in previous years pursuant to separate specific regulations are transferred to supplementary capital at the time of decommissioning of the respective fixed asset (sale, donation, liquidation or recognition as a defect loss).

Hyperinflationary Restatement of Share Capital

According to IAS 29 point 25 *Financial Reporting in Hyperinflationary Economies*, the components of equity (except retained earnings and any revaluation surplus) are restated by applying a general price index from the dates the components were contributed or otherwise arose for a period when the economy of the carrying business entity was recognised as a hyperinflationary economy.

The effect of restating the components of share capital by applying a general price index is recognised in correspondence with retained earnings. The adoption of IAS 29 point 25 results in an increase of the share capital and at the same time it debits retained earnings in the same amount.

The Management Board has carried out an analysis to estimate the value of such adjustment, which demonstrated that the disclosure of the adjustment will result in an increase of the share and supplemetary capital and in a corresponding decrease in the retained profit by PLN 44,183 thousand, PLN 63,036 thousand and PLN 107,219 thousand respectively.

Since the effect of such restatement:

- Represents 5.77% of the equity of the Bank;
- Involves just re-allocation of funds between various items of the equity, which has no effect on the equity as a whole;
- Has no effect on the presented financial data;

The Management Board of the Bank believes that such restatement will have no material bearing for the accuracy and fairness of the presentation of the Bank's financial position as at, and for the period ended on 30 June 2005.

2.20. Valuation of Items Denominated in Foreign Currencies

Functional Currency and Presentation Currency

The Concise Financial Statements are presented in Polish zloty, which is the functional currency and the currency in which the Bank presents its accounts.

Transactions and Balances

Transactions denominated in foreign currencies are converted to the functional currency at the exchange rate in force at the transaction date. Foreign exchange gains and losses on such transactions as well as on Balance Sheet valuation of monetary assets and liabilities denominated in foreign currency are recognised in the Profit and Loss Account.

Foreign exchange differences arising on account of non-monetary items, such as financial assets measured at fair value through the Profit and Loss Account, are recognised under gains or losses arising in connection with changes of fair value. Foreign exchange differences on account of such non-monetary assets as equity instruments classified as available for sale financial assets are recognised under equity arising on revaluation at fair value.

2.21. Custody Services Business

BRE Bank S.A. operates a custody business including domestic and foreign securities and services provided to investment and pension funds.

The assets concerned are not shown in these financial statements as they do not belong to the Bank.

2.22. Comparative Data

The comparative data have been adjusted so as to account for the changes in presentation introduced in the current financial year.

3. Major Estimates and Judgments Made in Connection with the Application of Accounting Policy Principles

The Bank applies estimates and adopts assumptions, which impact the values of assets and liabilities presented in the subsequent period. Estimates and assumptions, which are continuously subject to assessment, rely on historical experience and other factors, including expectations concerning future events, which seem justified under the circumstances.

Impairment of loans and advances

The Bank reviews its loan portfolio in terms of possible impairments at least once per quarter. In order to determine whether any impairment loss should be recognised in the Profit and Loss Account, the Bank assesses, whether any evidence exists that would indicate some measurable reduction of estimated future cash flows attached to the loan portfolio, before such a decrease will be able to be attributed to a specific loan. The estimates may take into account any observable indications pointing at the occurrence of an unfavourable change in the solvency position of debtors belonging to any particular group or in the economic situation of a given country or part of a country, which is associated with the problems appearing in that group of assets. The Management plans future cash flows based on estimates drawing on historical experience of losses incurred on assets featuring the traits of credit risk exposure and objective impairment symptoms similar to those, which characterise the portfolio. The methodology and the assumptions on the basis of which the estimate cash flow amounts and their anticipated timing will be regularly reviewed in order to reduce the discrepancies between the estimated and the actual magnitude of the impairment losses concerned.

Fair value of derivative instruments

The fair value of financial instruments not listed on active markets is determined by applying valuation techniques. All the models are approved prior to being applied and they are also calibrated in order to assure that the obtained results indeed reflect the actual data and comparable market prices. As far as possible, the models applied resort exclusively to observable data, originating from an active market.

Impairment of equity instruments available for sale

Impairment is regarded to occur if over a period of at least three months the listed price of the given security continues to be lower than the cost of its acquisition, the issuer incurres loss not covered by his equity within the period of one year, as well as the occurrence of other facts and circumstances providing indications of the impairment of value. Increase of value is regarded to occur if over a period of at least three months the listed price of a given security remains at a higher level than its most recent valuation as well the existence of other facts and circumstances indicating the increase of value. Improvement of value is established according to the value presented in the last day of the three-month period, but not any higher than the cost of acquisition.

Impairment of debt securities available for sale

Impairment and increase in value of debt securities available for sale is determined at the date of valuation, i.e. the Balance Sheet date, separately for each category of debt security. Impairment is recognised, if over a period of at least three months the listed price of the given security persists at a level lower than its cost of acquisition, if the issuer incurs a loss not covered by his equity over a period of one year or in the event of other circumstances indicating impairment. Value is deemed to have increased if over a period of at least three successive months the listed price of a security has been higher than its previous valuation or, if other circumstances indicating such an increase persist over such a period. An increase in value is determined according to the value recognised on the last day of the three month period, but it cannot be higher than the cost of acquisition.

4. Reconciliation of differences between IFRS and Polish GAAP

Reconciliation of differences between IFRS and Polish GAAP in the Individual Balance Sheet as at 1 January 2004

Item	Note	POLISH GAAP 01.01.2004	Adjustment	IFRS 01.01.2004
ASSETS				
Cash and balances with Central Bank		473 243		473 243
Debt securities eligible for rediscounting at the Central Bank		52 765		52 765
Loans and advances to banks	a	4 534 246	(702 855)	3 831 391
Trading securities	ą	3 691 898	(1 253 026)	2 438 872
Derivative financial instruments		1 701 506		1 701 506
Other financial instruments at fair value through profit and loss account		-		-
Loans and advances to customers	b	12 581 772	(347 626)	12 234 146
Investment securities		657 355		657 355
Pledged assets	c	47 788	1 253 026	1 300 814
Investments in subsidiaries	ć	930 847	(32 802)	898 045
Investments in associated undertaking	d	(710)	8 082	7 372
Intangible assets	e	226 632	146 620	373 252
Tangible fixed assets	ę	940 161	(209 302)	730 859
Deferred income tax assets		634 802		634 802
Other assets	f	382 213	71 726	453 939
Total assets		**26 854 518**	**(1 066 157)**	**25 788 361**
EQUITY AND LIABILITIES				
Amounts due to Central Bank		-		-
Amounts due to other banks	g	4 100 523	(688 462)	3 412 061
Other deposits		-		-
Derivative financial instruments and other trading liabilities		1 609 211		1 609 211
Amounts due to customers	h	17 152 603	(20 781)	17 131 822
Debt securities in issue		165 298		165 298
Other borrowed funds		1 179 475		1 179 475
Other liabilities	i	395 698	(231 317)	164 381
Current income tax liabilities		-		-
Provision for deferred income tax	j	557 914	1 298	559 212
Provisions	k	116 946	(103 122)	13 824
Total liabilities		**25 277 668**	**(1 042 384)**	**24 235 284**
Equity				
Capital and reserves attributable to the Company's equity holders				
Share capital		91 882		91 882
Supplementary capital		748 739		748 739
Retained earnings	l	(7 057)	(37 578)	(44 635)
Other capital and reserves	m	743 286	13 805	757 091
Minority interest		-		-
Total equity		**1 576 850**	**(23 773)**	**1 553 077**

	Total equity and liabilities	**26 854 518**	**(1 066 157)**	**25 788 361**

(a)	*Loans and advances to banks*	
(i)	Decrease of receivables under suspended interest	(14 393)
(ii)	Decrease of receivables under swap interest	(688 462)
	Total impact: decrease of Loans and advances to banks	(702 855)
(ą)	*Trading securities*	
(i)	Change of presentation of sell-buy-back transactions	(1 253 026)
	Total impact: decrease of Trading securities	(1 253 026)
(b)	Loans and advances to customers	
(i)	Decrease of receivables under suspended interest	(216 923)
(ii)	Decrease of receivables under swap interest	(20 781)
(iii)	Decrease of receivables under general risk reserve	(103 122)
(iv)	Historical cost valuation of shares in subsidiaries and associates	(6 800)
	Total impact: decrease of Loans and advances to customers	(347 626)
(c)	*Pledged assets*	
(i)	Change of presentation of sell-buy-back transactions	1 253 026
	Total impact: increase of Pledged assets	1 253 026
(ć)	*Investments in subsidiaries*	
(i)	Historical cost valuation of subsidiaries previously subject to equity valuation accounting	(32 802)
	Total impact: decrease of Investments in subsidiaries	(32 802)
(d)	*Investments in associates*	
(i)	Historical cost valuation of affiliates previously subject to equity valuation accounting	8 082
	Total impact: increase of Investments in associates	8 082
(e)	*Intangibles*	
(i)	Change of presentation of investments of intangibles	146 620
	Total impact: increase of Intangibles	146 620
(ę)	*Tangible fixed assets*	
(i)	Change of depreciation policy for tangible fixed assets of low initial value	6 832

(ii)	Presentation adjustment: valuation of perpetual usufruct item under other assets	(69 514)
(iii)	Change of presentation of investments of intangibles	(146 620)
	Total impact: decrease of Tangible fixed assets	(209 302)
(f)	*Other assets*	
(i)	Presentation adjustment: valuation of perpetual usufruct item under other assets and accounting for acquisition cost of perpetual usufruct rights in time.	69 514
(ii)	Adjustment for decrease in value of perpetual usufruct rights due to the change in related acquisition-cost accounting method.	2 212
	Total impact: increase of Other assets	71 726
(g)	*Amounts due to other banks*	
(i)	Decrease of receivables under swap interest	(688 462)
	Total impact: increase of Amounts due to other banks	(688 462)
(h)	*Amounts due to customers*	
(i)	Decrease of liabilities under swap interest	(20 781)
	Total impact: decrease of Amounts due to customers	(20 781)
(i)	*Other liabilities*	
(i)	Receivables decreased by suspended interest	(231 317)
	Total impact: decrease of Other liabilities	(231 317)
(j)	*Provisions for deferred income tax*	
(i)	Change of depreciation method for tangible fixed assets with a low initial value	1 298
	Total impact: increase of Provisions for deferred income tax	1 298
(k)	*Provisions*	
(i)	Decrease of receivables under general risk reserve	(103 122)
	Total impact: decrease of Provisions	(103 122)
(l)	*Retained earnings*	
(i)	Change of depreciation policy of fixed assets with low initial value	5 534
(ii)	Adjustment for valuation of perpetual usufruct rights due to accounting for acquisition cost of perpetual usufruct rights in time.	2 212
(iii)	Historical cost valuation of subsidiaries and associates	(38 670)
(iv)	Recognition of the cost of remuneration under management stock options	(6 654)

	Total impact: decrease of Retained earnings	(37 578)
(m)	*Other capital and reserves*	
(i)	Increase of equity on the issue of management stock options	6 654
(ii)	Historical cost valuation of subsidiaries and associates	7 151
	Total impact: increase of Other capital and reserves	13 805

Reconciliation of differences between IFRS and Polish GAAP in the Stand alone Balance Sheet as at 30 June 2004 and in the Stand alone Profit and Loss Account for the period between 1 January 2004 and 30 June 2004

Item	Note	Polish GAAP 30.06.2004	Adjustment	IFRS 30.06.2004
ASSETS				
Cash and balances with Central Bank		466 162		466 162
Debt securities eligible for rediscounting at the Central Bank		84 773		84 773
Loans and advances to banks	a	5 744 883	(1 816)	5 743 067
Trading securities	ą	4 243 928	(1 991 644)	2 252 284
Derivative financial instruments		1 299 797		1 299 797
Other financial instruments at fair value through profit and loss account		-		-
Loans and advances to customers	b	13 265 687	(1 266 770)	11 998 917
Investment securities		526 450		526 450
Pledged assets	c	47 939	1 991 644	2 039 583
Investments in subsidiaries	ć	1 000 079	(30 790)	969 289
Investments in associated undertaking	d	1 102	5 974	7 076
Intangible assets	e	235 465	159 713	395 178
Tangible fixed assets	f	693 891	(172 259)	521 632
Deferred income tax assets		605 759		605 759
Other assets	g	665 427	10 129	675 556
Total assets		**28 881 342**	**(1 295 819)**	**27 585 523**
EQUITY AND LIABILITIES				
Amounts due to Central Bank		-		-
Amounts due to other banks	h	3 729 108	35 753	3 764 861
Other deposits		-		-
Derivative financial instruments and other trading liabilities		1 366 228		1 366 228
Amounts due to customers	i	18 594 970	(964 022)	17 630 948
Debt securities in issue		700 135		700 135
Other borrowed funds		1 135 766		1 135 766
Other liabilities	j	516 769	(228 562)	288 207
Current income tax liabilities		-		-
Provision for deferred income tax	k	522 797	(96)	522 701
Provisions	l	117 004	(106 000)	11 004

Total liabilities		**26 682 777**	**(1 262 927)**	**25 419 850**
Equity				
Capital and reserves attributable to the Company's equity holders				
Share capital		114 853		114 853
Supplementary capital		1 275 584		1 275 584
Retained earnings	m	(8 264)	(40 132)	(48 396)
Net profit (loss)	n	70 056	(7 435)	62 621
Other capital and reserves	o	746 336	14 675	761 011
Minority interest				
Total equity		**2 198 565**	**(32 892)**	**2 165 673**
Total equity and liabilities		**28 881 342**	**(1 295 819)**	**27 585 523**
Interest income	p	480 612	4 113	484 725
Interest expense		(337 845)		(337 845)
Net interest income		142 767	4 113	146 880
Fee and commission income		155 610	-	155 610
Fee and commission expense		(48 959)		(48 959)
Net fee and commission income		106 651	-	106 651
Dividend income		22 530	-	22 530
Net trading income	q	98 371	(4 113)	94 258
Gains less losses from investment securities	r	18 946	7 184	26 130
Other operating income	s	295 615	1 011	296 626
Impairment losses on loans and advances		(71 602)		(71 602)
Overhead costs	t	(232 983)	(4 502)	(237 485)
Amortisation of intangible assets and depreciation of tangible fixed assets	u	(65 793)	5 700	(60 093)
Other operating expenses	w	(237 800)	(16 780)	(254 580)
Operating profit		76 702	(7 387)	69 315
Share of profit of associates		76 702	(7 387)	69 315
Profit before income tax	z	(6 646)	(48)	(6 694)
Net profit (loss)		70 056	(7 435)	62 621

(a)	*Loans and advances to banks*	
(i)	Decrease of receivables under suspended interest	(1 816)
	Total impact: decrease of Loans and advances to banks	(1 816)
(a)	*Trading securities*	
(i)	Change of presentation of sell-buy-back transactions	(1 991 644)
	Total impact: decrease of Trading securities	(1 991 644)
(b)	Loans and advances to customers	
(i)	Decrease of receivables under suspended interest	(226 712)
(ii)	Decrease of receivables under swap interest	(928 269)
(iii)	Decrease of receivables under general risk reserve	(106 000)

(iv)	Historical cost valuation of shares in subsidiaries and associates	(5 789)
	Total impact: decrease of Loans and advances to customers	(1 266 770)
(c)	*Pledged assets*	
(i)	Change of presentation of sell-buy-back transactions	1 991 644
	Total impact: increase of Pledged assets	1 991 644
(ć)	*Investments in subsidiaries*	
(i)	Historical cost valuation of subsidiaries previously subject to equity accounting valuation	(30 790)
	Total impact: decrease of Investments in subsidiaries	(30 790)
(d)	*Investments in associates*	
(i)	Historical cost valuation of affiliates previously subject to equity accounting valuation	5 974
	Total impact: increase of Investments in associates	5 974
(e)	*Intangible assets*	
(i)	Reversal of amortisation of goodwill of PBR and Bank Częstochowa	5 450
(ii)	Change of presentation of investments of intangibles	154 263
	Total impact: increase of intangibles	159 713
(f)	*Tangible fixed assets*	
(i)	Change of depreciation policy for tangible fixed assets of low initial value	7 083
(ii)	Presentation adjustment: valuation of perpetual usufruct item under Other assets	(25 079)
(iii)	Change of presentation of investments of intangibles	(154 263)
	Total impact: decrease of Tangible fixed assets	(172 259)
(g)	*Other assets*	
(i)	Presentation adjustment: valuation of perpetual usufruct under other assets and accounting for acquisition cost of perpetual usufruct in time.	25 079
(ii)	Adjustment for decrease in value of perpetual usufruct rights due to the change in related acquisition-cost accounting method.	2 053
(iii)	Historical cost valuation of subsidiaries and associates	(223)

(iv)	Provision for insurance claims	(16 780)
	Total impact: increase of Other assets	10 129
(h)	*Amounts due to other banks*	
(i)	Decrease of receivables under swap interest	35 753
	Total impact: increase of Amounts due to other banks	35 753
(i)	*Amounts due to customers*	
(i)	Decrease of liabilities under swap interest	(964 022)
	Total impact: decrease of Amounts due to customers	(964 022)
(j)	*Other liabilities*	
(i)	Receivables decreased by suspended interest	(228 562)
	Total impact: decrease of Other liabilities	(228 562)
(k)	*Provisions for deferred income tax*	
(i)	Change of depreciation policy of tangible fixed assets with a low initial value	(96)
	Total impact: decrease of Provisions for deferred income tax	(96)
(l)	*Provisions*	
(i)	Decrease of receivables under general risk reserve	(106 000)
	Total impact: decrease of Provisions	(106 000)
(m)	*Retained earnings*	
(i)	Change of depreciation policy of fixed assets with a low initial value	5 534
(ii)	Adjustment for valuation of perpetual usufruct rights due to accounting for acquisition cost of perpetual usufruct rights in time.	2 212
(iii)	Historical cost valuation of subsidiaries and associates	(41 224)
(iv)	Recognition of the cost of remuneration under management stock options	(6 654)
	Total impact: decrease of Retained earnings	(40 132)
(n)	*Net profit (loss)*	
(i)	Change of depreciation policy of fixed assets with a low initial value	203
(ii)	Adjustment for valuation of perpetual usufruct rights due to accounting for acquisition cost of perpetual usufruct rights in time.	(159)

(iii)	Historical cost valuation of subsidiaries and associates	8 195
(iv)	Reversal of amortisation of goodwill of PBR and Bank Częstochowa	5 449
(v)	Provision for insurance claims	(16 780)
(vi)	Recognition of the cost of remuneration under management stock options	(4 343)
	Total impact: decrease of Net profit (loss)	(7 435)
(o)	Other capital and reserves	
(i)	Increase of equity on the issue of management stock options	10 997
(ii)	Historical cost valuation of subsidiaries and associates	3 678
	Total impact: increase of Other capital and reserves	14 675
(p)	*Interest income*	
(i)	Change of presentation of interest flows from derivative instruments.	4 113
	Total impact: increase of Interest income	4 113
(q)	*Net trading income*	
(i)	Change of presentation of interest flows from derivative instruments.	(4 113)
	Total impact: decrease of Net trading income	(4 113)
(r)	*Gains less losses from investment securities*	
(i)	Change of valuation policy of shares stated according to equity accounting to historical cost valuation	7 184
	Total impact: increase of Gains less losses from investment securities	7 184
(s)	*Other operating income*	
(i)	Historical cost valuation of subsidiaries and associates	1 011
	Total impact: increase of Other operating income	1 011
(t)	*Overhead costs*	
(i)	Accounting for the acquisition cost of perpetual usufruct over time	(159)
(ii)	Recognition of the cost of remuneration under management stock options	(4 343)
	Total impact: increase of Overhead costs	(4 502)
(u)	*Amortisation of intangible assets and depreciation of tangible fixed assets*	
(i)	Change of depreciation policy for tangible fixed assets with low initial value	251

(ii)	Reversal of amortisation of goodwill of PBR and Bank Częstochowa	5 449
	Total impact: decrease of Amortisation of intangible assets and depreciation of tangible fixed assets	5 700
(w)	*Other operating expenses*	
(i)	Provision for insurance claims	(16 780)
	Total impact: increase of Other operating expenses	(16 780)
(z)	*Income tax expense*	
(i)	Tax effect of the change of depreciation policy for tangible fixed assets with low initial value	(48)
	Total impact: increase of Income tax expense	(48)

Reconciliation of differences between IFRS and Polish GAAP in the Stand alone Balance Sheet as at 31 December 2004 and in the Stand alone Profit and Loss Account for the period between 1 January 2004 and 31 December 2004

Item	**Note**	**Polish GAAP 31.12.2004**	**Adjustment**	**IFRS 31.12.2004**
ASSETS				
Cash and balances with Central Bank		734 608		734 608
Debt securities eligible for rediscounting at the Central Bank		52 832		52 832
Loans and advances to banks	a	6 841 461	(1 817)	6 839 644
Trading securities	ą	4 140 909	(1 750 225)	2 390 684
Derivative financial instruments		1 796 824		1 796 824
Other financial instruments at fair value through profit and loss account		-		-
Loans and advances to customers	b	13 265 134	(1 560 561)	11 704 573
Investment securities		473 363		473 363
Pledged assets	c	31 500	1 750 225	1 781 725
Investments in subsidiaries	ć	717 880	(46 137)	671 743
Investments in associated undertaking	d	(4 901)	5 727	826
Intangible assets		350 148		350 148
Tangible fixed assets	e	488 469	(11 418)	477 051
Deferred income tax assets	f	729 241	5 180	734 421
Other assets	g	424 736	9 863	434 599
Total assets		**30 042 204**	**(1 599 163)**	**28 443 041**
EQUITY AND LIABILITIES				
Amounts due to Central Bank		-		-
Amounts due to other banks	h	3 278 009	179 301	3 457 310
Other deposits		-		-
Derivative financial instruments and other trading liabilities		1 613 462		1 613 462
Amounts due to customers	i	20 694 709	(1 394 650)	19 300 059

Debt securities in issue		407 792		407 792
Other borrowed funds		1 020 144		1 020 144
Other liabilities	j	378 901	(235 036)	143 865
Current income tax liabilities		-		-
Provision for deferred income tax	k	671 187	1 393	672 580
Provisions	l	123 470	(97 942)	25 528
Total liabilities		**28 187 674**	**(1 546 934)**	**26 640 740**
Equity				
Capital and reserves attributable to the Company's equity holders				
Share capital		114 853		114 853
Supplementary capital		1 283 552		1 283 552
Retained earnings	m	(8 893)	(35 886)	(44 779)
Net profit (loss)	n	(284 207)	(32 675)	(316 882)
Other capital and reserves	o	749 225	16 332	765 557
Minority interest		-		-
Total equity		**1 854 530**	**(52 229)**	**1 802 301**
Total equity and liabilities		**30 042 204**	**(1 599 163)**	**28 443 041**

Interest income		1 025 655		1 025 655
Interest expense	p	(694 459)	(224)	(694 683)
Net interest income		331 196	(224)	330 972
Fee and commission income		323 243		323 243
Fee and commission expense		(104 720)		(104 720)
Net fee and commission income		218 523		218 523
Dividend income		24 991		24 991
Net trading income	q	203 514	224	203 738
Gains less losses from investment securities	r	(181 275)	(22 254)	(203 529)
Other operating income		315 546		315 546
Impairment losses on loans and advances		(80 974)		(80 974)
Overhead costs	s	(532 380)	(8 994)	(541 374)
Amortisation of intangible assets and depreciation of tangible fixed assets	t	(128 968)	502	(128 466)
Other operating expenses	u	(437 387)	(7 014)	(444 401)
Operating profit		(267 214)	(37 760)	(304 974)
Share of profit of associates		(267 214)	(37 760)	(304 974)
Profit before income tax	w	(16 993)	5 085	(11 908)
Net profit (loss)		(284 207)	(32 675)	(316 882)

(a)	*Loans and advances to banks*	
(i)	Decrease of receivables under suspended interest	(1 817)
	Total impact: decrease of Loans and advances to banks	(1 817)

(a)	*Trading securities*	
(i)	Change of presentation of sell-buy-back transactions	(1 750 225)
	Total impact: decrease of Trading securities	(1 750 225)

(b)	Loans and advances to customers	
(i)	Decrease of receivables under suspended interest	(233 218)
(ii)	Decrease of receivables under swap interest	(1 215 349)
(iii)	Decrease of receivables under general risk reserve	(103 122)
(iv)	Historical cost valuation of shares in subsidiaries and associates	(8 872)
	Total impact: decrease of Loans and advances to customers	(1 560 561)
(c)	*Pledged assets*	
(i)	Change of presentation of sell-buy-back transactions	1 750 225
	Total impact: increase of Pledged assets	1 750 225
(ć)	*Investments in subsidiaries*	
(i)	Historical cost valuation of subsidiaries previously subject to equity valuation accounting	(46 137)
	Total impact: decrease of Investments in subsidiaries	(46 137)
(d)	*Investments in associates*	
(i)	Historical cost valuation of affiliates previously subject to equity valuation accounting	5 727
	Total impact: increase of Investments in associates	5 727
(e)	*Tangible fixed assets*	
(i)	Change of depreciation policy for tangible fixed assets with low initial value	7 332
(ii)	Presentation adjustment: valuation of perpetual usufruct item under other assets	(18 750)
	Total impact: decrease of Tangible fixed assets	(11 418)
(f)	*Deferred income tax assets*	
(i)	Historical cost valuation of shares in subsidiaries and associates	5 180
	Total impact: increase of Deferred income tax assets	5 180
(g)	*Other assets*	
(i)	Presentation adjustment: valuation of perpetual usufruct under other assets and accounting for acquisition cost of perpetual usufruct in time.	18 750
(ii)	Adjustment for decrease in value of perpetual usufruct rights due to the change in related acquisition-cost accounting method	2 142

(iii)	Historical cost valuation of shares in subsidiaries and associates	(11 029)
	Total impact: increase of Other assets	9 863
(h)	*Amounts due to other banks*	
(i)	Decrease of receivables under swap interest	179 301
	Total impact: increase of Amounts due to other banks	179 301
(i)	*Amounts due to customers*	
(i)	Decrease of liabilities under swap interest	(1 394 650)
	Total impact: decrease of Amounts due to customers	(1 394 650)
(j)	*Other liabilities*	
(i)	Receivables decreased by suspended interest	(235 036)
	Total impact: decrease of Other liabilities	(235 036)
(k)	*Provisions for deferred income tax*	
(i)	Change of depreciation policy of tangible fixed assets with a low initial value	1 393
	Total impact: increase of Provisions for deferred income tax	1 393
(l)	*Provisions*	
(i)	Decrease of receivables under general risk reserve	(103 122)
(ii)	Historical cost valuation of shares in subsidiaries and associates	5 180
	Total impact: decrease of Provisions	(97 942)
(m)	*Retained earnings*	
(i)	Change of depreciation policy of fixed assets with a low initial value	5 534
(ii)	Adjustment of valuation of perpetual usufruct rights due to acquisition-cost accounting in time	2 212
(iii)	Historical cost valuation of subsidiaries and associates	(36 978)
(iv)	Recognition of the cost of remuneration under management stock options	(6 654)
	Total impact: decrease of Retained earnings	(35 886)
(n)	*Net profit (loss)*	
(i)	Change of depreciation policy of fixed assets with low initial value	407
(ii)	Adjustment of valuation of perpetual usufruct rights due to acquisition-cost accounting in time	(70)
(iii)	Historical cost valuation of subsidiaries and associates	(24 326)
(iv)	Recognition of the cost of remuneration under management stock options	(8 686)

	Total impact: decrease of Net profit (loss)	(32 675)
(o)	Other capital and reserves	
(i)	Increase of equity on the issue of management stock options	15 340
(ii)	Historical cost valuation of subsidiaries and associates	992
	Total impact: increase of Other capital and reserves	16 332
(p)	*Interest income*	
(i)	Change of presentation of interest flows from derivative instruments.	(224)
	Total impact: increase of Interest income	(224)
(q)	*Net trading income*	
(i)	Change of presentation of interest flows from derivative instruments.	224
	Total impact: increase of Net trading income	224
(r)	*Gains less losses from investment securities*	
(i)	Historical cost valuation of subsidiaries and associates	(22 254)
	Total impact: decrease of Gains less losses from investment securities	(22 254)
(s)	*Overhead costs*	
(i)	Accounting for the cost of acquisition of perpetual usufruct over time	(308)
(ii)	Recognition of the cost of remuneration under management stock options	(8 686)
	Total impact: increase of Overhead costs	(8 994)
(t)	*Amortisation of intangible assets and depreciation of tangible fixed assets*	
(i)	Change of depreciation policy for tangible fixed assets with low initial value	502
	Total impact: decrease of Amortisation of intangible assets and depreciation of tangible fixed assets	502
(u)	*Other operating expenses*	
(i)	Accounting for the cost of acquisition of perpetual usufruct over time	238
(ii)	Valuation of shares in subsidiary and affiliated companies according to historical cost	(2 072)
(iii)	Historical cost valuation of shares in subsidiaries and associates	(5 180)
	Total impact: increase of Other operating expenses	(7 014)

(w)	*Income tax expense*	
(i)	Tax effect of the change of depreciation policy for tangible fixed assets with low initial value	(95)
	Historical cost valuation of shares in subsidiaries and associates	5 180
	Total impact: decrease of Income tax expense	5 085

Reconciliation of adjustments recognised in the stand alone balance sheet as at 1 January 2005, drafted in compliance with IFRS, without adjustment of comparative data for the previous accounting periods

Item	Note	IFRS 31.12.2004	Adjustment	IFRS 01.01.2005
ASSETS				
Cash and balances with Central Bank		734 608		734 608
Debt securities eligible for rediscounting at the Central Bank		52 832		52 832
Loans and advances to banks	a	6 839 644	(859)	6 838 785
Trading securities		2 390 684		2 390 684
Derivative financial instruments		1 796 824		1 796 824
Other financial instruments at fair value through profit and loss account	b	-	118 401	118 401
Loans and advances to customers	c	11 704 573	3 863	11 708 436
Investment securities	d	473 363	(118 401)	354 962
Pledged assets		1 781 725		1 781 725
Investments in subsidiaries		671 743		671 743
Investments in associated undertaking		826		826
Intangible assets		350 148		350 148
Tangible fixed assets		477 051		477 051
Deferred income tax assets	e	734 421	21 401	755 822
Other assets	f	434 599	(8 009)	426 590
Total assets		**28 443 041**	**16 396**	**28 459 437**
EQUITY AND LIABILITIES				
Amounts due to Central Bank		-		-
Amounts due to other banks		3 457 310		3 457 310
Other deposits		-		-
Derivative financial instruments and other trading liabilities		1 613 462		1 613 462
Amounts due to customers		19 300 059		19 300 059
Debt securities in issue	g	407 792	(236)	407 556
Other borrowed funds	h	1 020 144	6 287	1 026 431
Other liabilities	i	143 865	35 727	179 592
Current income tax liabilities		-		-
Provision for deferred income tax	j	672 580	5 552	678 132
Provisions	k	25 528	53 136	78 664

	Total liabilities		**26 640 740**	**100 466**	**26 741 206**
	Equity				
	Capital and reserves attributable to the Company's equity holders				
	Share capital		114 853		114 853
	Supplementary capital		1 283 552		1 283 552
	Retained earnings	1	(361 661)	(84 070)	(445 731)
	Other capital and reserves		765 557		765 557
	Minority interest		-		-
	Total equity		**1 802 301**	**(84 070)**	**1 718 231**
	Total equity and liabilities		**28 443 041**	**16 396**	**28 459 437**
(a)	*Loans and advances to banks*				
(i)	Adjustment of receivables as a result of using the amortized-cost valuation method			(859)	
	Total impact: decrease of Loans and advances to banks			(859)	
(b)	*Other financial instruments at fair value through the profit and loss account*				
(i)	Reclassification of securities from trading securities to other financial instruments at fair value through the profit and loss account			118 401	
	Total impact: increase of Other financial instruments valued at fair value through profit and loss account			118 401	
(c)	*Loans and advances to customers*				
(i)	Adjustment of receivables as a result of using the amortized-cost valuation method			(21 181)	
(ii)	Decrease in receivables as a result of recognizing permanent loss of value			25 044	
	Total impact: increase of Loans and advances to customers			3 863	
(d)	*Investment securities*				
(i)	Reclassification of securities from trading securities to other financial instruments at fair value through the profit and loss account			(118 401)	
	Total impact: decrease of Investment securities			(118 401)	
(e)	*Deferred income tax assets*				
(i)	Increase in tax assets due to adjustment of the Bank's net profit for the previous accounting periods as a result of using the amortized-cost valuation method for some financial instruments			11 696	
(ii)	Increase in the tax assets due to adjustment of the Bank's net profit for the previous accounting periods as a result of recognizing permanent loss of value of some assets			7 754	

(iii)	Direct cost deduction of commission for the financial instruments' purchase contract - previously accounted for in time	1 951
	Total impact: increase of Deferred income tax assets	21 401
(f)	*Other assets*	
(i)	Adjustment of receivables as a result of using the amortized-cost valuation method	2 262
(ii)	Direct cost deduction of commission for the financial instruments' purchase contract - previously accounted for in time	(10 271)
	Total impact: decrease of Other assets	(8 009)
(g)	*Debt securities in issue*	
(i)	Adjustment of liabilities as a result of using the amortized-cost valuation method	(236)
	Total impact: decrease of Debt securities in issue	(236)
(h)	*Other borrowed funds*	
(i)	Adjustment of liabilities as a result of using the amortized-cost valuation method	6 287
	Total impact: increase of Other borrowed funds	6 287
(i)	*Other liabilities*	
(i)	Adjustment of liabilities as a result of using the amortized-cost valuation method	35 727
	Total impact: increase of Other liabilities	35 727
(j)	*Provisions for deferred income tax*	
(i)	Increase in provisions for deferred income tax as a result of adjustment of the Bank's net profit for the previous accounting periods as a result of recognizing permanent loss of value of some assets	5 552
	Total impact: increase of Provisions for deferred income tax	5 552
(k)	*Provisions*	
(i)	Adjustment of provisions as a result of using the loss of value of financial instruments method	53 136
	Total impact: increase of Provisions	53 136
(l)	*Retained earnings*	
(i)	Adjustment of retained earnings as a result of using the amortized-cost valuation method for some financial assets	(49 860)
(ii)	Adjustment of retained earnings as a result of using the loss of value of financial instruments method	(25 890)

(iii)	Direct cost deduction of commission for the financial instruments' purchase contract - previously accounted for in time	(8 320)
	Total impact: decrease of Retained earnings	(84 070)

5. Selected explanatory notes

5.1. Compliance with International Financial Reporting Standards

The presented Concise Financial Statements for the 1st half of 2005 fulfil the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" concerning interim financial reporting.

5.2. Consistency of accounting principles and calculation methods applied to the drafting of the semi-annual report and the final annual financial report

A detailed description of changes in the accounting policy principles of the Bank applied since 1 January 2005, as well as a description of the nature and impact of such changes upon the equity funds of the Bank and its net financial performance (profit/(loss) after tax) in connection with the first time adoption of the International Financial Reporting Standards are presented under items 2 and 3 of the Notes to the 1st half of 2005 Concise Financial Statements. The accounting policies adopted by the Bank as of 1 January 2005 were applied retrospectively (with the exceptions described under item 2.1 of the Notes to the 1st half of 2005 Concise Financial Statements) to all the periods presented in the financial statements, i.e. the opening balance sheet as at 1 January 2004, at 30 June 2004, at 31 December 2004 and 1 January 2005.

The previously published financial statements of the Bank, including financial statements for the year 2004, were prepared in accordance with the Polish Accounting Standards.

5.3. Seasonal or cyclical nature of the business

The business operations of the Bank do not involve significant events that would be subject to seasonal or cyclical variations.

5.4. The nature and values of items affecting the assets, liabilities, equity, net profit/(loss) or cash flows, which are extraordinary in terms of their nature, magnitude or exerted impact

On 2 February 2005 BRE Bank SA issued subordinate debt securities with an indefinite maturity term and obtained funds of a total value of EUR 100,000,000 (PLN 405,830,000 according to the average NBP exchange rate on the issue date). The funds raised through the issue will be used to change the structure of BRE Bank's equity by increasing the share of supplementary capital. The Bank has obtained the approval of the Banking Supervision Commission for the inclusion of the funds obtained from the said issue of bonds into the Bank's supplementary capital. The whole issue was acquired by a subsidiary of Commerzbank AG, the Bank's principal shareholder. Additionally, under the existing agreement the Bank can issue additional subordinate debt securities for the amount of 150 mln EUR, which ensures a stable growth perspective in the coming years.

On 25 May 2005, TV-Tech Investment 1 Sp. z o.o. (TV-Tech), a subsidiary of BRE Bank SA, sold to N-Vision BV (a subsidiary of ITI Holdings SA) 5,922,000 shares of TVN SA with a nominal value of PLN 1 per share and now TV-Tech hold no shares of TVN SA.

The said shares of TVN SA represent 9% of the share capital of the company and give 5,922,000 votes at the company's General Meeting, equal to 9% of the total number of votes at the General Meeting of Shareholders of TVN SA.
The sale of the said shares of TVN SA to ITI Holdings SA was performed under an realised call option written to ITI Holdings SA by BRE Bank SA.

On 31 May 2005, in implementation of an agreement between BRE Bank SA and TV-Tech dated 5 November 2003, TV-Tech paid BRE Bank SA US$ 40,585,903.92 (PLN 135,009,009.39 according to the mid exchange rate of the National Bank of Poland on 31 May 2005). The payment was a return of an advance granted for the acquisition of shares of TVN Sp. z o.o. (currently TVN SA).

On 22 June 2005, BRE Bank SA as a guarantor of the redemption of euronotes and the company BRE Finance France SA (BFF), a subsidiary of BRE Bank SA, as an issuer of euronotes, and Commerzbank AG (a holding company of BRE Bank SA) as Lead Manager and Landesbank Hessen-Thüringen Girozentrale, Banca Nazionale del Lavoro S.p.A., Erste Bank Der Oesterreichischen Sparkassen AG, Lrp Landesbank Rheinland-Pfalz and Raiffeisen Zentralbank Oesterreich Aktiengesellschaft, as Managers, entered into an agreement whereby, on 27 June 2005, BRE Finance France SA issued notes at EUR 200,000,000 (PLN 809,460,000 according to the mid exchange rate of the National Bank of Poland on 27 June 2005).
The Lead Manager and the Managers acquired the issued notes on 27 June 2005. The value of the agreement is higher than 10% of the equity of BRE Bank SA. The Issue Managers' total compensation is EUR 200,000 (PLN 809,460 according to the mid exchange rate of the National Bank of Poland on 22 June 2005).

In addition, on 27 June 2005, BRE Bank SA and BFF entered into a cash deposit agreement whereby, on 27 June 2005, BFF placed with BRE Bank SA a cash deposit of EUR 199,764,000 (PLN 805,168,778.40 according to the mid exchange rate of the National Bank of Poland on 27 June 2005) as a security of a guarantee granted by BRE Bank SA.
Under the said agreement, the cash deposit will be the property of BRE Bank SA until the redemption of the notes in 2008. BFF who placed the cash deposit will receive quarterly interest based on a variable 3M EURIBOR and a redemption premium (EUR 236,000, i.e., PLN 951,221.60 according to the mid exchange rate of the National Bank of Poland on 27 June 2005).

5.5. The nature and the amounts of changes in estimate values of items, which were presented in previous interim periods of the current reporting year, or changes of accounting estimates indicated in prior reporting years, if they bear a substantial impact upon the current interim period

In the first half of 2005 there were no significant changes in estimate values of items presented in the previous financial periods.

5.6 Issues, redemption and repayment of debt and equity securities

Details of the issue of subordinate debt securities by BRE Bank in the first half of 2005 have been presented in 5.4.

In the first half of 2005 BRE Bank executed the redemption of 3,182 certificates of deposit with a nominal value of PLN 318,200 thousand.

5.7 Dividends paid (in total or as a value per one share), broken down by ordinary shares and other shares

The General Meeting of Shareholders of BRE Bank SA on 22 March 2005 adopted the resolution not to pay any dividend for the year 2004.

5.8 Significant events after the balance-sheet date, which were not reflected in the financial statements

- On 4 July 2005, the Appeal Court in Warsaw, 6th Civil Law Division, delivered its decision concerning claims filed by Art B Spółka z ograniczoną odpowiedzialnością Eksport – Import w Katowicach, w likwidacji against BRE Bank SA.
  The appeal procedure was opened after the claimant filed an appeal on 14 September 2004. The claimant appealed against the part of a court decision which dismissed claims for PLN 17,374,070.54.
  The Appeal Court dismissed all claims of Art B Spółka z ograniczoną odpowiedzialnością Eksport – Import w Katowicach, w likwidacji.

- On 7 July 2005, BRE Bank SA and an institutional client entered into a PLN 450,000,000 loan agreement.
  The loan was granted for 12 months of the date of the agreement. It bears interest at WIBOR T/N plus the Bank's margin.

- On 13 July 2005, in the process of restructuring of the Bank's debt portfolio and simplification of its equity investment structure, BRE Bank SA finalised the acquisition of 12,450,000 stocks of VECTRA SA with its registered office in Gdynia with a nominal value of PLN 10 per stock, representing 26% of the Company's share capital and giving 12,450,000 votes at its General Meeting equal to 26% of all votes at its General Meeting.
  The said assets were acquired from the Fifth National Investment Fund "Victoria" SA, the National Investment Fund "Fortuna" SA, Fund.1 the First National Investment Funds SA, and the Polish Pre-IPO Fund Societe d'Investissement a Capital Variable with its registered office in Luxembourg upon the fulfilment of the conditions precedent under conditional sale agreements concluded on 10 February 2005.
  BRE Bank SA holds 17% of the stocks of the Polish Pre-IPO Fund Societe d'Investissement a Capital Variable. There is no connection between BRE Bank SA and the other companies mentioned above.
  The said assets were acquired for PLN 137.1 million. Their value on the books of BRE Bank SA was equal to the acquisition price.
  Immediately upon the acquisition of the package of 26% of stocks of VECTRA SA, on 13 July 2005, BRE Bank SA concluded two sale agreements concerning some of the held stocks of VECTRA SA, wherein on 13 July 2005 the Bank sold 3,404,596 stocks representing 7.11% of the share capital of VECTRA SA and giving 3,404,596 votes at the Company's General Meeting equal to 7.11% of all votes at its General Meeting.
  851,149 stocks of VECTRA SA representing 1.78% of the share capital of the Company and giving 851,149 votes at the Company's General Meeting equal to 1.78% of all votes at its General Meeting were acquired by Faworyt Sp. z o.o. The sale price of the stock package was PLN 10,025,099.63.
  There is no equity or personal connection between BRE Bank SA and the buyer.
  2,553,447 stocks of VECTRA SA representing 5.33% of the share capital of the Company and giving 2,553,447 votes at the Company's General Meeting equal to 5.33% of all votes at its General Meeting were acquired by VECTRA SA for cancellation. The sale price of the stock package was PLN 30,021,973.88.
  On the sale of the package of stocks representing 7,11% of the share capital of VECTRA SA, BRE Bank SA earned a gross profit of PLN 2.9 million.
  As a result of the above transactions – the acquisition of 26% of the stocks of VECTRA SA and the sale of 7,11% of the stocks of VECTRA SA – BRE Bank SA now holds 9,045,404 stocks of VECTRA SA representing 18.89% of the share capital of the Company and giving 9,045,404 votes at the General Meeting of the Company equal to 18.89% of all votes at its General Meeting. BRE Bank SA paid for the currently held package of stocks of VECTRA SA through a conversion of BRE Bank SA debt into the assets of VECTRA SA without any cash investment.

- On 19 July 2005, acting in the framework of banking syndicates, BRE Bank SA and its client entered into two loan agreements concerning:
  - an investment loan where the part of the loan extended by the Bank is EUR 40,000,000.00 (PLN 164,392,000.00 according to the mid exchange rate of the National Bank of Poland on 19 July 2005); the loan is granted for 15 years;
  - a revolving loan where the part of the loan extended by the Bank is PLN 35,000,000.00; the loan is granted for 2.5 years.
  The said loans bear interest at EURIBOR 6M plus the Bank's margin.
  The documentation of the said loan agreements provides that the clients shall fulfil the standard conditions precedent, including the provision of collateral.

- On 21/09/2005, BRE Bank S.A. and its institutional client entered into five loan agreements amounting to PLN 1,360,000,000.

  BRE Bank SA granted five revolving loans in the following amounts:
  - PLN 200,000,000
  - PLN 240,000,000
  - PLN 280,000,000
  - PLN 300,000,000
  - PLN 340,000,000.

  Loan agreements are for 12 months beginning from the date of signing the agreement. Loan interest is based on WIBOR T/N plus Bank margin. The value of each of the agreement mentioned before exceeds 10% of Bank own capital.

- Court suit filed against BRE Bank SA and Tele-Tech Investment Sp. z o.o. by the Official Receiver of Zakłady Mięsne POZMEAT SA

  The suit was filed against BRE Bank SA („Bank") and Tele-Tech Investment Sp. z o.o. („TTI") by the Official Receiver of Zakłady Mięsne POZMEAT with a seat in Poznań („POZMEAT") on July 29, 2005. Copy of the suit was delivered to the Bank on August 16, 2005. The amount subject to the claim is PLN 100,000,000 and the subject of litigation is invalidation of agreements for the sale by Pozmeat of a shareholding stake in Garbary Sp. z o.o. to TTI and the Bank, respectively. The dispute evolves around the estimated value of perpetual usufruct of land and the buildings located there, which constituted the only remaining asset of Garbary Sp. z o.o. on the date of concluding the agreements for the sale by Pozmeat of the stake in Garbary Sp. z o.o. (July 19, 2001). In the opinion of the Bank's legal counsellors in charge, there is a basis to assume that the accusation is illegitimate.

- Court suit filed against Garbary Sp. z o.o. by Bank BPH S.A.

  The claim was filed by Bank BPH S.A. on February 17, 2005. Copy of the suit was delivered to the Bank on September 7, 2005. The amount subject to the claim was estimated at PLN 42,853,892.10. The subject of litigation is invalidation of the legal formation of Garbary Sp. z o.o. and the resulting contribution of capital in-kind. The dispute evolves around the estimated value of perpetual usufruct of land and the buildings located there, which have been contributed in-kind to Garbary Sp. z o.o by Zakłady Mięsne POZMEAT with a seat in Poznań as payment for a PLN 100,000,000 stake in the share capital of the company.
  In the opinion of the Bank's legal counsellors in charge, there is a basis to assume that the accusation is illegitimate.

5.9 The effect of changes in the structure of the entity in the first half of 2005, including business combinations, acquisitions or disposal of subsidiaries, and long-term investments, restructuring, and discontinuation of business activities

In the first half of 2005 none of the above indicated events took place on any scale that would be material for the Bank.

5.10 Changes in off-balance sheet liabilities

In the first half of 2005 there were no changes in off-balance sheet liabilities of a credit nature, i.e., guarantees, letters of credit or unutilised loan amounts, other than resulting from current operating activities of the Bank, with the exception of a guarantee granted by BRE Bank SA to a subsidiary BRE Finance France SA. Apart from the above mentioned guarantee granted to BRE Finance France SA, there was no single case of granting of guarantees or any other contingent liability of any material value for the Bank. A detailed list of off-balance sheet liabilities as at 30 June 2005 and 31 December 2004 has been presented below.

	30.06.2005	31.12.2004	30.06.2004
Extended and received contingent liabilities	**10 701 401**	**10 801 668**	**9 230 393**
Extended liabilities	***10 298 292***	***10 365 621***	***8 714 221***
- financing	6 164 313	6 186 717	4 839 493
- guarantees	4 133 979	4 178 904	3 874 728
Received liabilities	***403 109***	***436 047***	***516 172***
- financing	36 619	37 070	105 175
- guarantees	366 490	398 977	410 997
Liabilities related to realised purchase/sale transactions	**314 254 006**	**223 452 709**	**217 428 296**
Other liabilities	**885 677**	**314 136**	**406 939**
- factoring receivables			
- factoring amounts due			
- other	885 677	314 136	406 939
Total off-balance sheet items	**325 841 084**	**234 568 513**	**227 065 628**

The tax authorities have not carried out in current financial period any full-scope tax audits at the Bank.

The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Bank's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

5.11 Write-offs of the value of inventories down to net realisable value and reversals of such write-offs

The above indicated events did not occur in the Bank.

5.12 Revaluation write-offs on account of impairment of tangible fixed assets, intangible assets, or other assets, as well as reversals of such write-offs

In the first half of 2005 no significant impairment loss write-offs were recorded in relation to any tangible fixed assets intangible assets, and other assets, nor were any reversals on such account recorded by the Bank.

5.13 Release of provisions against restructuring costs

The above indicated events did not occur in the Bank.

5.14 Acquisitions and disposals of tangible fixed assets items

In the first half of 2005 there were no material transactions of acquisition or disposal of any tangible fixed assets.

5.15 Liabilities assumed on account of acquisition of tangible fixed assets tangible fixed assets

The above indicated events did not occur in the Bank.

5.16 Corrections of errors from previous reporting periods

In the first half of 2005 there were no corrections of errors from previous reporting periods.

5.17 Default or infringement of a loan agreement or failure to initiate composition proceedings

The above indicated events did not occur in the Bank.

5.18 Earnings per Share

Earnings per share for 12 months

	30.06.2005	30.06.2004
Basic:		
Net profit (loss) (for 12 months)	(245 266)	7 169
Weighted average number of ordinary shares	28 713 125	22 970 500
Net basic profit (loss) per share (in PLN per share)	(8,54)	0,31
Diluted:		
Net profit (loss) (for 12 months)	(245 266)	7 169
Net profit (loss) applied for calculating of diluted earnings per share (in thousand PLN)	(245 266)	7 169
Weighted average number of ordinary shares in an issue	28 713 125	22 970 500
Adjustments for:		
- stock options for employees (in thousand PLN)	76 096	6 559
Weighted average number of ordinary shares for calculating of diluted earnings per share	28 789 221	22 977 059
Diluted earnings per share (in PLN per share)	(8,52)	0,31

Earnings per share for 6 months

	30.06.2005	30.06.2004
Basic:		
Net profit (loss) (for 6 months)	134 237	62 621
Weighted average number of ordinary shares	28 713 125	22 970 500
Net basic profit (loss) per share (in PLN per share)	4,68	2,73
Diluted:		
Net profit (loss) (for 6 months)	134 237	62 621
Net profit (loss) applied for calculating of diluted earnings per share (in thousand PLN)	134 237	62 621
Weighted average number of ordinary shares in an issue	28 713 125	22 970 500
Adjustments for:		
- stock options for employees (in thousand PLN)	101 911	24 415
Weighted average number of ordinary shares for calculating of diluted earnings per share	28 815 036	22 994 915
Diluted earnings per share (in PLN per share)	4,66	2,72

The basic earnings per share is computed as the quotient of the Bank stockholders' share of the profit and the weighted average number of ordinary shares during the year, excluding ordinary shares purchased by the Bank and disclosed as "own shares".

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares as if all possible ordinary shares causing the dilution were replaced with shares. The Bank has one category of potential ordinary shares causing the dilution: shares options. The number of diluting shares is computed as the number of shares that could be purchased at fair value (determined as the average annual price of the Bank's shares), based on the monetary value of the drawing rights related to the existing shares options. The resulting number of shares is compared to the number of shares that would have been issued if the shares options had been exercised.

According to IAS 33, the Bank prepares a statement of the so-called "diluted earning per share", taking account of share purchase options granted to the employees.

BRE Bank operates two employee options programs.

Under the first program (started in May 2000 and modified in May 2003), members of the Bank's Management were granted 479,500 options valid until 30 June 2006. The options make the employees eligible to assume 479,500 of new issue shares.

The second program (initiated in May 2003) assumes that members of the Bank's Management will receive 500,000 options to be exercised in phases between 01 June 2005 and 30 June 2008. Under these options, the employees may assume 500,000 of new issue shares of the Bank.

5.19 Position of the Management on the probability of performance of previously published profit/loss forecasts for the year in the light of the results presented in the quarterly report compared to the forecast

BRE Bank did not publish a performance forecast for 2005. The description of the business strategy and goals of the Bank published in current report no. 22/2005 is not a performance forecast in the wording of § 5.1.29 of the Regulation on Current and Periodic Reports Published by Issuers of Securities (Journal of Laws of 2005, No. 49, item 463).

5.20 Material Share Packages

Commerzbank AG is shareholder of more than 5% of the share capital and majority vote at the General Meeting of Shareholders. On June 30, 2005, Commerzbank AG held a 72.16% capital stake and majority vote at the General Meeting of Shareholders of BRE Bank SA.

No change in the shareholding structure for material share portfolios of BRE Bank SA has been noted since the publication of the Q2 2005 quarterly report.

5.21 Structure of changes in Bank shares and options held by Managers and Supervisors

	Management Board	Supervisory Board
Number of shares held as at 31 December 2004	8,835	15,034
Number of shares acquired in 1st half of 2005	0	0
Number of shares sold in 1st half of 2005	5,757	4,534
Number of stocks held as at 30 June 2005	3,078	10,500

Number of options held as at 31 December 2004	67,400	0
Number of options acquired in 1st half of 2005	0	0
Number of options sold in 1st half of 2005	0	0
Number of options held as at 30 June 2005	67,400	0

5.22 Proceedings before a court, arbitration body, or public administration authority

On 30 June 2005, BRE Bank or its subsidiaries were not involved in any proceedings before a court, arbitration body, or public administration authority concerning liabilities of the issuer or its subsidiaries where the value would be equal to or greater than 10% of the issuer’s equity. The total value of claims concerning liabilities of the issuer or its subsidiaries in all proceedings before a court, an arbitration body or a public administration authority underway on 30 June 2005 was PLN 205,603 thousand, which amounts to 11.07% of the issuer’s equity. A report on major proceedings concerning liabilities of the issuer or its subsidiaries has been presented below.

1. In a case concerning claims filed on 30 August 1994 against BRE Bank SA by ART-B Sp. z o.o. ‘w likwidacji’, the Court of the first instance adopted a decision in favour of the Bank on 26 July 2004. Pursuant to the decision, the original claims for PLN 99,1 million plus statutory interest accrued as of 1991 were dismissed by the Court as in the course of the proceedings the claimant withdrew the claims and presented a new calculation of losses and a new factual basis of the claims. The claims for PLN 17.4 million raised in the course of the proceedings were dismissed due to limitation and lack of sufficient evidence. On 4 July 2005, the Appeal Court in Warsaw dismissed the entire appeal of the claimant. Proceedings for the claims were also opened against BRE Bank SA in the Court of Jerusalem, Israel, and the value of the dispute is US$ 43.4 million (PLN 145.4 million according to the mid exchange rate of the National Bank of Poland on 30 June 2005). In these proceedings, BRE Bank SA assists the main defendant, Bank Leumi Le Israel. BRE Bank SA’s liability is under recourse, and depends on whether the court grants ART-B’s claims against Bank Leumi. Only then will the court consider Bank Leumi’s claims against BRE Bank SA. The Israeli proceedings are still at the pre-trial stage (prior to the first hearing). Bank Leumi and ART-B have come to an agreement concerning arbitration. For reasons of procedure, BRE Bank SA has joined the process, which does not imply its acceptance of the claims or readiness to make a settlement. The probability of dismissal of the claims against BRE Bank SA by the court in Israel has increased considerably in connection with the decision of the Polish court in favour of BRE Bank SA.

2. On 30 January 2001, Katarzyna and Leonard Praśniewski filed claims for compensation against Dom Inwestycyjny BRE Banku SA (DI BRE) before the District Court of Warsaw. The value of the dispute is PLN 13.9 million. In 2003, the court of the first instance granted the plaintiffs’ claims of PLN 13.9 million from DI BRE. Following an appeal filed by DI BRE, the court of the second instance in its decision of 29 April 2004 changed the original decision and dismissed the claims. The plaintiffs filed cassation against the decision of the court of the second instance. On 15 April 2005, the Supreme Court revoked the decision of the Appeal Court in Warsaw and

referred the case back to the Appeal Court. According to the Bank and its legal counsel, there are no factual or legal reasons to conclude that the plaintiffs incurred a loss caused by DI BRE. In addition, in view of the rationale presented orally by the Supreme Court, which defined the scope of the referral to the Appeal Court, the legal risk posed by the case is estimated at not more than PLN 4.5 million.

On 30 June 2005, the BRE Bank was not involved in any proceedings before a court, arbitration body, or public administration authority concerning receivables of the issuer or its subsidiaries where the value would be equal to or greater than 10% of the issuer's equity. The total value of claims concerning receivables of the issuer or its subsidiaries in all proceedings before a court, an arbitration body or a public administration authority underway amounted to PLN 326,166 thousand, equal to 17.56% of the issuer's equity, on 30 June 2005. A report on major proceedings concerning receivables of the issuer has been presented below.

	CLIENT'S NAME	Issue under Dispute	Value of the dispute in PLN on 30.06.2005	Type of proceedings	Proceedings opened on
1.	Stocznia Szczecińska Porta - Holding SA 'w upadłości'	loan	67,126,756.39	bankruptcy	2002-07-29
2.	Kama Foods SA	loan	45,355,381.73	bankruptcy	2003-06-05
3.	Big-Carton SA	loan	41,275,396.57	bankruptcy	2001-07-12

5.23 Transactions with affiliated entities

Commerzbank AG based in Germany, the majority shareholder of the Bank, holds 72.16% of the share capital and votes at the General Meeting of Shareholders of BRE Bank S.A.

A certain number of banking transactions were concluded with related entities as part of regular operating activities. These included credits, deposits and foreign currency transactions. The values of transactions with related entities, Balance Sheet item balances at the end of year, and related expenses and income for the accounting year are as follows:

On 31 May 2005, in implementation of an agreement between BRE Bank S.A. and TV-Tech Investment 1 Sp. z o.o. dated 5 November 2003, TV-Tech Investment 1 Sp. z o.o. paid BRE Bank S.A. US$ 40,585,903.92 (PLN 135,009,009.39 according to the mid exchange rate of the National Bank of Poland on 31 May 2005). The payment was a return of an advance granted for the acquisition of shares of TVN Sp. z o.o. (currently TVN SA).

On 27 June 2005, BRE Finance France SA, a subsidiary of BRE Bank S.A., issued notes at EUR 200,000,000 (PLN 809,460,000). BRE Bank S.A. is the guarantor of the issue. The details of the issue are presented in item 5.4 of Selected Explanatory Information.

Numerical data concerning transactions with affilaited entities (in thousand PLN) - 30 June 2005

No.	Company's name	Balance sheet		Income Statement				Off balance sheet		
		Receivables	Liabilities	Interest income	Interest cost	Commission income	Commission cost	Commitments granted	Commitments received	Purchase/Sale commitments
1	BRE Bank SA	549 696	2 745 431	19 691	38 782	1 450	3 061	3 045 138	0	157 465
2	BRE Corporate Finance SA	725	0	32	0	0	29	0	2 905	0
3	Dom Inwestycyjny BRE Bank SA	157 486	21 629	4 380	364	1 073	436	0	1 036	0
4	BRE International Finance B.V.	0	883	10 111	0	0	0	0	0	0
5	PTE Skarbiec Emerytura SA	1 585	8	91	0	0	0	0	0	0
6	Skarbiec Asset Management Holding SA	21 442	225	281	166	40	153	0	60 679	0
7	BRE Leasing Sp. z o.o.	15 981	195 208	520	2 058	1 948	623	0	144 562	157 465
8	Polfactor S.A.	1 336	156 334	0	4 674	0	173	0	240 477	0
9	Intermarket Bank AG	0	72 722	0	845	0	0	0	0	0
10	Centrum Rozliczeń i Informacji CERI	13 051	196	238	0	0	0	0	0	0
11	BRE Finance France	2 517 121	176	22 886	0	0	0	0	2 558 474	0
12	TV-Tech Investment 1 Sp. z .o.o.	803	0	77	8 426	0	0	0	0	0
13	Tele-Tech Investment Sp. z o.o.	1 432	56 477	2	1 661	0	0	0	5	0
14	Garbary Sp. z o.o.	2 156	1	55	0	0	0	0	0	0
15	BRE.locum Sp. z o.o.	4 472	42 786	109	1 497	0	25	0	37 000	0
16	ServicePoint Sp. z o.o.	668	0	0	0	0	0	0	0	0
17	FAMCO SA	2 480	0	0	0	0	0	0	0	0
18	BRELINVEST Sp. z o.o. Fly 1 Sp. komandytowa	1 546	0	0	0	0	0	0	0	0
19	BRELINVEST Sp. z o.o. Fly 2 Sp. komandytowa	1 523	0	0	0	0	0	0	0	0
20	AMBRESA Sp. z o.o. - BRELLA Sp. komandytowa	179	0	0	0	0	0	0	0	0
21	BRELIM Sp. z o.o.	49	0	0	0	0	0	0	0	0
22	BREL-MAR Sp. z o.o.	75	0	0	0	0	0	0	0	0
23	NOVITUS SA (previously Optimus IC SA)	52	0	0	0	0	10	0	0	0
24	AMBRESA Sp. z o.o.	1 204	0	0	0	0	0	0	0	0
25	eCard SA	13	2 862	0	0	0	1	0	0	0
26	Xtrade	52	189	0	0	0	0	0	0	0

Numerical data concerning transaction with parent company (in thousand PLN) - 30 June 2005

1	CommerzBank A.G	29 140	1 241 805	0	0	0	193	99 427	57 832	8 328 136

Numerical data concerning transactions with affilaited entities (in thousand PLN) - 31 December 2004

No.	Company's name	Balance sheet		Income Statement				Off balance sheet		
		Receivables	Liabilities	Interest income	Interest cost	Commission income	Commission cost	Commitments granted	Commitments received	Purchase/Sale commitments
1	BRE Bank SA	725 171	2 944 422	23 797	73 616	7 887	4 355	3 242 910	0	**53 353**
2	BRE Corporate Finance SA	749	0	54	0	0	66	0	3 252	0
3	Dom Inwestycyjny BRE Bank SA	353 858	10 698	5 602	642	2 185	521	0	1 036	0
4	BRE International Finance B.V.	798 274	0	37 225	0	0	0	0	815 800	0
5	PTE Skarbiec Emerytura SA	7 491	0	167	2	0	8	0	0	0
6	Skarbiec Asset Management Holding SA	20 513	288	391	19	0	5 079	0	60 628	0
7	BRE Leasing Sp. z o.o.	10 935	119 504	832	6 285	2 170	1 477	0	330 031	53 353
8	TRANSFINANCE a.s	3	0	0	87	0	0	0	0	0
9	Polfactor S.A.	343	142 322	6	9 186	0	516	0	256 293	0
10	Intermarket Bank AG	0	77 501	0	999	0	0	0	0	0
11	Centrum Rozliczeń i Informacji CERI	11 025	107	286	0	0	0	0	0	0
12	Magyar Factor Rt.	0	0	0	0	0	0	0	0	0
13	BRE Finance France	1 715 078	0	28 851	0	0	0	0	1 763 479	0
14	TV-Tech Investment 1 Sp. z .o.o.	37	127 092	0	0	0	0	0	0	0
15	Tele-Tech Investment Sp. z o.o.	1 621	54 558	11	3 684	0	0	0	508	0
16	BRE.locum Sp. z o.o.	8 258	48 076	49	2 652	0	220	0	11 000	0
17	AMBRESA Sp. z o.o.	1 243	0	6	0	0	0	0	0	0
18	ServicePoint Sp. z o.o.	388	0	2	0	0	0	0	0	0
19	FAMCO SA	2 343	0	27	0	0	0	0	0	0
20	Garbary Sp. z o.o.	3 397	0	70	0	0	0	0	0	0
21	BRELINVEST Sp. z o.o. Fly 1 Sp. komandytowa	16	0	14	0	0	0	0	0	0
22	BRELINVEST Sp. z o.o. Fly 2 Sp. komandytowa	21	0	10	0	0	0	0	0	0
23	AMBRESA Sp. z o.o. - BRELLA Sp. komandytowa	190	0	7	0	0	0	0	0	0
24	Optimus IC	291	0	0	0	0	0	0	812	0
25	MKF Sp. z o.o.	5	0	0	0	0	0	0	0	0
26	e-Card SA	163	2 763	3	210	0	0	0	71	0
27	Xtrade SA	60	298	3	31	0	0	0	0	0
28	BRELIM Sp. z o.o.	60	0	0	0	0	0	0	0	0
29	BMF Capital Sp z o.o.	24	0	0	0	0	0	0	0	0
30	BREL-AG. Sp. z o.o.	87	11 189	0	0	0	0	0	0	0
31	BREL-AL. Sp. z o.o.	83	15 574	0	0	0	0	0	0	0
32	BREL-FIN Sp. z o.o.	20	0	0	0	0	0	0	0	0
33	BRELINVEST Sp. z o.o.	19	0	0	0	0	0	0	0	0

Numerical data concerning transactions with affilaited entities (in thousand PLN) - 31 December 2004

No.	Company's name	Balance sheet		Income Statement				Off balance sheet		
		Receivables	Liabilities	Interest income	Interest cost	Commission income	Commission cost	Commitments granted	Commitments received	Purchase/Sale commitments
34	BREL-RES Sp. z o.o.	7 642	94 869	0	0	0	0	0	0	0
35	BREL-MAR Sp. z o.o.	128	20 332	0	0	0	0	0	0	0
36	Ravena Katowice Sp. z o.o.	18	0	0	0	0	0	0	0	0
37	TV-Tech Investment 2 Sp. z .o.o.	39	0	0	0	0	0	0	0	0

Numerical data concerning transaction with parent company (in thousand PLN) - 31 December 2004

1	CommerzBank A.G	12 358	916 571	203	9 442	0	0	123 042	95 916	14 875

Numerical data concerning transactions with affilaited entities (in thousand PLN) - 30 June 2004

No.	Company's name	Balance sheet		Income Statement				Off balance sheet		
		Receivables	Liabilities	Interest income	Interest cost	Commission income	Commission cost	Commitments granted	Commitments received	Purchase/Sale commitments
1	**BRE Bank SA**	**1 276 257**	**2 539 140**	**13 126**	**35 421**	**3 087**	**2 443**	**2 579 340**	**0**	**1 325 034**
2	BRE Corporate Finance SA	1 327	0	20	0	0	38	0	3 892	0
3	Dom Inwestycyjny BRE Bank SA	93 397	14 850	1 852	280	898	131	0	1 036	0
4	BRE International Finance B.V.	1 404 044	1 070	20 156	0	0	0	0	1 476 215	0
5	PTE Skarbiec Emerytura SA	15 652	14	65	2	0	4	0	0	0
6	Skarbiec Asset Management Holding SA	9 159	18	170	11	0	2 204	0	60 736	0
7	BRE Leasing Sp. z o.o.	19 627	127 929	307	1 872	1 545	370	0	0	281 113
8	RHEINHYP-BRE Bank Hipoteczny SA	52 702	448 181	446	2 893	0	96	0	0	1 043 921
9	TRANSFINANCE a.s	0	4 846	0	60	0	0	0	40 592	0
10	Polfactor SA	991	121 457	0	4 010	0	216	0	62 697	0
11	Intermarket Bank AG	0	45 422	0	312	0	0	0	0	0
12	Centrum Rozliczeń i Informacji CERI	8 381	31	127	0	0	0	0	0	0
13	Magyar Factor Rt.	0	0	0	0	0	0	0	0	0
14	BRE Finance France	910 326	0	12 209	0	0	0	0	908 440	0
15	TV-Tech Investment 1 Sp. z .o.o.	114	159 248	0	0	0	0	0	0	0

Numerical data concerning transactions with affilaited entities (in thousand PLN) - 30 June 2004

No.	Company's name	Balance sheet		Income Statement				Off balance sheet		
		Receivables	Liabilities	Interest income	Interest cost	Commission income	Commission cost	Commitments granted	Commitments received	Purchase/Sale commitments
16	Tele-Tech Investment Sp. z o.o.	773	53 121	8	2 587	0	0	0	3 743	0
17	BRE.locum Sp. z o.o.	953	38 293	17	988	0	28	0	21 500	0
18	AMBRESA Sp. z o.o.	312	0	1	0	0	0	0	0	0
19	ServicePoint Sp. z o.o.	235	0	1	0	0	0	0	0	0
20	FAMCO SA	2 886	0	12	0	0	0	0	0	0
21	Garbary Sp. z o.o.	5 052	0	1	0	0	0	0	0	0
22	BRELINVEST Sp. z o.o. Fly 1 Sp. komandytowa	1 347	0	4	0	0	0	0	0	0
23	BRELINVEST Sp. z o.o. Fly 2 Sp. komandytowa	1 343	0	2	0	0	0	0	0	0
24	AMBRESA Sp. z o.o. - BRELLA Sp. komandytowa	2 563	0	4	0	0	0	0	0	0
25	Optimus IC	81	0	0	0	0	0	0	0	0
26	Promes Sp. z o.o.	169	0	5	0	0	0	0	0	0
27	Billbird. SA	2 503	0	11	0	0	0	0	400	0
28	e-Card SA	24	2 650	2	97	0	0	0	89	0
29	Xtrade SA	8	281	1	14	0	0	0	0	0
30	BMF Capital Sp z o.o.	24	0	0	0	0	0	0	0	0
31	BREL-AG. Sp. z o.o.	71	11 602	0	0	0	0	0	0	0
32	BREL-AL. Sp. z o.o.	92	20 094	0	0	0	0	0	0	0
33	BREL-FIN Sp. z o.o.	27	0	0	0	0	0	0	0	0
34	BREL-RES Sp. z o.o.	4 630	134 684	0	0	0	0	0	0	0
35	BRELIM Sp. z o.o.	0	10 018	0	0	0	0	0	0	0
36	BREL-MAR Sp. z o.o.	265	82 448	0	0	0	0	0	0	0
37	Ravena Katowice Sp. z o.o.	18	0	0	0	0	0	0	0	0
38	TV-Tech Investment 2 Sp. z .o.o.	44	0	0	0	0	0	0	0	0

Numerical data concerning transaction with parent company (in thousand PLN) - 30 June 2004

1	CommerzBank A.G	3 988	245 141	117	4 363	0	0	106 362	123 792	6 745 086

5.24 Credit and Loan Guarantees, Other Guarantees Granted in Excess of 10% of the Equity

The Bank's exposure under extended guarantees in excess of 10% of the equity on 30 June 2005 related to four guarantees for the redemption of euronotes issued by order of BRE Finance France SA (issuer of euronotes), a 100% subsidiary of BRE Bank S.A. The first guarantee of EUR 200 million took effect in November 2003 and expires in November 2006. The second guarantee of EUR 225 million took effect in October 2004 and expires in 2007. The third guarantee of US$ 10 million took effect in December 2004 and expires in 2009. The fourth guarantee of EUR 200 million took effect in June 2005 and expires in 2008.

5.25 Other information which the issuer deems necessary to assess its human resources, assets, financial position, financial performance, and their changes, as well as information relevant to an assessment of the issuer's capacity to meet its liabilities

There is no such information.

5.26 Potential Factors Affecting Results in the Next 6 Months

Other than the day-to-day operations of the Bank, no events that might significantly affect the results for this period are expected to occur in the 2nd half of 2005.