REPORT OF THE MANAGEMENT BOARD

ON THE ACTIVITY OF

THE BRE BANK GROUP

IN H1 2003

Warsaw, September 2003

Contents

I. Factors and Events Affecting the Results of the Group in H1 2003

The consolidated result of the Group of BRE Bank SA (BRE Bank) was PLN 55.2 million in H1 2003, a dramatic improvement after the loss incurred in H1 2002 and throughout 2002.

The economy showed first signs of recovery in H1 2003; as a result, the financial standing of many companies stabilised and the Bank did not need to set up large additional provisions. The provisions created in 2002 were sufficient to cover the loan portfolio and the Bank released more provisions than it set up in H1 2003.

The Bank identified the reasons for last year's weak performance and took a range of far-reaching measures to restore profits satisfactory to the shareholders in 2003 and subsequent years.

These measures included the amendment of the credit and investment policies to make them more rigorous. The Bank's strategy was adjusted to make its business less sensitive to business cycles. The portfolio of proprietary investments was reduced (including disposal of Szeptel, Telbank, Polcard) and restructured (mainly the investment in ITI). In February 2003, the Bank executed agreements providing for the sale of Elektrim stocks. The transactions are presented at length in the section on Proprietary Investments. They helped to improve the results of this business and the overall profitability of the Bank.

The activity of the other business lines was enhanced. Corporate banking services focused on the acquisition of clients among small and medium-sized enterprises while the Bank's investment banking business consolidated its leading position in the money and debt markets.

Retail banking was growing very dynamically in H1 2003: both mBank and MultiBank received many awards and distinctions for their products, the quality of service, state-of-the-art technologies, and friendly customer service. Funds deposited by retail clients grew 30% to reach over PLN 2.5 billion in H1 2003. The retail loan portfolio grew fast and stood at PLN 539 million. mBank responded to clients' growing interest in investment funds by launching the Investment Fund Supermarket which offers shares in several funds and is available over the Internet.

The Bank reorganised and enhanced its operations by merging the IT Departments of mBank, MultiBank and BRE Bank and outsourcing some settlements with corporate and retail clients to the newly formed company CERI. Combined with the workforce restructuring initiated in H2 2002, this helped to cut down the Bank's headcount from 2,948 FTEs in December 2002 to 2,511 FTEs at 30 June 2003. The Bank's overhead costs were cut by over 6% year on year despite continued heavy investment in retail banking. The sales force of the corporate banking business is being restructured and integrated with the lending services.

The past six months were a good time for Group companies as reflected in the consolidated financial results. The asset management business developed by the Group for several years is becoming increasingly profitable : the Skarbiec Asset Management Holding earned an income of PLN 18 million and PTE Skarbiec-Emerytura PLN 16 million (before consolidation adjustments).

Thanks to increasing demand for mortgage loans, the loan portfolio of Rheinhyp BRE Bank Hipoteczny grew very fast: up 40% in H1 2003 compared to the end of 2002. Mortgage loans and housing loans are very popular among MultiBank clients.

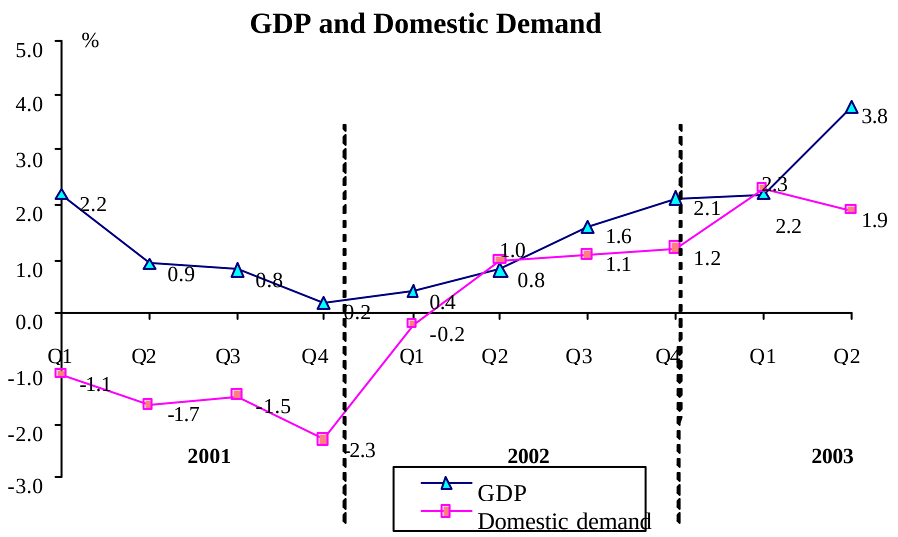
The factoring business was growing successfully, both in Poland and in the region, boosting the turnover and the results of the factoring subsidiaries: Intermarket Bank, Austria, Transfinance, Czech Republic, and Polfactor, Poland, as well as the newly acquired Magyar Factor, Hungary where the Bank holds 50% of shares as of early 2003.

BRE Bank's strategic partner Commerzbank has confirmed its trust in the Bank's huge potential for growth and good prospects of long-term co-operation by announcing its intention to raise its equity investment from the present 50% to 75%. The Banking Supervision Commission and the Securities and Exchange Commission gave their approval for the process in September 2003. Commerzbank's intention to increase its investment is best proof of BRE Bank's important role in Commerzbank's strategy in Central and Eastern European markets.

II. Developments in the External Environment

II.1. Macroeconomic Conditions

The symptoms of recovery in the Polish economy are growing stronger. The GDP growth rate was 3.8% in Q2 2003, compared to 2.2% in Q1 2003; GDP growth in H1 2003 was more than 3% higher than last year. Domestic demand grew by 2.3% in Q1 and 1.9% in Q2 year on year, both on the part of households and corporates.
It is estimated that GDP growth will be ca. 3.5% in 2003.



Positive macroeconomic trends include the following:

- Growth in industrial output continues month by month (it was 6.7% in H1 2003); those sectors where exports are strong (automotive, furniture, electromechanical industry) are growing the fastest;
- The output of the construction sector improved in Q2 2003, especially in housing construction;
- The financial standing of companies is gradually improving: two-thirds of listed companies (rather than one half, as was the case recently) reported profits; 60% of all corporates were profitable;
- Private consumption is on the increase;
- Exports grow: receipts in euros were up 5.2% year on year in H1 2003 while payments for imports fell 1.5%; as a result, the balance of payments for goods and the current account balance improved;
- Inflation is falling: the CPI was 0.8% year on year in June 2003.

Low inflation and lack of significant inflationary pressures in the short term encouraged the Monetary Policy Council to cut the interest rates six times in H1 2003. After the last June cut the rates were as follows:

		Cuts year to date:
• 28-day reference rate	5.25%	1.5 percentage points
• rediscounting rate	5.75%	1.75 percentage points
• Lombard rate	6.75%	2.0 percentage points.
• interest on banks' deposits with NBP	3.75%	1.0 percentage points.

The fx rate of the zloty was subject to strong volatility in H1 2003 and weakened by over 10% against the euro (moving from 4.02 to 1 EUR to 4.46 PLN to 1 EUR) while its rate against the US dollar was relatively stable (moving from 3.84 PLN to 1 US$ early in the year to PLN 3.90 to 1 US$ at the end of H1 2003). The fx rates were mainly affected by the rates of the euro to the dollar. The weakening of the zloty against the euro helped to grow exports in H1 2003.

II.2. Financial Situation in the Banking Sector in H1 2003

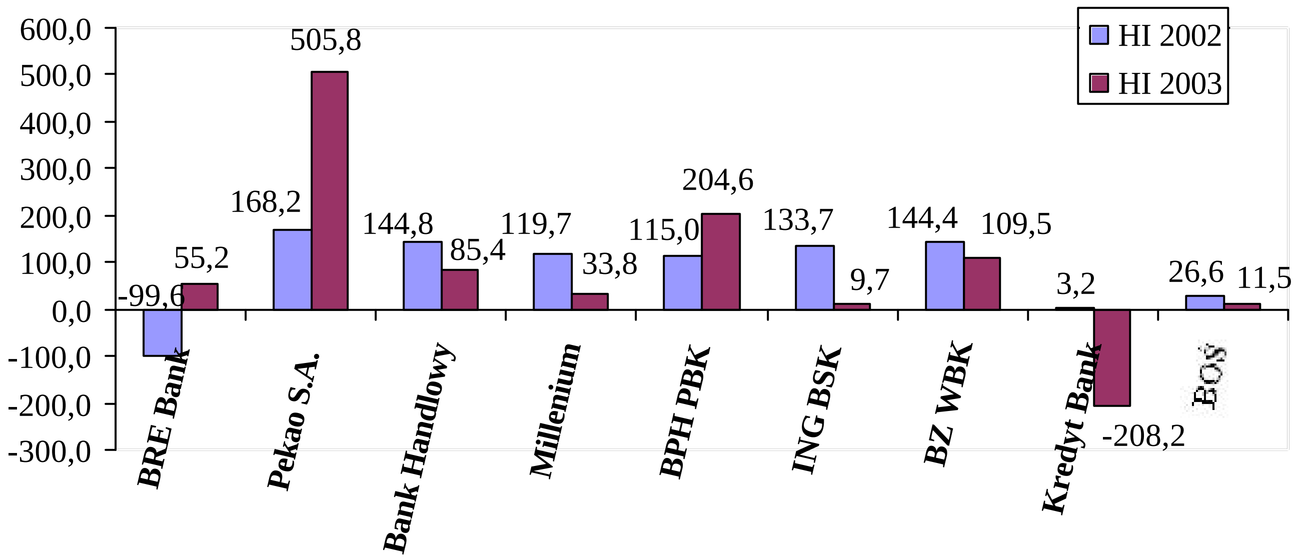
According to preliminary estimates of the central bank, the banking sector recorded the following trends:

- Deposits down by 0.8% (including corporate deposits up 2.7%, household deposits down 2.1%); while household deposits fell by ca. PLN 4 million, investment funds became increasingly popular: their assets were PLN 32 billion at the end of H1 2003, up PLN 10 billion year to date;
- Receivables up 3.8% (including corporate receivables up 3.5%, receivables from households up 4.8%);
- Bank's net profits at PLN 2.07 billion in H1 2003 were down 10.5% year on year.

The profitability of co-operative banks fell by nearly 50%. The profits of all commercial banks were down 6%. The results of the sector were crippled by bad loan provisions, falling interest rates, and weak growth of loan portfolios. Only mortgage loans remained popular with clients. The slump in interest income was partly set off by growing fee and commission income.
The fall in deposits and the slow growth in lending restrained growth in banks' total assets which increased only 0.8% year to date.

The consolidated results of major listed banks are presented in the diagram below. Except BRE Bank, only Pekao and BPH PBK improved their results year on year. Kredyt Bank incurred a high loss of PLN 208 million (following a PLN 415.9 million loss in 2002).

Results of Listed Banks, H1 2002 and H1 2003
[PLN M]



III. Organisation of the BRE Bank Group

III.1. Composition of the BRE Bank Group

BRE Bank operates in five core business areas:

- Investment banking;
- Corporate banking;
- Strategic investments;
- Proprietary investments;
- Retail banking and private banking.

The group of the Bank's subsidiaries and affiliates includes several strategic companies providing financial services and supporting the business lines of the Bank. Together with the Bank, they make up the BRE Bank Group. Depending on their business profile and client base, they are assigned to relevant business lines as shown in the table below.

The Bank

Investment Banking	Corporate Banking	Strategic Investments	Proprietary Investments	Retail Banking + Private Banking
Money markets	Large corporates			mBank
Capital markets	SMEs			MultiBank
Specialised finance	Foreign trade			Private banking
Custody				
Financial institutions				

Strategic Subsidiaries

Investment Banking	Corporate Banking	Strategic Investments	Proprietary Investments	Retail Banking + Private Banking
Dom Inwestycyjny	RHEINHYP-BRE	Skarbiec Asset	Tele-Tech	

BRE Banku SA (DI BRE Banku)	Bank Hipoteczny SA (RHB)	Management Holding SA (SAMH)	Investment Sp. z o o.	
BRE Corporate Finance SA (BCF)	BRE Leasing Sp. z o.o.	PTE Skarbiec Emerytura SA		
BRE International Finance B.V.	Intermarket Bank Group			

III.2. Consolidated Companies

Pursuant to the requirements of the Accountancy Act of 29 September 1994 (as amended), the Group comprises all subsidiaries important from the viewpoint of financial statements, other than those acquired with the sole purpose to be sold.

Pursuant to the requirements of the Regulation of the Minister of Finance dated 12 December 2001 concerning rules of drawing up consolidated financial statements of banks and consolidated reports of financial holdings, those subsidiaries which meet the criteria of classification as banks, credit institutions, or financial institutions in the sense of the Banking Law are covered by the consolidated financial statements using acquisition accounting.

As at 30 June 2003, BRE Bank held Elektrim stocks representing 20.3% of the share capital and votes; consequently, Elektrim SA was a subordinated company of the Bank under the Accountancy Act. As the Bank executed an agreement to sell the entire held package of stocks at a price higher than the cost (under the agreement, some stocks were sold on 22 July 2003), the stocks were stated at historical cost in the balance sheet and their valuation did not affect the income statement or the equity of the Bank. However, a valuation of forward contracts for the sale of the stocks was performed; its result added PLN 20.4 million to the result on financial transactions.

The list of companies consolidated using acquisition accounting as at 30 June 2003 was as follows:

1. BRE Bank S.A. – holding company
2. Dom Inwestycyjny BRE Banku SA (DI BRE Banku) – subsidiary
3. BRE Leasing Sp. z o.o. – subsidiary
4. BRE Corporate Finance S.A. (BCF) – subsidiary
5. RHEINHYP – BRE Bank Hipoteczny SA (RHB) – subsidiary
6. PTE Skarbiec-Emerytura SA – subsidiary
7. BRE International Finance B.V. – subsidiary
8. Skarbiec Asset Management Holding SA (SAMH) – subsidiary
9. Polfactor S.A. – subsidiary
10. Intermarket Bank AG – subsidiary
11. Transfinance a.s. – subsidiary
12. Magyar Factor Rt – subsidiary
13. Tele-Tech Investment Sp. z o.o. – affiliate.

The list of consolidated companies differs from that at 31 December 2002 and at 30 June 2002. BRE Private Equity S.A. and BRE Fundusz Kapitalowy Sp. z o.o., previously consolidated, are not on the list as they were sold in late 2002. Bank Czestochowa S.A. is not on the list as it was merged with BRE Bank on 28 February 2003. Instead of three companies: Skarbiec TFI S.A., Skarbiec Investment Management S.A. (formerly BRE Asset Management S.A.), and BRE Agent Transferowy Sp. z o.o., their holding company SAMH was consolidated as at 30 June 2003. One new company is on the list: Magyar Factor Rt where BRE Bank acquired 50% of shares in early 2003.

The different list of consolidated companies had its impact on the financial results presented in the balance sheet and the income statement; this should be borne in mind in any comparison of data.

III.3. Financial Data of Consolidated Companies

The table below presents stand-alone figures of the consolidated companies (PLN'000).

Company	Core business	BRE's Stake in Equity*/	Total Equity**/	Retained profit/loss of previous years	Stand-alone profit/loss of H1 2003	Assets
1. BRE Bank SA	Bank		1 646 334	-	54 003	25 564 806
2. DI BRE Banku SA	Brokerage	99.9997 %	31 126	(212)	319	118 236
3. BRE Corporate Finance SA	Consulting	99.9998 %	2 730	(397)	(108)	3 407
4. PTE Skarbiec-Emerytura SA	Pension fund	100 %	86 305	(72 289)	(7 090)	98 140
5. BRE International Finance BV	SPV	100 %	627	-	538	1 452 630
6. BRE Leasing Sp. z o.o.	Leasing	50,004 %	11 164	1 346	42	1 612 422
7. RHEINHYP-BRE Bank Hipoteczny SA	Bank	50 %	142 748	-	1 848	1 489 887
8. SAMH SA	Asset management	100%	129 140	(5 602)	(1 631)	129 867
9. Intermarket Bank AG	Factoring	54.84 %	88 566	36 534	6 997	565 263
10. Transfinance a.s.	Factoring	77.42 %	24 584	4 602	3 273	325 186
11. Polfactor SA	Factoring	77.42%	10 490	(1 764)	753	180 238
12. Magyar Factor Rt	Factoring	77.42	11 921	3 054	1 553	159 996
13. Tele-Tech Investment Sp. z o.o.	SPV	24.0%	(2 237)	(335)	(2 563)	97 433

The financial data are presented on the basis of companies' statutory reports. The data may differ from those comprised in the consolidated financial statements of BRE Bank.
*/ Direct and indirect holding
**/ Including the retained profit/loss of previous years and this year's profit/loss

IV. Financial Standing of BRE Bank and the Group in H1 2003

The data presented in the report as at 30 June 2003, 30 June 2002, and 31 December 2002 are comparable (other than due to changes in the structure of the Group in 2003).

Pursuant to the recommendations of NBP, the valuation of derivatives previously presented under "Other assets" is presented in this report under "Other securities and other financial assets." Likewise, pursuant to the recommendations of NBP, in the income statement, the result on the sale of subsidiaries previously presented under "Result on financial transactions" is now presented under "Income from stocks and shares, other securities and other variable income financial instruments." Respective adjustments were made in the data for all periods presented in the report.

IV.1. Change in the Assets of the BRE Bank Group

The total assets of the Group grew 6.0% in H1 2003 while the total assets of the Bank grew 2.9%. The change in the main assets of the Group are presented in the table below.

CONSOLIDATED ASSETS	30.06.2003		31.12.2002		Change
PLN'000	Amount	%	Amount	%	31.12.02 =100
Cash in hand and with the central bank	640 187	2.2%	365 819	1.3%	175.0%
Receivables from financial institutioms	3 972 325	13.7%	2 835 778	10.3%	140.1%
Receivables from clients and the public sector	13 397 183	46.1%	12 011 685	43.8%	111.5%
Debt securities	4 859 179	16.7%	5 155 445	18.8%	94.3%
Stocks and shares	157 880	0.5%	147 994	0.5%	106.7%
Other securities and other financial assets	2 801 033	9.6%	3 019 975	11.0%	92.8%
Intangible fixed assets	294 574	1.0%	305 590	1.1%	96.4%
Tangible fixed assets	903 773	3.1%	902 310	3.3%	100.2%
Other assets	364 126	1.3%	824 634	3.0%	44.2%
Accruals	993 638	3.4%	1 023 238	3.7%	97.1%
Other	707 131	2.4%	838 993	3.1%	84.3%
Total assets	**29 091 029**	**100.0%**	**27 431 461**	**100.0%**	**106.0%**

The main change in the assets includes:

- **Net receivables from clients and the public sector up 11.5%**, including up 2.1% at BRE Bank; their share in assets up 2.3 percentage points. **Mortgage loans** granted by RHB were the main driver of the growth, like in the entire sector. Mortgage loans were up nearly 40% year to date in H1 2003 and stood at PLN 1,390 million. Receivables also grew thanks to an 8% increase of receivables of BRE Leasing where financial leasing loans stood at PLN 1,431 million, and due to acquisition accounting consolidation of Magyar Factor Bank whose receivables portfolio was equivalent to PLN 150.2 million (after consolidation adjustments). The quality of the loan portfolio is discussed in the next section.

- **Receivables from financial institutions** up 40.1%, mainly due to the placement of additional funds in the interbank market. The funds were raised thanks to the Bank's extensive trading in sell-buy-back transactions with clients. These transactions grew the liabilities line "Liabilities under sold securities with a buy-back clause." The Bank's receivables from financial institutions grew 33% in H1 2003.

- The **debt securities portfolio** fell 5.7% in H1 2003 as the Bank reduced the portfolio of T-bills whose yields were less attractive.

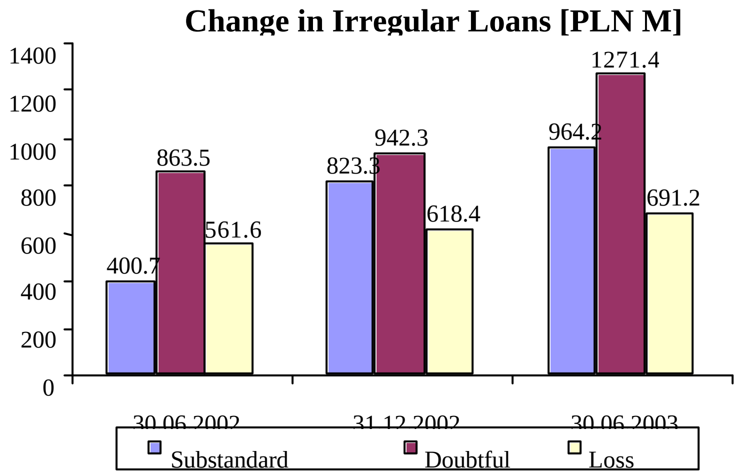
- The **portfolio of stocks and shares** up 6.7%, mainly due to the inception of CERI Sp. z o.o. with PLN 12.1 million in equity, although the Bank also disposed of some of its equity investments (see the section Financial Investments).

- **Other securities and other financial assets** as at 30 June 2003 also included the valuation of off-balance sheet derivatives (unrealised profits) previously recognised as settlements of transactions in securities and financial instruments; the data for previous periods are presented in a comparable format.

IV.2. Change in the Quality of the Consolidated Loan Portfolio

Gross loans (i.e., loans not net of provisions) to financial institutions and the public sector were up 10.8% in H1 2003 in consolidated terms. Regular loans were up 8.5%, watch loans up 1.8%, irregular loans up 22.8%. The table and the chart below present the change in the structure of loans.

Loans	06.2002	12.2002	06.2003
Regular	**79.7%**	**74.6%**	**73.0%**
Watch	**5.8%**	**5.0%**	**4.7%**
Substandard	2.8%	6.4%	6.8%
Doubtful	6.1%	7.4%	9.0%
Loss	4.0%	4.9%	4.9%
Total irregular	**12.9%**	**18.7%**	**20.7%**
Interest	**1.6%**	**1.7%**	**1.6%**



With the growth rate of loss loans similar to the growth rate of the entire portfolio, their share remained unchanged at 4.9%. Doubtful loans were the fastest growing category of irregular loans in H1 2003 (up 34.9%). The growth rate of substandard loans in H1 2003 was lower at 17.1%.

The share of irregular loans in the aggregate risk portfolio of BRE Bank and RHB including loans to banks and off-balance sheet items was 14.1%.

Importantly, default loans where the repayment of principal and interest is overdue for at least 90 days (according to the criteria used in most European countries) were only 4.4% of the aggregate portfolio of BRE Bank and RHB as at 30 June 2003.

The balance sheet provisions for loans of clients and the public sector were PLN 713.7 million as at 30 June 2003.

IV.3. Change in the Liabilities of the BRE Bank Group

The table below presents the change in the liabilities of the Group in H1 2003.

CONSOLIDATED LIABILITIES	30.06.2003		31.12.2002		Change
PLN'000	Amount	%	Amount	%	31.12.02 =100
Liabilities to financial institutions and the central bank	6 731 155	23.1%	7 154 095	26.1%	94.1%
Liabilities to clients and the public sector	10 602 236	36.4%	10 334 372	37.7%	102.6%
Liabilities under sold securities with a buy-back clause	2 664 674	9.2%	1 942 315	7.1%	137.2%
Liabilities under issued debt securities	2 363 587	8.1%	1 541 876	5.6%	153.3%
Other liabilities under financial instruments	2 233 392	7.7%	2 264 262	8.3%	98.6%
Subordinated liabilities	1 154 141	4.0%	1 041 213	3.8%	110.8%
Equity*/	1 588 081	5.5%	1 962 222	7.2%	80.9%
This year's net profit (loss)	55 175	0.2%	380 916	1.4%	14.5%
Other liabilities	1 698 588	5.8%	1 572 022	5.6%	108.1%
Total liabilities	**29 091 029**	**100.0%**	**27 431 461**	**100.0%**	**106.0%**

The main change in the liabilities of the Group includes:

- **Liabilities to financial institutions down 5.9%**, partly set off by **liabilities to clients and the public sector up 2.6%**; at BRE Bank, the growth was due to increasing liabilities to retail client which grew ca. PLN 581 million and reached over PLN 2.5 billion in H1 2003. The growth in client deposits in the Group was due to the acquisition accounting consolidation of Magyar Factor Bank, Hungary, as of 2003, as well as higher liabilities to clients at Intermarket Bank.

- Growing importance of **debt issues** as a source of financing. The majority of the debt (PLN 1,450.9 million, or PLN 1,368.2 million after consolidation adjustments) consists of euronotes issued by the special-purpose vehicle BRE International Finance in 2000 – 2001, but the Bank and its subsidiaries made new issues in H1 2003. BRE Bank continued the PLN 1 billion issue programme of certificates of deposit and/or bonds initiated in 2002. The issues accounted for PLN 225.9 million in the Bank's liabilities as at 30 June 2003, compared to PLN 25.3 million at 31 December 2002. Among the subsidiaries, RHB was the most active issuer with a portfolio of PLN 752.7 million, including PLN 218.7 million in bonds and PLN 528.1 million in mortgage bonds. Debt issues were also reported in the H1 2003 stand-alone statements of BRE Leasing (PLN 71.1 million or PLN 38.0 million after consolidation adjustments), Polfactor (PLN 29.9 million or PLN 0 million after consolidation adjustments), and TeleTech Investment (PLN 65.5 million or PLN 0 million after consolidation adjustments).

- **Subordinated loans** are another important source of financing in the Capital Group. Their balance sheet value was PLN 1,154.1 million as at 30 June 2003 (including PLN 1,114.6 million at BRE Bank), up 11% year to date. In fact, the growth was mainly due to the appreciation of the euro, the currency of BRE Bank's loan. The subordinated loans disclosed in the consolidated financial statements include a loan used by RHB (PLN 70.4 million, including PLN 30.8 million excluded in consolidation adjustments).

IV.4. Shareholders and Equity

Commerzbank AG was the main shareholder holding 50% of BRE Bank shares as at 30 June 2003. The pension fund Commercial Union Powszechne Towarzystwo Emerytalne BPH CU WBK also crossed the 5% mark and held 6.17% of BRE Bank shares as at 30 June 2003..

Commerzbank has applied for permission to increase its stake in the capital and votes at the General Meeting of BRE Bank from the existing 50% to 75%. On 11 September 2003, the Banking Supervision Commission (KNB) granted it the permission to exercise over 66% but not more than

75% of votes at the General Meeting. The Securities and Exchange Commission (KPWiG) gave its permission on 15 September 2003.

As at 30 June 2003, the **equity** of the Group and the Bank (including the retained profit/loss of last year and the profit/loss of this year according to the format required in KPWiG reporting) was up ca. 4% year to date. The structure changed: reserve capitals went down (Bank's reserve capitals down PLN 608.0 million, the Group's reserve capitals down PLN 612.7 million) as they were used to cover the 2001 and 2002 losses; last year's losses were replaced by profits. The revaluation reserve also grew.

	Bank		Group	
	30.06.2003	**31.12.2002**	**30.06.2003**	**31.12.2002**
Share capital	91 882	91 882	91 882	91 882
Supplementary capital	748 739	748 738	656 365	659 013
Revaluation reserve + fx differences*/	6 788	3 045	7 738	8 994
Other reserve capital	744 922	1 352 915	745 618	1 358 267
Profit/loss of previous years		228 772	86 478	137 946
Equity excl. this year's profit	1 592 331	1 961 718	1 588 081	1 962 222
Net profit/loss	54 003	379 221	55 175	380 916
Equity incl. this year's profit (book value)	**1 646 334**	**1 582 497**	**1 643 256**	**1 581 306**
Part of the subordinated loan included in own capital for the calculation of the solvency ratio	719 595	754 789	702 020	754 789
Subordinated loan – balance sheet value	**1 114 591**	**1 005 524**	**1 154 141**	**1 041 213**

*/ from the conversion of subsidiaries

It should be borne in mind that the Bank's equity includes a subordinated loan which will remain in its liabilities until 2012. Although only a part of the loan (PLN 719.6 million, i.e., 50% of first-tier capital less intangible fixed assets) is included in the calculation of own capital for the sake of the solvency ratio under the NBP methodology but the entire subordinated loan serves as quasi-equity.

Own capital of BRE Bank, a figure calculated for the sake of the solvency ratio (first-tier and supplementary capital less intangible fixed assets and equity investment in financial companies plus the subordinated loan), were **PLN 1,791.4 million** as at 30 June 2003, much more than the total capital requirement (capital required to cover 8 different risks of the banking business) which was PLN 1,285.2 million at 30 June 2003. The solvency ratio was at a safe 9.54%, compared to 8% required under the Banking Law.

The **consolidated own capital of the BRE Bank Group** was PLN 1,677.6 million, and its solvency ratio was 8.88%.

IV.5. Growth in Off-Balance Sheet Items

The high value of off-balance sheet items of the Group (PLN 184,910 million) is due to BRE Bank's very active role on the market of PLN derivatives. The range of such instruments is broad, including fx forwards, fx options, interest rate options, FRA (Forward Rate Agreements), IRS (Interest Rate Swaps). In addition, the Bank is active on the interbank market of fx swaps. Despite the high growth in notional amounts of off-balance sheet transactions, it must be stressed that the risks of such instruments are monitored and managed on a permanent basis.

Given the growing scale of transactions in derivatives and the rules of their presentation (both "amounts to be paid" and "amounts to be received" are presented for spot, forward, and swap transactions), the nominal value of BRE Bank's transactions is very high: PLN 177,876 million as at 30 June 2003 (up 2.6% in H1 2003). Importantly, the nominal value of the transactions does not reflect the actual risks of derivatives. The risk is reflected in the balance sheet as estimated fair value.

IV.6. Financial Results of BRE Bank and the Group in H1 2003

The profit and loss account of the Bank and the Group for H1 2003 and comparable data for H1 2002 are shown in the table below.

P&L Main Lines	**Bank**		**Group**	
PLN M	H1 2003	H1 2002	H1 2003	H1 2002
Net interest income	98	140	157	179
Net commission income	90	85	124	109
Result on financial transactions	65	73	75	35
FX result	88	194	68	173
Result on banking operations	**352**	**371**	**432**	**434**
Net other operating income and costs	21	8	61	34
Bank's overheads	206	221	306	326
Depreciation	68	61	77	71
Net provisions	11	106	4	122
Gross profit	111	26	100	58
Income tax	32	26	38	23
Share in profits of subsidiaries	-24	-99	-2	-61
Net profit	**54**	**-100**	**55**	**-99**

As was mentioned in the Introduction, both stand-alone and consolidated results of H1 2003 were much better than in H1 2002. The Bank's net profit was PLN 54.0 million and the net profit of the Group was PLN 55.2 million, in contract to last year's losses. These results were due to the following:

- High **profits on financial transactions** thanks to growing valuation of securities marked for trading at PLN 38.6 million (including PLN 20.4 million valuation of the forward sale of Elektrim stocks and an additional PLN 10 million of valuation of ITI bonds in connection to agreements with the holding, see section V.3.2). The valuation of derivatives added PLN 35.4 million to profitability.

- **More provisions were released than set up**, another important reason for improved performance. High provisions set up last year were the main reason for weak performance in 2002. Provisions set up in H1 2003 were PLN 111.3 million at the Bank and PLN 136.0 million in the Group; provisions released were PLN 123.0 million at the Bank and PLN 140.1 million in the Group. Since some ITI bonds acquired directly from the issuer are treated as receivables from clients under KPWiG reporting requirements, PLN 16 million of provisions were released due to improved quality of the Bank's loan portfolio. The restructuring of ITI debt added PLN 26 million to the Bank's profitability in H1 2003.

- **Improving share in the profit/loss of subsidiaries subject to equity accounting valuation:** although still in the red, it is not a great burden to the results of the Bank and the Group, unlike last year. This is due to the reduction and restructuring of BRE Bank's portfolio of stocks and shares (disposal of companies which crippled last year's results, including BRE Fundusz Kapitalowy; merger with Bank Czestochowa) and the improving financial standing of subsidiaries (lower losses of subsidiaries, e.g., PTE Skarbiec Emerytura incurred a loss of PLN 7 million, compared to PLN 13.4 million last year; all factoring subsidiaries improved their results).

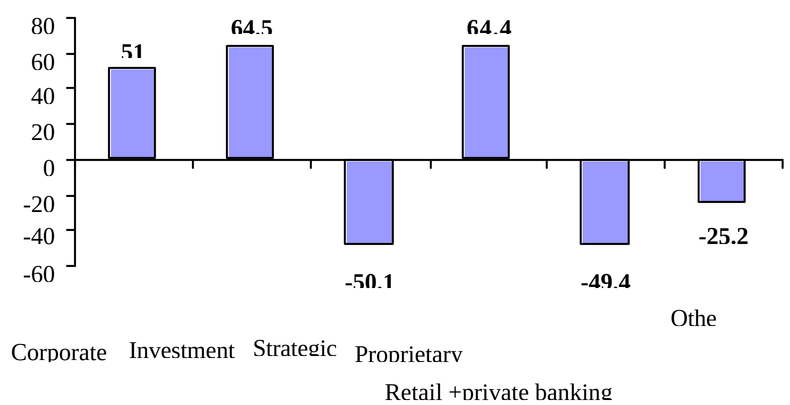
- **Interest income went down** due to interest rate cuts and squeezed interest margins: the net interest income was down 11.9% in the Group and down 30.3% at the Bank. The lower net interest income was triggered by ten cuts of the main interest rates which were reduced by 425 basis points (rediscounting and Lombard rate) and 325 basis points (reference rate) after 30 June 2002. As a result, market interest rates fell: WIBOR went down from 8.79% as at 30 June 2002 to 5.32% at 30 June 2003. The market US$ rates were also down: 6M LIBOR fell from 1.96% to 1.12% over the past 12 months. Growth in deposits and lending did not make up fully for the reduction of the interest rates.

- **Net commission income** was up 13.9% in the Group and up 6.9% at BRE Bank (higher front-up fees on loans, transfer fees, credit card fees). Fee and commission income of subsidiaries also grew in Intermarket (PLN 10.1 million), Transfinance (PLN 7.0 million), DI BRE Banku (PLN 6.6 million), RHB (PLN 4.2 million).

- Lower **fx income** at PLN 88.3 million including PLN 36.5 million of fx margins on foreign trade transactions and PLN 51.8 million of fx gains. Of the latter, the major item were gains on swaps at PLN 45.3 million; this is in fact interest income and as such is part of the calculation of the interest margin. However, due to squeezed interest spreads, the scale of these transactions was much smaller and the revenue only one half of last year's.

The chart below presents the profit of BRE Bank broken down by business line. The methodology of the allocation of the profit to the business lines and detailed data contained in the table "Reporting by BRE Bank Group Business Segment, 01.01.2003 – 30.06.2003" are described in the Notes to the Financial Statements.

Profit of the BRE Bank Group by Business Line
[PLN M]



IV.7. Main Ratios as at 30 June 2003

	Bank	Group
ROE	6.6 %	6.9%
ROA	0.5 %	0.4%
Cost/income ratio	73.4 %	77.7%
Interest margin	1.1 %	0.9%
Solvency ratio	9.54%	8.88%

- ROE and ROA based on annualised H1 2003 profit (i.e. twice the H1 2003 profit).
- Interest margin is the annualised H1 2003 interest income and the annualised swap income to average assets at the end of Q1 and Q2 2003.
- Cost/income ratio is the Bank's overheads and depreciation to the result on banking operations plus net other operating income and costs of H1 2003.
- Solvency ratio as at 30 June 2003.

V. Development of the Business Areas of the BRE Bank Group in H1 2003

V.1. Investment Banking

Investment Banking comprises money markets, capital markets, derivatives, debt issues, custody, financial institutions, and specialised finance. Like in 2002, Investment Banking was the most profitable business of the Bank. The main sources of revenue included fx gains and the valuation of derivatives, as well as interest income. The profit of the business line was PLN 64.5 million in H1 2003.

The major business developments of H1 2003 include:

- New issues of short-term debt securities, including new programmes: a PLN 500 million West LB Bank Polska programme and a PLN 200 million Prokom Software programme; as a result, the Group moved to the second position in the market (debt stood at PLN 1,776.7 million as at 30 June 2003, a 15.1% market share); it also ranked second in commercial papers with maturity over 1 year (debt at PLN 950.1 million) and third in municipal bonds (debt issued by BRE Bank SA for local governments was PLN 185 million); the Bank is a member of a consortium bidding for an issue of PLN 1.5 billion PKP bonds.
- Placement of the first public issue of PLN 200 million mortgage bonds under the PLN 500 million Rheinhyp – BRE Bank Hipoteczny S.A. Mortgage Bond Public Issue Programme. The bonds are listed on CeTO.
- Continued active role on the Polish money, fx, Treasury and derivative markets: first position among money market dealers in an NBP ranking in Q2 2003, third position among Treasury dealers in the ranking.
- Active role of Treasury dealer (status granted to the Bank in early 2003; the Bank came third in a Finance Ministry ranking in H1 2003).
- Inception of a new company BRE Finance France S.A. (equity EUR 225 thousand) to help the Bank issue a new tranche of euronotes under the EUR 1.5 billion Euronote Issue Programme approved in May 2001 (as amended). PLN 125 million notes under the Programme have so far been issued by BRE International Finance B.V., the Netherlands. Following amendments of tax regulations (concerning avoidance of double taxation), it is now more advantageous to issue the notes in France. The company was registered on 21 July 2003. It plans to issue notes in Q4 2003.
- Syndicated loan for BRE Bank: due to surplus subscription, the loan was EUR 250 million (rather than the planned EUR 200 million); twenty European and US banks participate in the consortium.

The loan bears interest at EURIBOR plus 0.40% p.a. and is due in one tranche in June 2006. The loan was used partly to repay another loan falling due in late June 2003 and partly to cover the Bank's current needs.

- BRE Bank committed PLN 100 million to a PLN 200 million syndicated loan for TP SA.

V.1.1. Brokerage - Dom Inwestycyjny BRE Banku S.A. (DI BRE Banku)

The company's core business is to provide services to retail and institutional clients interested to invest in securities and other financial instruments in Polish and foreign capital markets.

The company has a top position among brokerage houses in terms of the share in trading on the Warsaw Stock Exchange, including both stocks and forwards and futures. In H1 2003, the company came sixth with a 6.5% share in the equities market and tenth with a 3.5% share in the bond market. DI BRE Banku ranked third with an 11.3% share in the forwards and futures market.

The results of DI BRE Banku improved due to more favourable stock market conditions. The company reported a loss of PLN 2.4 million in 2002, including a loss of PLN 410 thousand in H1 2002; it made a profit of PLN 319 thousand in H1 2003.

V.1.2. Consulting - BRE Corporate Finance S.A. (BCF)

The core business of BCF is consulting including capital markets, restructuring and privatisation, mergers and acquisitions, and investment consulting.

BCF has a strong position in the consulting business. Since its inception, it has won the trust of Polish and foreign investors and financial institutions due to successful deals, privatisation projects, restructuring and investments. BRE Corporate Finance participated in the privatisation of leading companies in many sectors including metallurgy, spas, chemical industry, airspace and energy sectors. The company takes active part in consolidations in selected sectors.

The company reported a small loss of PLN 109 million in H1 2003, compared to a profit of nearly PLN 2 million in H1 2002.

V.1.3. BRE International Finance B.V.

BRE International Finance B.V. is a company established in May 2000 in the Netherlands to issue debt securities in the euromarket. The company has issued two tranches of euronotes guaranteed by BRE Bank SA totalling EUR 325 million: the first tranche of EUR 200 million was issued on 9 June 2000 and is redeemable on 9 June 2005; the second tranche of EUR 125 million was issued on 2 November 2001 and is redeemable on 2 November 2004.

In H1 2003, the company paid its bondholders interest of over EUR 5 million and generated a net profit equivalent to PLN 538 thousand.

V.2. Corporate Banking

The revenue of Corporate Banking mainly included fees and commissions, interest, and fx margins. The result on banking operations was however crippled with large specific provisions. The net profit generated in H1 2003 was PLN 51.0 million.

In the Corporate Banking business, BRE Bank has over the last years grown its share in services provided to small and medium-sized enterprises (SME). According to surveys published by *Gazeta Bankowa* No. 28/2003, the share of BRE Bank in the SME market grew from 2.6% in 1999 to 6% in

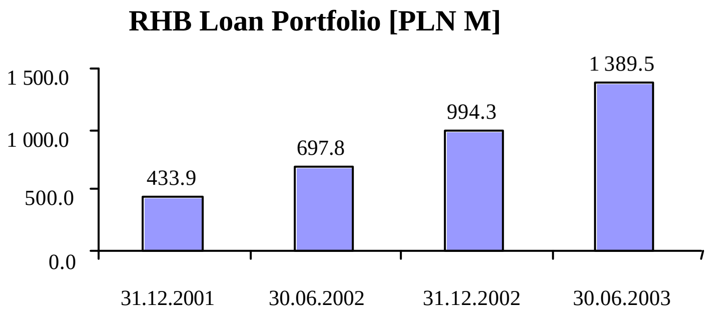
H1 2003. This impressive growth was possible due to the continually expanded SME product offer (product packages EFFECT and EFFECT Plus) now featuring new products offered by Group subsidiaries, such as leasing of vehicles (BRE Leasing) and investment in shares of investment funds (Skarbiec TFI).

The position of the Bank in foreign trade services improved. The share of BRE Bank in foreign trade transactions was 18.5% as at 30 June 2003, compared to 18% as at 31 December 2002; the transactions serviced were worth US$ 8.8 billion.

The Bank was preparing to reorganise the sales force and to integrate it with lending services; the process started in July 2003.

V.2.1. Mortgage Banking - Rheinhyp BRE Bank Hipoteczny S.A. (RHB)

Mortgage loans were the driver of growth in the loan portfolio in H1 2003, both in the entire banking sector and in the BRE Bank Group. They grew 39.7% at RHB. The growth rate of the portfolio is presented in the chart below.



RHB won the position of the leader in mortgage bond issues. It executed 9 issues of mortgage bonds totalling PLN 528.1 million. In April 2003, with the assistance of BRE Bank as Issue Arranger and Manager, RHB made the first public issue of PLN 200 million mortgage bonds under a PLN 500 million programme. The bonds are listed on CeTO.

RHB is a leading bank financing commercial real estate development projects; its position in housing loans improved significantly. In addition to the dynamic growth in its portfolio, the bank launched PLN and fx term deposits for retail and corporate clients as well as custody accounts for investors.

RHB generated a profit of PLN 1.8 million in H1 2003, compared to PLN 2.0 million last year.

V.2.2. Leasing - BRE Leasing Sp. z o.o.

The core business of BRE Leasing is to lease plant, machinery, vehicles, land, and real estate.

In H1 2003, the company executed leasing contracts worth PLN 356 million, a growth rate of 35% year on year (PLN 263 million in H1 2002); the growth rate of vehicle leasing was 82%. The company is restructuring its portfolio, moving from leasing of industrial plant and machinery to leasing of vehicles, especially passenger cars and vans in passenger car body. The company is able to process more contracts thanks to reorganisation of customer service and sales as well as modernisation of the IT system.

BRE Leasing is a leader on the Polish leasing market. It ranked third with assets leased at PLN 4,142 million in H1 2003.

The company reported a profit of PLN 42 thousand in H1 2003, compared to PLN 710 thousand last year.

V.2.3.Factoring – Intermarket Group

V.2.3.1. Intermarket Bank AG

Intermarket Bank AG is the leader in the factoring market in Austria (ca. 55% market share) and the largest factoring group in Central and Eastern Europe with its subsidiaries Transfinance a.s. (Czech Republic), Polfactor S.A. (Poland), Magyar Factor Rt. (Hungary), and Transfinance Slovakia a.s. (Slovakia).

The turnover of the company was equivalent to PLN 3.1 billion (EUR 694.0 million) in H1 2003, up 32% year on year.

Like in 2002, most transactions (63%) are finance factoring deals; 28% of transactions are full factoring services. International factoring, including export and import factoring, accounts for 9%.

The company reported a profit of PLN 7.0 million in H1 2003, up 39% year on year.

V.2.3.2. Transfinance a.s.

Transfinance a.s. is the leader in the Czech factoring market with a market share of ca. 30%. The company is the leader among the Intermarket Group subsidiaries. As Intermarket Bank acquired 67% of shares of Transfinance Slovakia a.s., the stake of Transfinance a.s. fell to 33%.

The company's turnover is growing dynamically: it was PLN 1.2 billion (EUR 258.0 million) in H1 2003, up 10% year on year. Domestic factoring accounts for most of the transactions (64%) while export factoring represents 25% and import factoring 7%.

The company made a profit equivalent to PLN 3.2 million (EUR 0.7 million) in H1 2003, compared to PLN 3.1 million last year. Transfinance has the strongest cost/income ratio in the Intermarket Group: 34%.

V.2.3.3. Polfactor S.A.

Polfactor SA is a leading Polish factor with a market share of ca. 10%. Its turnover grows dynamically and was PLN 499 million in H1 2003, up 29% year on year. The domestic market represents 83% of the turnover, import factoring accounts for 9% and export factoring for 8%; the share of export factoring is growing (4% at 30 June 2003). The company's profit improved in H1 2003 and stood at PLN 753 thousand, compared to PLN 504 thousand last year.

V.2.3.4. Magyar Factor Rt.

On 29 January 2003, BRE Bank SA paid Kereskedelmi es Hitelbank Rt. PLN 9.2 million for 50% of shares in Magyar Factor Rt., the leading Hungarian factor with a market share of ca. 38%. The remaining 50% of the shares are owned by Intermarket Bank AG.

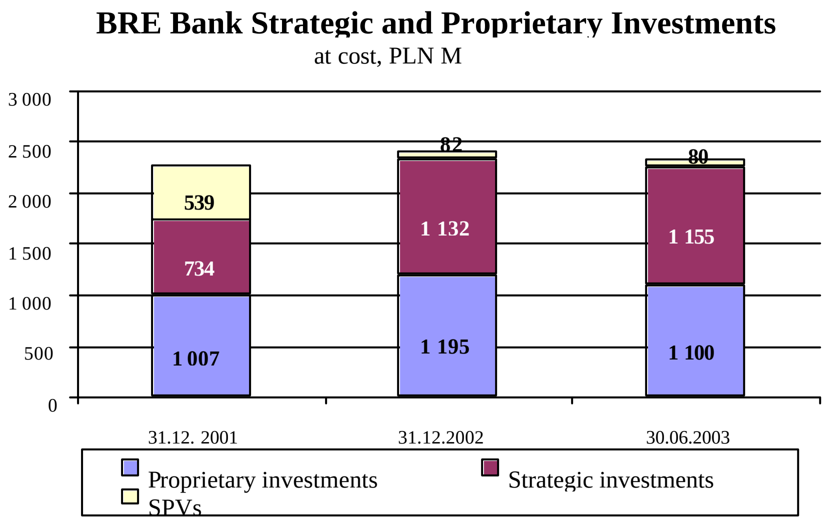
The turnover of the company is growing very fast, up 54% year on year in H1 2003, reaching the equivalent of PLN 560 million (EUR 125 million). The domestic market accounts for the major part of the transactions (86%) while export and import factoring represent 12% and 2% of the turnover respectively. The profit of H1 2003 was equivalent to PLN 1.6 million.

V.3. Financial Investments

BRE Bank has for years specialised in equity investment. This business now includes **Strategic Investments**, i.e., investment in financial service providers which support the Bank's business lines. These companies include a group of asset managers: SAMH with its subsidiaries and PTE Skarbiec-Emerytura.

Another business involves **Proprietary Investments**, i.e., investments in stocks, shares and other rights acquired with the intention to sell. Most of the portfolio is managed directly by the Bank, the rest by special-purpose vehicles. In 2002, this business proved to be very sensitive to business cycles and conditions in equity markets and, under the accounting rules applicable as of early 2002, it had a much stronger impact on the Bank's results and equity. Consequently, the Management Board made a strategic decision to reduce the portfolio. The measures are presented in section 5.3.2.

The chart below presents the change in Strategic Investments, Proprietary Investments, and SPVs in H1 2003.



The amount of investment of SPVs was significantly reduced: the Bank liquidated some SPVs by taking over their assets or selling them to third party buyers. Only two SPVs are still in operation: Ambresa and Tele-Tech Investment.

V.3.1. Change in Strategic Investments in H1 2003

The minor 2% growth in the strategic investment portfolio of BRE Bank in H1 2003 was mainly due to:

- registration of a PLN 14 million increase in the share capital of **PTE Skarbiec Emerytura** (140 thousand shares). As at 30 June 2003, the Bank held 8,516.2 thousand shares worth PLN 740.6 million at cost;
- acquisition of 50% of shares in **Magyar Factor** for ca. PLN 9.2 million; in January 2003, BRE Bank took up 200 shares in the Hungarian factor, arriving at 50% of its shares and votes.

On 1 March 2003, BRE Bank and **Bank Czestochowa** were merged. With the merger, BRE Bank took over all liabilities of Bank Czestochowa to its clients. Existing retail clients and small enterprises (self-employed individuals, civil partnerships, and some partnerships and companies under the commercial law) holding accounts with Bank Czestochowa were moved to MultiBank or BRE Bank.
The shareholders of Bank Czestochowa received 1 BRE Bank share for 20 Bank Czestochowa shares (BRE Bank bought BRE shares in the stock market).

A new company **Centrum Rozliczen i Informacji Sp. z o.o. (CERI)** with its registered office in Aleksandrów Lódzki was launched on 1 April 2003. It was formed on the basis of the existing Clearing Centre SYBIR. The company's equity is PLN 12.1 million. Its inception helped to reduce the BRE Bank headcount outside the core business by 458 persons. The company took over back office and clearing functions including:

- corporate services (among others, Automated Bills Processing + BRE Collect, settlements at the National Clearing Council in the paper system SYBIR – in and out and the electronic system ELIXIR – in, payer identification, postal orders – out);
- retail services (opening and operating accounts, handling loans, debt collection, fx services, filing, investment funds).

The net loss of the business in H1 2003 (PLN 50.1 million) was due to relatively high costs of financing strategic investments and the share in continuing losses of the subsidiaries.

V.3.2. Asset Management Subsidiaries

V.3.2.1. SKARBIEC Asset Management Holding S.A. (SAMH)

The year 2003 will be the first full calendar year of the company's business. The company runs a holding which centralises BRE Bank's asset management services. SAMH comprises the following companies:

Company	Business profile
Skarbiec TFI SA	Development of investment funds. In SAMH, the company is responsible for marketing new investment products and sales to corporate clients. The company operates under the provisions of the Investment Fund Law.
Skarbiec Investment Management SA (formerly BRE Asset Management SA)	Management of clients' securities portfolios. The company manages its clients' portfolios and provides management services to the funds developed by Skarbiec TFI as well as consulting services to PTE Skarbiec-Emerytura. The company operates under the provisions of the Securities Law and holds a licence issued by KPWiG.
BRE Agent Transferowy Sp. z o.o.	The company keeps registers of clients of pension funds and open-end investment funds. It provides services to Skarbiec TFI, OFE Skarbiec-Emerytura, TFI CAIB, Union Investments, DWS and Atut. The company offers accounting, clearing, back office and call centre services to SAMH subsidiaries and PTE Skarbiec-Emerytura.
Skarbiec Serwis Finansowy Sp. z o.o.	The company is responsible for the distribution of investment products among retail clients of the SAMH Group; it also provides marketing and promotion services to the Group.
Skarbiec Asset Management Holding SA	The holding company of the above mentioned subsidiaries, it owns 100% of their shares. It controls the capital group and is responsible for strategic marketing.

In H1 2003, in view of falling interest rates on bank deposits, the asset management market continued to grow dynamically. Assets under management (including assets of PTE Skarbiec-Emerytura at PLN 1,472 million and assets of FAMCO at PLN 46 million) were PLN 4,534 million at 30 June 2003, up 18.1% year to date.

Of the companies listed in the table, only Skarbiec Investment Management (SIM) is responsible for asset management. Of the PLN 4,534 million, SIM managed PLN 3,061 million (including assets of PTE Skarbiec-Emerytura at PLN 2,258 million), ensuring a 7% market share.

Skarbiec TFI is the fourth largest investment fund company with a share of 7.17% in total assets managed by investment funds. The company offers 13 investment funds, including 3 closed-end and 10 open-end funds.

SAMH reported a consolidated loss of PLN 1.6 million in H1 2003 mainly due to the depreciation of goodwill. The subsidiaries reported operating profits.

V.3.2.2. Powszechne Towarzystwo Emerytalne Skarbiec-Emerytura S.A. (PTE Skarbiec –Emerytura)

The company managed two open-end pension funds in early 2003: Skarbiec-Emerytura and {ego}. On 13 January 2003, the court registered the merger of the two funds. After the merger, OFE Skarbiec-Emerytura is the fifth largest market player in terms of the number of clients and assets under management. As at 30 June 2003, OFE Skarbiec-Emerytura had 684,987 clients, a 6% market share; PTE Skarbiec-Emerytura's net assets under management were PLN 1,427 million (4% market share), up 18% year to date and up 240% year on year. An increase of the share capital of the company was registered on 13 May 2003. The nominal value of the new shares fully taken up by BRE Bank SA was PLN 1.4 million, their issue price was PLN 14.0 million.

PTE Skarbiec-Emerytura is operationally part of Skarbiec Asset Management Holding SA. Combined with deep restructuring, this helped to achieve significant reductions of operating expenses. The company reported a net loss of PLN 7.1 million in H1 2003, compared to a loss of PLN 13.4 million last year.

V.3.3. Change in the Bank's Proprietary Investment Portfolio

Many measures were taken in H1 2003 in order to reduce the Bank's proprietary investment portfolio and to improve its quality. This was reflected in the results of this business: PLN 64.4 million in H1 2003.

The major transactions in this business include:

- Two agreements re. sale of **Elektrim** stocks signed with TCF Sp. z o.o. and Polsat Media on 6 February 2003. The transactions under the agreement with Polsat Media are planned to be closed in two tranches: the first was closed on 22 July 2003 (9.81% of share capital sold), the other was scheduled for September 2003. Following the transactions, the Bank will hold no Elektrim stocks. The planned capital gains on the transaction are PLN 20.3 million. The other agreement (with TCF Sp. z o.o.) provides for restructuring of a loan taken from BRE Bank and secured with Elektrim stocks. All loans secured with Elektrim stocks were repaid. The agreement also provided for the sale of stocks in three tranches, of which the first tranche was closed.
- Disposal of all held **Szeptel** stocks (2,115.3 thousand stocks) at a capital loss of PLN 60 million; at the same time, PLN 61.8 million of provisions were released and the result on the sale was PLN 1.8 million;
- Disposal of 167.8 thousand **BPT Telbank** stocks with the nominal value of PLN 200 per stock, representing 25.52% of the share capital. The financial result of the transaction (including income under an option) was PLN 15.4 million;
- Disposal of 200 **Polcard** stocks for PLN 1.5 million at a capital gain of PLN 1.1 million.

On 2 March 2003, the Bank executed a preliminary agreement, and on 20 June 2006, a final agreement concerning the restructuring of long-term debt of **ITI Holdings SA**. The debt of the company will be reduced through the conversion of its existing bonds with a total nominal value of US$ 84,450 thousand. Bonds worth US$ 42.5 million will be converted into 10% of shares in TVN Sp. z o.o. and bonds worth US$ 41.95 million into:

- short-term bonds issued by a subsidiary of ITI Holdings SA, maturing in December 2003, June 2004, December 2004, June 2005, guaranteed by ITI Holdings SA;
- long-term bonds issued by a subsidiary of ITI Holdings SA as a part of a new issue of long-term bonds with a maturity of 4 years, secured with shares of TVN and guaranteed by ITI Holdings SA.

ITI Holdings SA and its subsidiary will issue for BRE Bank SA and other investors short-term bonds with a total value of US$ 17 million and long-term bonds with a nominal value of US$ 50 million secured with 8.75% of shares of TVN Sp. z o.o.

The transaction will reduce the investment in the debt of the ITI Holdings Group and improve the risk profile. All conditions precedent set by the parties to the transaction, including the approval of relevant authorities of BRE Bank SA and ITI Holdings SA, should be fulfilled in late September or early October 2003.

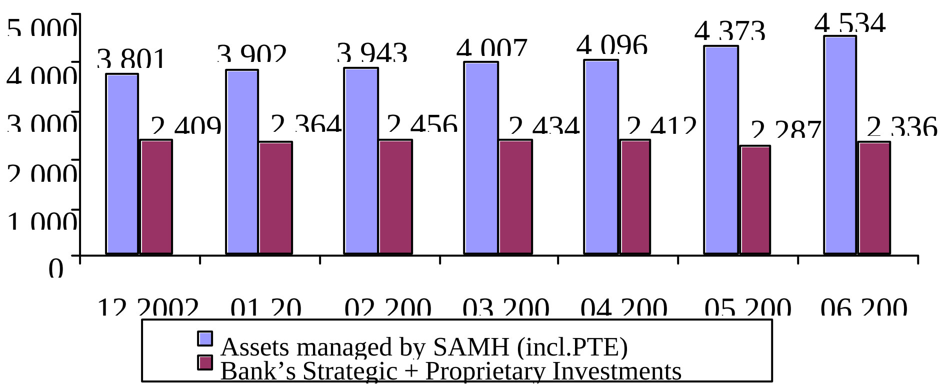
Under an agreement dated 31 October 2002 between BRE Bank and ITI Holdings SA, the Bank agreed to buy 1,393.2 thousand **Optimus** stocks for PLN 29,250 thousand in two packages of 696,605 thousand stocks each. The first package was bought for PLN 14.6 million in April 2003. The Bank was relieved from the obligation to buy the other package as its major part was acquired by another buyer and the remaining stocks were sold on the market. At the same time, the Bank twice sold the company's stocks in H1 2003. As a result, the Bank held ca. 2.7 million stocks representing 28.55% of the share capital of Optimus as at 30 June 2003.

In addition, the Bank bought 2,064 thousand stocks (16% of the share capital) of **Optimus IC SA** (a producer of cash registers) directly from Optimus SA for PLN 7.8 million. The Bank bought another 2,214.9 thousand stocks (17.17% of the share capital) indirectly through the special-purpose vehicle Tele-Tech Investment for PLN 8.4 million. This is a short-term investment of the Bank.

The chart below presents the portfolio of proprietary and strategic investments compared to the assets managed by SAMH (including PTE).

Assets Managed by BRE and SAMH

PLN M



V.3.4. TeleTech Investment Sp. z o.o.

The core business of the company includes:
a/ to invest in securities and to trade in securities,
b/ to make securities transactions on its own account,
c/ to manage controlled companies,

d/ to provide business and management consulting.

The balance sheet value of the company's portfolio was PLN 90 million as at 30 June 2003, PLN 76.4 million at cost. It comprised shares in 11 companies as well as bonds of Autostrada Wielkopolska. In H1 2003, the company reported a loss of PLN 2.5 million, compared to a profit of PLN 1.2 million a year earlier.

V.4. Retail Banking and Private Banking

The retail banking and private banking business reported a loss of PLN 49.4 million. The profit on banking operations was PLN 32.9 million but the business incurred a net loss due to high operating expenses. mBank is expected to break even in early 2004 and MultiBank one year later.

V.4.1. Dynamic Growth of mBank

mBank won 105.7 thousand new clients in H1 2003 and had a total of 435.4 thousand clients who deposited PLN 2,240 million (up 22.5% year to date) in 525.4 thousand accounts as at 30 June 2003. The Investment Fund Supermarket launched in January 2003 was very popular with clients who invested ca. PLN 150 million. mBank started to sell credit cards in May. All credit products sold (overdraft, eKONTO revolving loans, mPlan – mortgage loans with a balancing mechanism, credit cards) amounted to ca. PLN 120 million.

V.4.2. MultiBank

MultiBank had 86.6 clients as at 30 June 2003, twice the number at 31 December 2002. It had 68.3 thousand accounts, including 13.4 thousand accounts taken over from Bank Czestochowa. Deposits totalled PLN 301.0 million and loans PLN 418.6 million.

MutliBank's innovative products "Financial Plans" (which combine current accounts, deposits and loans) attracted 4,169 credit applications totalling PLN 708.2 million as at 30 June 2003, of which PLN 425.7 million of loans were granted (loans paid out were PLN 300.1 million).

The development of the core branch network is now complete (there are 34 branches). Given strong interest in the service, work is underway on a complementary network of partner branches is smaller cities (4 pilot outlets are operational).

Total client deposits of mBank and MultiBank were PLN 2,541 million as at 30 June 2003, up 30% year to date.

V.4.3. Private Banking

Private banking clients were actively investing in H1 2003. Their funds totalled PLN 3,684.0 million as at 30 June 2003, up almost 3% year to date. Funds in accounts and deposits fell 8.3% to PLN 1,974.3 million while portfolio investments increased considerably by 18%, including: foreign debt securities (33.9% of all investments), shares in funds of Skarbiec TFI (32.4%), assets managed by Skarbiec Investment Management (16.9%), and Polish debt securities including sell-buy-back transactions (16.8%). Private banking loans were PLN 451.1 million compared to PLN 567.4 million at 31 December 2002.

VI. Change on the Supervisory Board and the Management Board of BRE Bank

The Sixteenth General Meeting of Shareholders held on 21 May 2003 increased the number of Supervisory Board Members from nine to ten. Following the resignation of Mr Alberto Crippa from the Supervisory Board, two new Members were elected: Mr Michael Schmidt and Mr György Suranyi. The Supervisory Board consists of:

1. Mr Krzysztof Szwarc – Chairman of the Supervisory Board, Chairman of the Executive Committee
2. Mr Andreas de Maiziere – Deputy Chairman of the Supervisory Board, Deputy Chairman of the Executive Committee
3. Mr Jan Szomburg – Member of the Supervisory Board, Member of the Executive Committee
4. Mr Nicolas Teller – Member of the Supervisory Board, Member of the Executive Committee
5. Mr Gromoslaw Czempinski – Member of the Supervisory Board
6. Mr Christian R. Eisenbeiss – Member of the Supervisory Board
7. Mr Andrzej Ksiezny – Member of the Supervisory Board
8. Ms Teresa Mokrysz – Member of the Supervisory Board
9. Mr Michael Schmid – Member of the Supervisory Board
10. Mr György Suranyi – Member of the Supervisory Board

The Supervisory Board in its resolution dated 21 May 2003 appointed a new Management Board of the Bank for a joint term of 5 years, including:

1. Mr Wojciech Kostrzewa – President of the Management Board, General Director
2. Mr Anton M. Burghardt – First Deputy President of the Management Board, Head of Investment Banking
3. Mr Krzysztof Kokot – Deputy President of the Management Board, Head of Corporate Banking
4. Mr Slawomir Lachowski – Deputy President of the Management Board, Head of Retail Banking
5. Ms Alicja Kos-Golaszewska – Member of the Management Board, Head of Communications
6. Mr Wieslaw Thor – Member of the Management Board, Head of Risk Management.

VII. Corporate Governance

The Supervisory Board and the Management Board of BRE Bank adopted a joint resolution concerning corporate governance which came into force on 30 June 2003. The resolution accepted all 53 rules of corporate governance (with provisos for 2 rules concerning independent Members of the Supervisory Board and proceeding with issues on the agenda of the General Meeting, where partial compliance is declared for procedural reasons) set out in The Best Practices of Public Companies 2002 adopted by the Board of the Warsaw Stock Exchange as the core principles of business ethics to be followed by listed companies.

In its work on the adoption of the rules of corporate governance, the Bank started to amend its internal documents which regulate the work of the Bank's authorities (new rules of the Supervisory Board and the Management Board as well as Standing Rules of the General Meeting were elaborated), adjusting relevant procedures to the requirements of corporate governance proposed by the Warsaw Stock Exchange.

BRE Bank's wide adoption of the rules of corporate governance should encourage existing and prospective investors to buy BRE Bank stocks. Declared full compliance with business ethics, including inherent respect for the rights of all shareholders and compliance with a universal code of ethics, ascertains the Bank's long-time policy of transparency in business operations.

VIII. Change in Financial Rating

All but one of the Bank's ratings remained unchanged in H1 2003. **Fitch Ratings** which changed its rating methodology informed the Bank of change of its support rating from "3" to "2" in the new scale running in descending order: 1, 2, 3, 4, 5. In practice, the rating remains the same. The support rating is the estimated probability of external support to be extended by the State or the institutional owner.

The agency upheld its other ratings, including:

- Long-term rating BBB+ (goof loan quality, low expected credit risk, adequate capacity to repay financial liabilities timely, though it can possibly be weakened by unfavourable change in circumstances or economic conditions);
- Short-term rating F2, the second best rate on a scale of six, stands for good loan quality, satisfactory capacity to repay liabilities timely;
- Individual rating C/D, which means that the Bank has internal and/or external weaknesses;
- Stable long-term rating outlook.

In January 2003, **Moody's** changed the rating of debt securities issued by **BRE International Finance BV** (a 100% owned subsidiary of BRE Bank) under the euronotes issue programme guaranteed by the Bank:

- for ordinary debt from A3 to Baa1 (from grade 7 to 8 on a scale of 21);
- for subordinated debt from Baa1 to Baa2 (from grade 8 to 9 on a scale of 21).

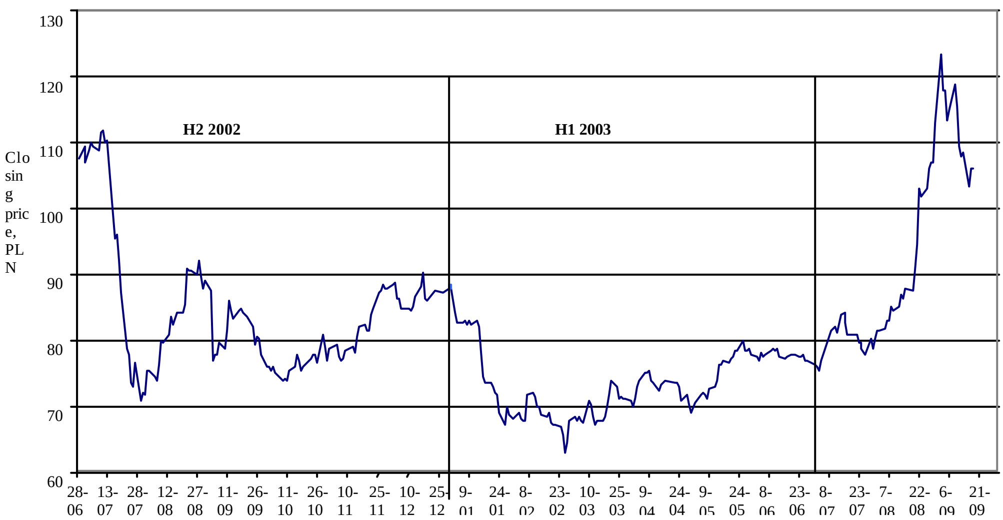
BRE Bank's deposit and debt rating remained unchanged:

- Long-term deposit rating Baa1 (fourth best grade on a scale of 10);
- Debt (short-term deposit) rating Prime –2 (second best grade on a scale of 4);
- Financial strength D- (on a scale from A to E);
- Stable outlook of financial strength.

IX. Bank Stock Performance

The BRE Bank stock prices fell after the last session in 2002 (PLN 88) by 13.1% in H1 2003 to PLN 76.5 as at 30 June 2003. In that period, the WIG index grew 11.3% but the WIG-Banks index fell 2.6%. Importantly, the Bank's stock price started to grow in late February 2003; the upward trend continued into September 2003 when the price reached PLN 123.5. The chart below presents BRE Bank's stock performance.

BRE Bank Stock Price, 30.06 2002 – 21.09.2003



X. The Outlook of the Bank and the Group

In the light of the results of H1 2003 and in view of improving conditions in the Polish economy, the results of BRE Bank and the Group are projected to be strong in 2003.

Retail banking will grow the fastest: dynamic growth in deposits will be accompanied by fast growth in the loan portfolio thanks to new credit products and attractive terms of lending. Mortgage loans offered to retail and corporate clients, mainly by RHB, are expected to keep growing.

Corporate banking will remain the core business of the Bank. The Bank will also take a range of measures to grow its corporate banking income by:

- growing the SME client base by selling standard products, also via the internet portal;
- enhancing sales – more incentives and better organisation of the sales force to be integrated with the lending staff;
- changing the product offer – giving easy access to selected products, growing the share of complex products, cross-selling combined with financing.

Action taken to grow the business will be accompanied by strict cost controlling and rationalisation, both with regard to payrolls and other costs.

The Bank is optimistic about the future in terms of provisioning against loans: the provisions set up in 2002 and H1 2003 fully cover respective receivables and there seems to be no major threat ahead.

Improving results of the subsidiaries are very promising. Once they break even, their contribution to the results of the Group will increase. Moreover, mBank is approaching the break-even at the turn of the year while MultiBank is expected to be in the black one year later.

In view of the changing behaviour of clients who are increasingly interested in asset management services and shares in investment funds, the subsidiaries of the Skarbiec Assets Management Holding have good prospects of growth. Fast growth of their business and revenue will be helped by a new law on individual pension savings accounts.

The shareholders appreciate BRE Bank's good outlook: the Bank's stock price grew from PLN 76.5 in H1 2003 to over PLN 100 in September 2003.

The most spectacular proof of trust in the future of the Bank came with the decision of the strategic partner Commerzbank AG to increase its equity investment in BRE Bank, signalling Commerzbank's strong interest in long-term presence in the Polish market. BRE Bank is the largest investment of Commerzbank in Central Europe. The planned increase of the equity investment ascertains BRE Bank's growing role in Commerzbank's plans which will draw on the extensive experience of BRE Bank in the markets of Central and Eastern Europe. BRE Bank is appreciated by its strategic partner thanks to close contacts with eastern neighbours and the development of a leading European factoring group based on Interbank Market AG, Austria, including market leaders in Austria, Hungary, the Czech Republic, Slovakia, and Poland.

BRE Bank believes that with increased equity investment of Commerzbank, close co-operation of the two banks started almost a decade ago will enter a new successful stage. It is the priority of the Management Board of BRE Bank to ensure stable organic growth of the Bank in the nearest future in order to grow its shareholder value and restore above-average profits compared to the Polish banking sector.