Notes to the Consolidated Financial Statements

1. Information concerning the Group of BRE Bank S.A.

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 S.A., which is a joint stock company registered in Poland.

The head office of the Bank is located in Warsaw at No 18 Senatorska Street.

The shares of the Bank are listed on 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.

At the date of 31 December 2005 the BRE Bank's Capital Holding Group covered by the consolidated financial statement comprised the following companies:

1) BRE Bank SA – the parent entity

Bank Rozwoju Eksportu S.A. (Export Development Bank) was established by Resolution of the Council of Ministers No 99, dated 20 June 1986. The Bank was registered pursuant to the legally valid decision of the District Court for the Capital City of Warsaw, XVI Business – Registry Department on 23 December 1986 in the Business Register under the number RHB 14036. The IXth Extraordinary Shareholders' Meeting on March 4, 1999 adopted the

resolution changing the Bank's name to BRE Bank SA ("Bank"). The new firm name of the Bank was entered in the Business Register on 23 March 1999.
On July 11, 2001, the District Court in Warsaw issued the decision on the entry of the Bank in the National Court Registry (KRS) under the number KRS 0000025237.
According to the Polish Classification of Business Activities, the Bank has the number 6512A "Other banking business".
According to the Stock Exchange Quotation, the Bank is classified as pertaining to the macro-sector "Finance", sector "Banks".

According to the Bank's Byelaws, 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 By-Laws. The Bank operates within the scope of corporate, investment and retail banking throughout the whole country.

The Bank provides services to legal entities and physical persons, both local and international, both in Polish currency (PLN – the Złoty) and in foreign currencies; in particular, the Bank supports all kinds of activities leading to the development of exports.

The Bank has the capacity to 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.

Investment Banking:

2) Dom Inwestycyjny BRE Banku SA – subsidiary company.

The Company is in the portfolio of the Bank since July 1998. The business of the Company is to provide all types of services attached to trading in securities, financial assets other than securities, as well as other financial instruments on the capital market admitted to the market by virtue of respective legal regulations and the scope of possessed permits.

3) BRE Corporate Finance S.A. – subsidiary company.

The business operations of the Company are focused on four main areas: mergers and acquisitions, privatisation, strategic consulting and advisory services concerning the raising of funding, including that covering the raising of finance by means of share issues on the or private and public stock-market.

4) BRE International Finance BV and BRE Finance France S.A. – subsidiary companies.

These are special purpose vehicles, the objective of which is to raise funds for the Bank by means of issuing debt securities on international financial markets.

Corporate Banking:

5) BRE Leasing Sp. z o.o. – subsidiary company.

The Company is in the portfolio of the Bank since December 1992. The scope of business of the Company comprises: buying, renting out and leasing of moveable assets; buying, developing, letting and leasing of all kinds of plots of land, buildings and built up facilities. The Company may also execute transactions and undertake activities, which directly or indirectly may serve the purposes of the company operations, such as the following: acquisitions of claims to receivables or intermediation in the business of trading in real estate property. The Company possesses a network of branches located in the largest towns of Poland.

6) Intermarket Group – subsidiary entity

Factoring business, conducted both on local and foreign markets, operated by four companies attached to the Austrian bank Intermarket Bank AG, which have leading market positions in their respective countries of operation. Apart from the Intermarket Bank AG, the Intermarket Group comprises a company operating on the Chech market (Transfinance a.s.), one on the Hungarian market (Magyar Factor Rt.) and one on the Polish market (Polfactor SA).
The Intermarket Group addresses its offer of services to clients from such industries, above all, as electronics, food production, furniture, sports articles and toys.

7) Magyar Factor Rt. – subsidiary company

Magyar Factor Rt. provides the services of factoring locally and in exports as part of the network of Factors Chain International, an international organization of factoring companies.

8) Transfinance a.s. – subsidiary company

The company belongs to the Bank's portfolio since October 2000 and has its headquarters in Prague, in the Czech Republic.
The business of the company consists mainly of the buying of receivables and the intermediation in collecting those receivables. The company was consolidated in the group accounts for the first time at the date of 31 March 2001.

9) Polfactor S.A. – subsidiary company

The company was formed in 1995. The company operates in the factoring services business, supporting transactions on the local market, as well as in exports and imports.

Asset Management:

10) Powszechne Towarzystwo Emerytalne Skarbiec-Emerytura SA – subsidiary company.

The company is in the Bank's portfolio since August 1998. The scope of business of the company consists of the management of an open end investment fund and representing the OFE Skarbiec Emerytura open end pension fund.
On 7 August 2002 the District Court in Warsa registered the merger of the companies Powszechne Towarzystwo Emerytalne Skarbiec - Emerytura S.A. with Powszechne Towarzystwo BIG Banku Gdańskiego S.A. The combination of the two entities was realised by transferring all of the assets of PTE BIG BG S.A. to PTE Skarbiec –Emerytura S.A. in exchange for shares transferred to BIG Bank Gdański S.A., representing a 38.61% stake in the increased share capital and the corresponding number of voting rights at the General Shareholders' Meeting of PTE Skarbiec Emerytura S.A. In September 2002 the BRE Bank S.A. bought back the shares of PTE Skarbiec-Emerytura S.A. representing 38.61% of the equity and voting rights at the General Shareholders Meeting of the Company from BIG Bank Gdański S.A. As a result of this transaction the BRE Bank S.A. became the owner of 100% of

the shares and voting rights at the General Shareholders' Meeting of PTE Skarbiec-Emerytura S.A.

11) Skarbiec Asset Management Holding S.A. (SAMH) – subsidiary company.

The Company performs the services of asset management with respect to assets entrusted to its management directly, as well as with respect to assets of other companies belonging to the Capital Holding Group. The Holding comprises the following companies (100% subsidiaries):
- Skarbiec TFI SA – establishment of investment funds, introduction of new investment products to the market, as well as sales on the market of corporate clients.
- Skarbiec Investment Management S.A – management of portfolios of securities. The Company manages the portfolio of its own clients as well as providing management services to the investment funds formed by Skarbiec TFI, as well as consulting services for PTE Skarbiec-Emerytura.
- Skarbiec Serwis Finansowy Sp. z o.o. – distributioon of TFI and OFE products to retail customers of SAMH, and also promotion and marketing activities for the benefit of the whole business line.
- BRE Agent Transferowy Sp. z o.o. – services to members of the investment funds, keeping the accounts for the companies and funds, administration and IT services.

Proprietary Investments:

12) TV-Tech Investment – associate entity, a special purpose vehicle company

The business of the Company consists of investing in securities, dealing in receivables, management of enterprises that are being controlled, as well as consulting.

13) Tele-Tech Investment Sp. z o.o. – associate entity, a special purpose vehicle company

The Company is in the portfolio of the Bank since 1999. The business of the Company consists of investing in securities and dealing in receivables, transactions in securities conducted on its own proprietary account, management of enterprises under its control, business and management consulting. As the Company is treated as a special purpose vehicle, the operating risk of which is largely underwritten by the Bank, it has been covered by the full consolidation method in the consolidated financial statement of the Group.

14) Garbary Sp. z o.o. (former Milenium Centem Sp. z o.o.)

The only business activity of the Company consists of administering the land property situated at No 101/111 Garbary Street in Poznań, which is built up with meat processing facilities, which are currently not in use.

Retail Banking and Private Banking:

- mBank

mBank, established at the end of the year 2000, offers electronic banking services, it is perceived as and internet Bank. mBank conducts it business based on remote access channels such as the internet, the fixed line and mobile telephone, applying the WAP protocol and

SMS. Any of these channels enables the clients convenient management of their accounts – executing transactions, bank transfers, checking the balance on the account. Since the beginning of the operating activities of the mBank two products are functioning: eKONTO – the personal account and eMax – the sight savings deposit account. mBank is continually developing its offer of services, introducing a broad range of new products: eMax Lokata – a long-term deposit, mLokata – fixed interest deposit of several months duration, eKARTA – a virtual payment card VISA for secure internet transactions. mBank also possesses a product suitable for young people: izzyBank (current account for teenagers combined with a VISA Elektron card). For the sector of micro-enterprises the company account mBIZNES Konto is offered. A product called mPlan has been introduced – it combines the advantages of access to both loan and deposit funds. The internet package under the name Supermarket Funduszy Inwestycyjnych (Investment Funds Supermarket) has been launched, which enable the clients of mBank to buy participation units of selected investment funds on the internet. The mBank also offers three types of credit cards.

- Multibank

Multibank is an internet bank having also a branch network. It addresses its offer to a selected group of clients having relatively high income, wealthy individuals and representatives of the emerging middle class. The Multibank's offer for physical persons (including individual running their own business) and for civil law partnerships comprises: clearing and savings accounts, savings accounts, foreign currency accounts, current accounts, deposits, participation units of investment funds, loans, payment cards (credit cards and debit cards), direct debit payment orders.

- Private Banking

The product offer of Private Banking covers, apart from the traditional banking products, which include current accounts, deposits, payment cards and loans, including specialised credit, also more advance money market instruments (local and foreign debt securities, FX market products, derivatives and structured instruments). The Bank proposes to its clients the differentiation of their investment portfolios by using the banking products and also the offer of services provided by Skarbiec Investment Management, Skarbiec TFI and Dom Inwestycyjny.

Other:

15) Centrum Rozliczeń i Informacji CERI Sp. z o.o. – subsidiary company

The business of the Company, i.a., consists of providing services supporting the banking activities, especially consisting of clearing and database administration for the Bank and for external customers.

16) BRE Locum – subsidiary company

BRE Locum is a property development company. Its business consists of investment in real estate property, above all residential property, their management and consulting services in this regard. The Company prepares and qualifies investment projects, organises, supervises and conducts designing and contracting works in the area of construction, it acts as project manager on behalf of the investor, organises investment financing, seeks out the tenants, maintains and operates commercial property, acquires and sells property, provides services concerned with the conduct of transactions on the property market, it provides consulting services concerning property investments and property transactions, it acts as an intermediary in transactions on the property market.

The present consolidated statement was approved by the Management Board on 28.04.2005.

2. Description of important accounting policies

The most important accounting policies applied to the drafting of the present consolidated financial report are presented below. These principles were applied consistently over all of the presented periods, unless indicated otherwise.

2.1. Accounting basis

The consolidated financial statement of the Group of the BRE Bank S.A. was prepared in compliance with the International Financial Reporting Standards (IFRS), according to the historical cost method, with due regard for the principles of valuation of available for sale financial assets, assets and liabilities measured at fair value through the profit and loss account, as well as all derivative contracts.

The drafting of a financial report in compliance with IFRS requires the application of specific accounting estimates. It also requires the Management to apply its own judgement when applying the accounting policies adopted by the Company. The issues, in relation to which a greater degree of judgement is required, more complex issues, or such issues, which involve a significant degree of application of estimates or judgements for the purposes of the consolidated financial report, are disclosed in Note No 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 by the standard IFRS 1:

- IAS 16 – transactions consisting of the exchange of fixed tangible assets, which are recognised prospectively at fair value;
- IAS 21 – goodwill and fair value adjustments concerning the valuation of foreign subsidiaries are recognised prospectively;
- IAS 39 – changes concerning the derecognition of financial assets are applied prospectively;
- IFRS 2 – the standard is applied retrospectively with respect to all equity instruments recognised in the accounts after the date of 7 November 2002, which are still recognised in the accounts at the date of 1 January 2004;
- IFRS 3 – applied prospectively after the date of 31 March 2004.

IFRS 3 must be adopted at the same time as IAS 36 and IAS 38.

The adoption of the above specified standards did not affect the balance of retained profits (losses) of previous yearn or the current year’s profit (loss) at the date of 1 January 2004.

2.2. Consolidation

Subsidiary entities:

Subsidiaries comprise any entities (including special purpose vehicles), with respect to which the Group has the capacity to direct their financial and operating policy, which is usually combined with the possession of the majority of total voting rights in their governing bodies. When assessing whether the Group actually controls the given entity, the existence and impact of potential voting rights, which may be realised or exchanged at the given time. 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 take over of subsidiary companies by the Group is accounted for by the acquisition method of accounting. The cost of acquisition is determined as the fair value of the assets transferred, of issued equity instruments and of liabilities incurred or assumed at the date of the exchange, increased by the direct expenses attached to the acquisition. Identifiable acquired assets or liabilities and contingent liabilities taken over as part of a business combination, are initially measured at fair value at the date of acquisition, regardless of the value of possible minority interests. The value of any excess of the cost of acquisition over the fair value of the share of the Group in the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is lower than the fair value of the net assets of the acquired subsidiary, the difference is accounted for directly through the profit and loss account (see Note No 2.6).

Transactions, settlements and unrealised profits in transactions between companies belonging to the Group are eliminated. Unrealised losses are also eliminated, unless there is evidence indicating the impairment of the transferred asset under the considered transaction. The accounting policies applied by the subsidiaries have been changed wherever necessary, in order to assure their consistency with the accounting policies applied by the Group.

Subsidiary entities 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.

Associate Companies:

Associates comprise all such entities, upon which the Group exerts significant influence, but does not exercise control over them, which is usually combined with the possession of between 20% and 50% of the total number of voting rights in the governing bodies. Investments in associate companies are recorded by the equity method of accounting and are initially recognised at cost. An investment of the Group in associate entities comprises goodwill (reduced by possible accumulated impairment loss write offs), determined at the date of acquisition (see Note No 2.6).

The share of the Group in the profits (losses) of associated companies until the date of acquisition is accounted for through the profit and loss account, whereas its share in changes in other equity items since the date of acquisition – under other capital. The carrying amount of the investment is adjusted by the total changes of balance of different items in capital after the date of their acquisition. When the share of the Group in the losses of an associate company becomes equal or greater than the share of the Group in that associate entity, possibly covering receivables other than secured claims, the Group discontinues the recognition of any further losses, unless it has assumed the obligations or has settled payments on behalf of the respective associate entity.

Unrealised profits on transactions between the Group and its associate companies are eliminated in proportion to the Group's interest in the respective associate entity. Unrealised losses are also eliminated, unless the transaction involves evidence indicating the impairment of the transferred asset. The accounting policies applied by the associated entities have been adjusted, wherever necessary, to assure consistency with the accounting principles applied by the Group.

Consolidation does not cover the companies, the scale of business operations of which 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.

The consolidated financial statement of the Bank covers the following companies:

Company name	Share of voting rights (direct or indirect)	Consolidation method
Dom Inwestycyjny BRE Banku S.A.	100%	Full consolidation
BRE Leasing Sp. z o.o.	50,004%	Full consolidation
PTE - Skarbiec Emerytura S.A.	100%	Full consolidation
Skarbiec Asset Management Holding SA	100%	Full consolidation
BRE Corporate Finance S.A.	100%	Full consolidation
Polfactor S.A.	77,42%	Full consolidation
Tele-Tech Investment Sp. z o.o	24%	Full consolidation
BRE International Finance	100%	Full consolidation
Intermarket Bank AG	54.84%	Full consolidation
Transfinance a.s.	77,42%	Full consolidation
Magyar Factor Rt.	77,42%	Full consolidation
BRE Finance France S.A.	99.97%	Full consolidation
TV-TECH Investment 1 Sp. z o.o.	100%	Full consolidation
CERI Sp. z o.o.	100%	Full consolidation
BRE.locum	61.99%	Full consolidation
Garbary Sp. z o.o.	100%	Full consolidation

2.3. 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.

2.4. Measurement of items expressed in foreign currency

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 statement is drafted in PLN, which is the functional currency and the currency, in which Company presents its accounts.

Transactions and balances

Transactions denominated in foreign currency 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.

Differences on foreign exchange arising on the account of non-monetary items, such as financial assets measured at fair value through the profit and loss account, are recognised in the profit and loss account gains or losses arising in connection with changes of fair value. Foreign exchange differences on the 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, non 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 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 middle rate of the NBP at the same balance sheet date; whereas

(iii) all the henceforth resulting differences on foreign exchange are recognised as a distinct item of owners' equity.

Upon consolidation, foreign exchange differences arising from the conversion of net investments in companies operating abroad, as well as loans, credits and other FX instruments designated as hedges attached to such investments are recognised in owners' 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 its adjustments to fair value, 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

Negative or positive foreign exchange differences (gains/losses) on the account of valuation of liabilities on the account of credit financing of purchases of assets under operating leasing schemes are accounted for 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, from 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 for liabilities denominated in foreign currency, are recognised through the profit and loss account at the time of valuation. Future receivables on the 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.

2.5. Derivative financial instruments and accounting for hedging

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 based on prices of recently concluded transactions and on the basis of valuation techniques, including models based on discounted cash flows and models for the valuation of options, 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 conclusion 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 to 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 main contract and the main 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 accounting for changes of fair value 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 on the account of a recognised asset or liability, or forecast transaction (cash flow hedge). Derivative instruments designated as hedges against positions maintained by the Bank are recorded by means of accounting for hedging, subject to the fulfillment of the criteria specified in the standard 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 the 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
Variations in the fair value of derivative instruments designated and qualifying as fair value hedges are recognised in the profit and loss account together with their corresponding changes of the fair value of the hedged item of assets or liabilities with respect to the risk, against which the Group is hedging.

In the case when the hedge has ceased to fulfil the criteria for the application of accounting for hedging, the adjustment of the carrying value of the hedged item, measured according to the effective interest rate, is accounted for over the period remaining until the maturity date through the profit and loss account. The adjustment of the balance sheet value of a hedged capital instrument is recognised in the accumulated profit or loss until the time of disposal of such a security.

<u>Cash flow hedges</u>
The effective part of the fair value changes of derivative instruments designated and qualifying as cash flow hedges are 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 of conclusion of the anticipated transaction of sale, which was the object of the hedge).

In the case, when the hedging instrument has lapsed or has been sold, or when the hedge has ceased to fulfil the criteria of accounting for hedging, 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 anticipated transaction. If the conclusion of the anticipated transaction is not deemed probable any longer, the aggregate gains or losses recorded in equity are immediately transferred to the profit and loss account.

<u>Derivative instruments not fulfilling the criteria of accounting for hedging</u>
Some derivative instruments do not fulfill the criteria of accounting for hedging. Changes of fair value of derivative instruments that do not meet the criteria of accounting for hedging are recognised in the profit and loss account of the current period.

The Bank possesses 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

Inerest 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 Option

Foreign exchange risk instruments:
a) Forward foreign exchange transactions, fx swap, fx forward
b) Foreign currency options

2.6. Interest income and interest expenses

All interest proceeds linked with financial instruments valued at amortised cost using the effective interest cost 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 the account the possible future losses on the 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 the account of interest are measured according to the interest rate at which the future cash flows for the purposes of valuation of impairment were discounted.

Interest income includes interest and commissions received or due on the 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 account receivables are subject to analysis similar to credit receivables analysis and in the appropriate part are either recognised as income in the profit and loss account or they are deducted from the assets.

Interest on doubtful account receivables, not previously recognised in the profit and loss account, are recognised as income partly on the basis of probability of their recovery, and partly on the cash accounting basis and recognised at the time of their receipt (in the remaining part). Capitalised interest is recorded in exactly the same way.

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

2.7. Commission and fee income

Income on the 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 the account of the provision 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 the 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, is recognised at the time of realisation of the respective transaction. Fees on the account of portfolio management and fees for management services, consulting and others are recorded on the basis of the respective contracts for the provision of services, usually pro rata in relation to the lapse of time. Fees for the management of the assets of investment funds are recognised on a straight-line method 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 fiduciary services, which are furnished without interruption over a longer period.

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

2.8. 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; held to maturity investments; and available for sale financial assets. The classification of investments is decided by the Management at the time of their initial recognition.

Financial assets valued at fair value through the profit and loss account
This category comprised two subcategories: financial assets destined for trading and financial assets designated at their initial recognition as financial assets measured at fair value recorded through the profit and loss account. A financial asset is classified in this category, if it was acquired, above all, for the purpose of short term resale or if it was classified in that category by the companies belonging to the Group. Derivative instruments are also classified as "destined 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 paper acquired most early.

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

Held to maturity items
Investments held to maturity comprise financial assets not classified as pertaining to derivative instruments, with determined or possible to determine payments with established maturity terms, which the Management of the Group intends and is capable of holding until their maturity dates.

In the case of sale by the Group of a part of the 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
Available 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 the changes of interest rates, foreign exchange rates or the 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 are recognised at the date of transaction – the date on which the Group will assume the obligation to buy or sell the respective asset. Loans are recognised at the time of disbursement of cash to the respective debtor. Loans are shown at the time of disbursement of cash to the debtor. 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 excluded from the balance sheet, if the rights to receive cash flows on that account have lapsed or have been transferred and the Group has indeed transferred basically the whole risk and all the benefits arising from their possession.
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 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 fair values of "financial assets measured at fair value through the profit and loss account" are recognised in the profit account in the period, in which they arise. Gains and losses on the account of variations of fair value of available for sale financial assets are carried directly through equity until the time of 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 posted to the profit and loss account. However, interest accruing at the effective interest rate is recognised in the profit and loss accounts. Dividends on the account of capital instruments available for sale are recognised in the profit and loss account at the time of establishment of the entitlement of the entity to receive their payment.

The fair value of investments in listed instruments is a reflection of their present market value. 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 OTC market (CETO) or on the inter-bank market are valued at fair value.

2.9. Netting of financial instruments

Financial assets and financial liabilities are netted and carried in the balance sheet at their net amounts if the legally enforceable right exists to mutually compensate the recognised amounts together with the intention to settle them in the net amount or to simultaneously realise the respective asset and to settle the respective liability.

2.10. Sale and buy-back contracts

Repo and reverse-repo transactions are defined as operations consisting of the sale or purchase of securities with an attached granted promise to buy them back or resell them back at an agreed time at an agreed price.
Repos (securities sold with the attached conclusion of the respective repurchase contract) are reclassified in the financial statement as pledged assets, if the entity receiving them possesses the contractual or customary right to the sale or their repeated pledge as collateral security. The liability toward the counterparty is recognised as an item of liabilities toward other banks, deposits of other banks, other deposits or liabilities with respect to clients on the account of deposits, depending on its nature. Reverse repos (securities purchased together with the promise of their subsequent resale) are recognised as credits and loans granted to other banks or clients, depending on their nature.
When entering into repo and reverse repo transactions, the BRE Bank Group sells or buys securities with attached promises of repurchase or resale at an agreed date at an agreed contractual 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, or as receivables in the case of “buy sell back” transactions.
Securities borrowed by the Group are not recognised on the face of the financial statement. In such case the buying or selling transactions are carried in the financial report, whereas the gains or losses on the account of such transactions are accounted for in the result (profit/loss) on trading operations. The obligation to return the borrowed securities is recorded at fair value as a liability held for trading.

2.11. Impairment of financial assets

Assets measured at amortised cost
At each balance sheet date, the Group estimates, whether objective evidence exists indicating the impairment of any given financial asset or of any group of financial assets. The impairment of a financial asset or group of financial assets and the losses incurred on that account is considered only if objective indications exist pointing at the impairment of value in consequence of an event or events, which occurred after the initial recognition of the respective asset (“impairment loss causing event”), and also if such an event (or events) impact future cash flows attached to the respective financial asset or group of financial assets that may be reliably estimated. Objective indications pointing at impairment of a financial asset or group of financial assets may consist of information obtained by the Group concerning the following events causing impairment losses:

(i) significant financial difficulties of an issuer or debtor;

(ii) default on contract, e.g. failure to pay or delayed payment of interest or of the principal amount of a liability;

(iii) concessions granted by the Group to a debtor caused by the economic or legal aspects of such debtor’s financial difficulties, which would not have been taken into account under different circumstances;

(iv) probability of insolvency 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 the 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:
– unfavourable condition of debtors in terms of their ability to pay; or
– economic conditions in 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 for the impairment of particular materially significant financial assets, and whether such evidence exists individually or jointly with respect to the assets, which are individually immaterial. If the Group determines that for the given financial asset assessed individually there are not 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, which have been demonstrated to be impaired on the basis of individual analysis (for the firs time or for a successive time), are not taken into the account in a collective assessment of possible impairment.

If objective evidence exists pointing at the impairment of loans and receivables or held to maturity investments 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 losses on the account unrecovered loans, which have not yet been incurred) discounted by the effective interest rate originally applied to the respective financial asset. The carrying value of the asset is reduced through the revaluation account, whereby the resulting impairment loss is charged to the profit and loss account. If a loan or held to maturity investment is bearing a variable interest rate, in such case the discount rate applied in order to determine the amount of impairment consists of the current effective interest rate established in accordance with the respective contract.

The calculation of the present value of estimated future cash flows with respect to a secured item of financial assets takes into the account the cash flows resulting from the take over of the pledged security reduced by the costs of its acquisition and the costs of its sale, regardless of whether such take over is probable or not.
For the purposes of aggregate assessment of impairment, the credit exposures are grouped for the needs of assuring the uniformity of credit risk attached to the given portfolio. Many different parameters may be applied to the grouping by 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 cash flows resulting from the respective

contracts and historical parameters of losses incurred on the account of assets featuring similar risk characteristics.
Historical parameters of such losses are adjusted on the basis of data collected from current observation in order to take into account the impact of current market factors, which did not arise at the time covered by the historical observations, and in order to exclude the effects of such circumstances, which occurred in the historical period, but which do not arise presently.

For the purposes of calculation of the amount to be provisioned against balance sheet exposures analysed collectively, the probability of default (PD) 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.

Irrecoverable loans are written off to provisions against impairment of the loans. Before any loan is written off, it is necessary to conduct all the required procedures and to determine the amount of the loss. In the event of recovery of a previously written off amount, the value of the loan impairment loss charge in the profit and loss account is reduced accordingly.

If in a subsequent period the impairment loss amount is reduced owing to an event arising after the time of impairment (e.g. improvement of the debtor's credit rating), in such case the previously recorded impairment loss written off is reversed by a corresponding adjustment of the revaluation account. The amount of the recognised reversal is recorded in the profit and loss account.

<u>Assets measured at fair value through the profit and loss account</u>
At each balance sheet date the Group estimates whether objective evidence exists pointing at the impairment of any given financial asset or group of financial assets. In the case of capital instruments classified as available for sale investments, when assessing whether any possible impairment has taken place, i.a., a significant or long lasting fall in the fair value of the security below its cost of acquisition is taken into account. If such kind of evidence concerning available for sale financial assets exists, the total loss – determined as the difference between the cost of acquisition and the current fair value, reduced by the impairment of the respective asset previously recognised in the profit and loss account – is derecognised from equity and recorded 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 at a later time the fair value of a debt instrument classified as available for sale should increase, and such increase can be objectively attributed to an event arising after the recording of the impairment loss in the profit and loss account, under such circumstances the respective impairment loss is reversed in the profit and loss account.

2.12. Assets taken over in exchange for debts

Assets taken over in exchange 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 to the charge of 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.

2.13. 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 consists of the surplus of the cost of acquisition over the fair value of the Group's share of identifiable net assets of the acquired subsidiary/associated company at the date of acquisition. Goodwill arising on acquisition of subsidiaries is recognised as an item of intangible assets. Goodwill arising on acquisition of associate companies is recognised as investment in associate entities. Goodwill is not amortised, but it is tested annually to establish its possible impairment and it is carried in the balance sheet at cost reduced by accumulated impairment loss write offs. Profits and losses on the disposal of such entities take account of the goodwill carried in the balance sheet attached to the entity disposed of.
In order to conduct the test to establish possible impairment, goodwill is allocated to cash flow generating units. Each cash flow generating unit corresponds to the investments of the Group 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. The capitalised costs are written off over the estimate useful life of the software (2-5 years). Costs 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 Group, 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 the 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 life.
Computer software directly connected with the functioning of specific information technology hardware is recognised under the item of "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 accumulated depreciation. Historical cost takes into the account the expenses directly attached to the acquisition of the respective assets.

Subsequent outlays are included in the carrying value of the respective fixed asset on the face of the balance sheet or are recognised as a separate tangible asset (where appropriate) only in such case, when it is probable that the respective item will result in the inflow of economic benefits to the Group and the cost of the respective item may be reliably measured.
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 net realisable value, depending on which value is lower: the difference arising on such account is recognised under the item of "other operating profits/losses".

Land is not depreciated. Depreciation of other fixed assets is accounted for by 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 built up structures	25-40 years,
– Technical plant and machinery	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 the account of 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. Accruals and deferred income

Cost accruals in the assets of 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 this accrual item of the assets. Costs and income of future periods are accounted for on the face of the balance sheet under the item of "Other assets".

Deferred liabilities include costs of supplies delivered to the Company but not yet resulting in its payable liabilities. Proceeds of future periods include, i.a. the received amounts of future benefits. Deferred liabilities of future periods and income attributable to future periods are carried in the balance sheet under the item of "Other liabilities".

2.16. Leasing

<u>BRE Leasing Sp. z o.o. is a lessor</u>
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 the account of leasing is recorded over the period of the lease by the net of tax investment method, which reflects the fixed periodical rate of return on the lease.

2.17. 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 qualifying bills, credits and loans granted to other banks, receivables due from other banks and short-term securities issued by the State Treasury.
Bills of exchange eligible for rediscounting with the Central Bank comprise PLN bills of exchange with maturities of up to three months.

2.18. 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 the standard IAS 37 "Provisions, contingent liabilities and contingent assets".

The Group forms a provision for the temporary difference on the 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 a "Provision against deferred corporate income tax". A negative difference is recognised under the item of "Deferred tax assets". Any change in the balance of the deferred tax provision in relation to the previous accounting period is recorded under the item „Corporate income tax". The balance sheet method is applied for the calculation of the deferred corporate income tax.

The Company forms provisions against future liabilities on the account of retirement benefits and length of service bonuses ("jubilee bonus") determined on the basis of estimation of liabilities of that nature, relying on an actuarial model.

All provisions formed are charged to the profit and loss account.

2.19. Employee benefits

<u>Benefits based on shares</u>
The Group runs a programme of employee remuneration based on and settled in shares. These benefits are accounted for in compliance with the standard IFRS 2 Share-based Payment". The fair value of the work performed by the employees in return for options granted, increases the costs of the respective period, corresponding to owners' equity. The total amount, which needs to be expensed over the period when the outstanding rights of the employees for their options to vest and to become exercisable, is determined on the basis of the fair value of the granted options. In accordance with the standard IFRS 2, that value does not change over the period of duration 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 period of duration.

2.20. Deferred corporate income tax

Liabilities or assets on the account of deferred corporate income tax are recognised in their full amount, by 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 statement. 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. Such tax rates applied, according to expectations, will be in force at the time of realisation of the assets or settlement of the liabilities on the account of the deferred corporate income tax.

The main temporary differences arise on the 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 assets and financial liabilities, including contracts concerning derivative contracts and forward transactions, provisions for retirement benefits and other benefits following after 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 the 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 the 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 subsidiary and associated companies, for which no deferred tax provision has been formed.

The Bank does not include in the deferred tax calculation any liability or asset on the account of temporary differences arising in connection with investment in subsidiary or associated companies, 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 the 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.

2.21. Credits and loans

Credits and loans are initially recognised at fair value, reduced by the incurred transaction costs. After the initial recognition, credits and loans 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 by the effective interest rate method. Specific provisions against credits and loans are formed on the basis of 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.

2.22. Owners' equity

Owners' equity consists of capital and funds created in compliance with the respective provisions of the law, i.e. the appropriate legislative acts, the Company bye-laws or founding contract.

<u>Share capital</u>

a) Share issue costs
Costs directly connected with the issue of new shares, with the issue of options or with the acquisition of a business entity, reduce the proceeds from the issue recognised under the item of owners' equity.

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

b) Treasury shares
In the case of acquisition of the shares or equity interest of the Company by the same Company or by other entities consolidated as part of the Group, the amount paid reduces the value of owners' 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 owners' equity.

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

<u>Reserve capital</u>
Reserve 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.

<u>Other equity funds</u>
Other equity funds are formed from deductions from profits and are assigned to purposes specified in the bye-laws or other provisions of the law. Other equity includes [reserve] capital arising on revaluation of fixed assets and of available for sale financial assets, the general banking risk reserve fund, the fund assigned for the brokerage business, as well as other equity reserves. Revaluation reserves arising from revaluations of fixed assets conducted in previous years pursuant to separate specific regulations are transferred to reserve capital at the time of

decommissioning of the respective fixed asset (disposal sale, donation, liquidation or recognition as a defect loss).

Hyperinflationary restatement of owners' equity
According to IAS 29 point 25 „Financial Reporting in Hyperinflationary Economies" the components of owners' 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 recognized as a hyperinflationary economy. The effect of restating the components of share capital by applying a general price index is recognized in correspondence with retained earnings. The adoption of IAS 29 results in increase of share capital and in the same time it debits the retained earnings in the same amount. In connection with it such restatement has no impact on the amount of owners' equity or the amount of current financial results. Presently the Bank is analyzing applicability of requirements of IAS 29 point 25 regarding components of owners' equity in the context of first time application of IFRS in Poland.

2.23. Custody services business

BRE Bank S.A. operates custody services with respect to domestic and foreign securities and providing services to Investment and Pension Funds.

Dom Inwestycyjny BRE Banku S.A. operates custody activities in connection with the handling of securities accounts of the clients.

The assets concerned are not shown in the present financial statement 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. 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 credits and loans
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 available for sale capital instruments
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 transfer by the issuer within the period of one year of a loss not covered by its own equity capital, 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 available for sale financial debt instruments
Impairment and increase in value of available for sale financial debt instruments 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

Bank is obliged to perform impairment tests for goodwill acquired in a business combination at the same time every year taking into account imapairment triggers.

4. Business segments

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

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

1) Retail banking – including private banking services, current accounts for individual customers, savings accounts, deposits, investment products, custody services, credit and debit cards, consumer

and mortgage loans, term deposits from private persons, including small and medium size enterprises, financial settlements (including financial transaction clearing, operations on bills of exchange, cheques or the issuing of guarantees.

2) Investment banking – including dealing in financial instruments, financing of a structural nature, leasing services for enterprises and consulting concerning mergers and acquisitions, as well as consulting services covering the scope of company restructuring and the implementation of all forms of privatisation of enterprises, and also offerings of securities admitted to public listing, acquisitions and sale of securities in own name but on the account of clients, safekeeping of securities in custody, buying and selling of securities under 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 State Treasury bills and bonds, cash 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 of 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 serving for the purposes of interest rate risk management, such forward rate agreements (FRA), interest rate swap (IRS) contracts, interest rate options, as well as currency interest rate swap (CIRS) transactions.
The Bank manages issues of European call warrants and put warrants for shares of companies listed on the Warsaw Stock Exchange, as well as for various types of stock-market indices. Recently a new product has been introduced, which consists of an investment deposit combining the advantages of a term deposit with those of investment on the capital market.
Independently or in syndicates with other banks, the Bank enters into agreements concerning issues of debt securities (bonds, investment notes and depository receipts).
Cooperation with local and international financial institutions (apart from transactions conducted through nostro and loro accounts) consists of obtaining loans on the international inter-bank market. Moreover, the Bank also disposes of credit lines for the financing of imports and for refinancing of investment loans dedicated for small and medium size enterprises, drawn mainly from the funds of the European Investment Bank (EIB).
Investment banking includes such entities as: Dom Inwestycyjny BRE Bank SA, BRE Corporate Finance SA, BRE International Finance BV oraz BRE Finance France SA.

3) Proprietary investment – the purpose of own account investment held by the Bank is to gain income In the form of capital gains. The own account investment portfolio contains direct and indirect exposures (via SPV special purpose investment vehicles) assumed In order to achieve long term yields. Apart from the specialized organizational unit of the Bank managing the long term investment portfolio, it also comprises the activities of the companies Tele-Tech Investment Sp.z o.o. and TV-Tech Investment Sp.z o.o., the business of which consists of placement of funds in securities, trading in debts, management controlled companies and consultancy. Proprietary investment includes also the results of the company Garbary Sp.z o.o.

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

5) 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 property, as well as the 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 size enterprises, as well as local self-government bodies. A significant part of the activities in the corporate banking business area consists of services supporting foreign trade transactions. The Bank's offer addressed to the business enterprises includes currency exchange operations, 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, forfaiting, letters of credit, bank guarantees, and others. Moreover, the clients are offered financial instruments designed to hedge against foreign exchange risk exposure.
Corporate banking includes the results such entities as: BRE Leasing Sp.z o.o., Intermarket Factoring Bank AG, Polfactor S.A., Transfinance a.s. oraz Magyar Factor Rt.

6) Other activity of the Group includes transaction results not classified as business areas and the results of BRE.locum Sp. z o.o. i CERI Sp. z o.o.

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

Resources are allocated to particular business segments, which results in transfers of financing costs recorded in operating income. Interest accruing on such financing is based on the cost of capital to the Group. No 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 proceeds and costs, was done on the basis of internal information prepared at the Bank for the purposes of management accounting. The different particular segments have had assets and liabilities attributed to them, being those for which the units contained in the given segment are responsible, the revenues and expenses attached to the same assets and liabilities have been allocated accordingly. 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 belonging to the Capital Holding Group have been attributed in full to a determined business segment (taking the consolidation adjustments into the account).

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

Business segment reporting on the activities of the BRE Bank Group
for the period from 01.01.2005 to 31.03.2005.
(PLN '000)

	Retail Banking (including Private Banking)	Corporate Banking	Investment Banking	Asset Management	Proprietary Investments	Other	Exclusions
Net interest income	43 152	69 462	72 756	(6 060)	(624)	(543)	
- sales to external clients	(24 998)	118 980	84 395	(6 032)	5 678	120	
- sales to other segments	68 150	(49 518)	(11 639)	(28)	(6 302)	(662)	
Net fee and commission income	7 862	67 695	5 038	0	158	(2)	(25)
- sales to external clients	8 031	63 821	8 710	0	158	6	0
- sales to other segments	(169)	3 875	(3 672)	0	(1)	(8)	(25)
Unallocated costs							
(Gross) profit / (loss) of the segment	30	46 083	53 233	(2 247)	(884)	(10 253)	(3 985)
Profit / (loss) on operating activities							
Contribution of profit/(loss) sharing in associated companies (before tax)					(2)		
Gross profit (before tax)							
Corporate income tax							
Net profit (after tax)							
Assets of the segment	3 282 705	11 196 336	17 749 783	672 964	927 644	1 143 831	(3 736 215)
Unallocated assets							
Total assets							
Segment's liabilities	6 500 074	8 261 121	17 515 935	236 535	290 288	2 169 310	(3 736 215)
Unallocated liabilities							
Total liabilities							
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(11 371)	(34 244)	(4 529)	(323)	(425)	(182)	
Amortisation/depreciation	(10 538)	(14 216)	(5 306)	(654)	(396)	(619)	
Losses on credits and loans	(9 730)	(72 443)	(1 070)	0	(4 762)	(309)	
Other costs without cash outflows	0	(11)	(596 812)	(82)	(45 684)	(12)	

Business segment reporting on the activities of the BRE Bank Group
for the period from 01.01.2004 to 31.03.2004.
(PLN '000)

	Retail Banking (including Private Banking)	Corporate Banking	Investment Banking	Asset Management	Proprietary Investments	Other	Exclusions
Net interest income	25 611	61 521	30 422	(7 042)	(3 040)	(939)	
- sales to external clients	(3 204)	80 648	26 813	82	2 025	168	
- sales to other segments	28 814	(19 128)	3 609	(7 124)	(5 065)	(1 107)	
Net fee and commission income	4 048	70 703	4 476	(6)	(156)	357	(167)
- sales to external clients	4 182	67 264	7 546	(6)	(95)	364	
- sales to other segments	(134)	3 439	(3 070)	-	(61)	(7)	(167)
Unallocated costs							
(Gross) profit / (loss) of the segment	(7 917)	2 827	28 877	(9 257)	28 064	3 829	(16 652)
Profit / (loss) on operating activities							
Contribution of profit/(loss) sharing in associated companies (before tax)					(23)		
Gross profit (before tax)							
Corporate income tax							
Net profit (after tax)							
Assets of the segment	2 104 422	13 312 242	15 925 336	878 038	1 130 568	1 373 924	(4 121 209)
Unallocated assets							
Total assets							
Segment's liabilities	5 278 040	10 003 089	17 101 851	262 559	358 527	1 720 464	4 121 209
Unallocated liabilities							
Total liabilities							
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(6 292)	(21 684)	(7 138)	(556)	(699)	(773)	
Amortisation/depreciation	(10 464)	(17 623)	(5 465)	(1 387)	(504)	(751)	
Losses on credits and loans	(16 518)	(94 102)	(1 482)	-	(2 377)	-	
Other costs without cash outflows	-	-	(475 173)	-	(1 537)	(1 749)	

Capital expenditures on fixed assets and intangible assets include improvements of machinery and equipment (Note No 27) and goodwill (Note No 26).

5. First time adoption of International Financial Reporting Standards (IFRS) for the drafting of the financial report

Reconciliation of differences between the IFRS and Polish GAAP

The tables below present the impact of the application of IFRS standards upon the measurement of equity and net profit in the accounting periods presented in the report.

Reconciliation of the differences between IFRS and Polish GAAP standards in the consolidated balance sheet at the date of 1 January 2004

Item	Note	PL GAAP 01.01.2004	Adjustment	IFRS 01.01.2004
ASSETS				
Cash in hand, transactions with the Central Bank		503 322		503 322
Bills of exchange eligible for rediscounting at the Central Bank		52 765		52 765
Receivables from banks	a	4 324 771	(705 936)	3 618 835
Securities held for sale		3 532 064		3 532 064
Derivative financial instruments		1 688 549		1 688 549
Other financial instruments measured at fair value through the profit and loss account		-		-
Credits and loans granted to clients	b	16 553 695	(260 072)	16 293 623
Investments in securities	c	1 020 317	(35 668)	984 649
Assets pledged as collateral security		47 788		47 788
Investments in associated companies		12 574		12 574
Intangible assets	d	735 198	27	735 225
Tangible fixed assets	e	980 464	(35 883)	944 581
Deferred corporate income tax assets	f	701 595	2 208	703 803
Other assets	g	378 649	112 232	490 881
Total assets		**30 531 751**	**(923 092)**	**29 608 659**
LIABILITIES AND EQUITY				
Liabilities with respect to the Central Bank		-		-
Liabilities with respect to other banks	h	6 469 132	(688 462)	5 780 670
Other deposits		-		-
Derivative financial instruments and other liabilities held for sale		1 629 805		1 629 805
Liabilities with respect to clients	i	14 922 595	(21 877)	14 900 718
Liabilities on the account of issues of debt securities		3 329 181		3 329 181
Other borrowed funds		1 221 340		1 221 340
Other liabilities	j	535 979	(225 449)	310 530
Current liability on the account of corporate income tax		267		267
Deferred corporate income tax provision	k	596 604	1 550	598 154
Provisions		136 796		136 796
Total liabilities		**28 841 699**	**(934 238)**	**27 907 461**

Owners' equity

	Capital attributable to shareholders of the company		1 577 795	(4 663)	1 573 132
	Share capital		91 882		91 882
	Reserve capital		657 157		657 157
	Retained profit (accumulated loss)	l	84 634	(4 939)	79 695
	Other equity funds	m	744 122	276	744 398
			-		-
	Minority interest	n	112 252	15 814	128 066
	Total owners' equity		**1 690 047**	**11 151**	**1 701 198**
	Total liabilities and equity		**30 531 746**	**(923 087)**	**29 608 659**

(a)	*Receivables from other banks*	
(i)	Diminution of receivables on the account of swapped interest	(688 462)
(ii)	Diminution of receivables on the account of interest on hold	(17 474)
	Total impact – diminution of receivables from other banks	(705 936)

(i) Change of principles of presentation of interest flows on the account of derivative instruments. Presentation of net interest accrued on the account of receivables and liabilities.

(ii) Change of presentation of the net value of receivables from banks. Gross receivables are reduced by the interest on hold amount. According to Polish GAAP, interest on hold was recognised under liabilities.

(b)	*Credits and loans granted to clients*	
(i)	Diminution of receivables on the account of swapped interest	(20 781)
(ii)	Diminution of receivables on the account of interest on hold	(216 923)
(iii)	Change of scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	(22 368)
	Total impact – diminution of receivables on the account of credits and loans granted to clients	(260 072)

(i) Change of principles of presentation of interest flows on the account of derivative instruments. Presentation of net interest accrued on the account of receivables and liabilities.

(ii) Change of presentation of net value of credits and loans granted to clients. Gross credits and loans are reduced by the value of interest on hold. According to Polish GAAP interest on hold was recognised under liabilities.

(c)	*Investments in securities*	
(i)	Change of scope of consolidation (recognition of additional subsidiary companies under the full consolidation method)	(35 668)
	Total impact – diminution of the item: investments in securities	(35 668)
(d)	*Intangible assets*	
(i)	Change of scope of consolidation (recognition of additional subsidiary companies under the full consolidation method)	27
	Total impact – increase of intangible assets	27
(e)	*Tangible fixed assets*	
(i)	Change of depreciation method applicable to low initial value fixed assets	7 465
(ii)	Transfer of the presentation of the value of perpetual usufruct titles to the "other assets" item	(69 514)

(iii)	Change of the scope of consolidation (to include additional subsidiary companies under the full consolidation method)	26 166
	Total impact – diminution of tangible fixed assets	(35 883)

(i) According to IFRS standards, depreciation spread over time applies to all fixed assets regardless of the value of their cost of acquisition. According to Polish GAAP, fixed assets with initial value up to PLN 3,500 were depreciated just once at the time of their acquisition.

(ii) According to IFRS standards, the perpetual usufruct title is recognised in the same way as an operating lease, whereas the costs incurred in connection with obtaining it are deferred over the period covered by such a title being in force and are recorded under cost accruals in the assets. According to Polish GAAP, perpetual usufruct was presented at the initial acquisition cost in the fixed assets.

(f)	*Deferred corporate income tax assets*	
(i)	Tax effect of the change of depreciation treatment of fixed assets with low initial value	(1 298)
(ii)	Tax effect of one off charge to costs of the commission paid in connection with a contract concerning the acquisition of financial assets, previously accounted for on an accrual basis spread over time	2 640
(iii)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	866
	Total impact – increase of the deferred corporate income tax asset	2 208

(i), (ii), (iii) The above indicated adjustments present the tax effect of the introduction of adjustments concerning the change of depreciation principles applicable to fixed assets, one-off write off of the commission previously accrued on a time apportioned basis and changes of the scope of consolidation.

(g)	*Other assets*	
(i)	Transfer of the value of perpetual usufruct title to the item of other assets and deferral over time of the costs attached to the acquisition of the perpetual usufruct title	69 514
(ii)	Impairment loss adjustment concerning the perpetual usufruct rights in connection with changed principles of accrual of costs incurred on the account of acquisition of that right.	2 212
(iii)	One off charge to costs of the commission paid on the account of the contract concerning the acquisition of financial assets, previously accrued over time.	(13 896)
(iv)	Change of the scope of consolidation (inclusion of additional subsidiary companies by the full consolidation method)	54 402
	Total impact – increase of other assets	112 232

(i), (ii) According to IFRS standards, perpetual usufruct rights are recorded in the same way as an operating lease and the costs incurred in connection with its acquisition are deferred over the time of duration of that title and are presented under deferred cost assets. According to Polish GAAP, perpetual usufruct rights were presented at the initial cost of acquisition under fixed assets. Additionally, in connection with the change of carrying value in the balance sheet of perpetual usufruct rights, an adjustment has been applied to the previously recognised impairment of such usufruct title.

(iii)	According to IAS 39, commission paid in connection with a contract on the acquisition of financial assets was expensed as a one off charge to the costs (when incurred). According to the Polish GAAP, that commission was accounted for on a straight line basis over the duration of the estimated time over which the acquired financial assets were to be held.	
(h)	*Liabilities toward other banks*	
(i)	Diminution of liabilities on the account of swapped interest	(688 462)
	Total impact – diminution of liabilities toward other banks	(688 462)
(i)	Change of principles of presentation of interest flows on the account of derivative instruments. Presentation of net interest accruing on receivables and liabilities.	
(i)	*Liabilities toward clients*	
(i)	Diminution of liabilities on the account of swapped interest	(20 781)
(ii)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	(1 096)
	Total impact – reduction of liabilities toward clients	(21 877)
(i)	Change of principles of presentation of interest flows on the account of derivative instruments. Presentation of net interest accrued on receivables and liabilities.	
(j)	*Other liabilities*	
(i)	Diminution of liabilities on the account of interest on hold	(234 397)
(ii)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	8 948
	Total impact – diminution of other liabilities	(225 449)
(i)	Change of presentation of interest on hold. According to IFRS, interest on hold is deducted from the gross value of receivables from other banks as well as credits and loans. According to Polish GAAP, interest on hold was recognised under liabilities.	
(k)	*Deferred corporate income tax provision*	
(i)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	1 550
	Total impact – increase of the deferred corporate income tax provision	1 550
(l)	*Retained profit (accumulated loss)*	
(i)	Change of principles of depreciation applied to low initial value fixed assets	5 534
(ii)	Adjustment of perpetual usufruct rights valuation connected with deferral over time of the costs incurred when acquiring such rights	2 212
(iii)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	5 225
(iv)	One off expense charge of the commission paid in connection with a contract concerning the acquisition of financial assets, previously deferred over time of duration.	(11 256)
(v)	Accounting through the profit and loss account for remuneration in the form of options granted to management	(6 654)

	Total impact – diminution of retained profit	(4 939)
(v)	According to IFRS 2, management options granted to employees are accounted for as additional remuneration. Accordingly, the respective part of the valuation of such options at the date of their granting is deducted from the profit of the period, over which the employees become eligible to rights to such options and at the same time it is added as an increase of other equity items. The effect of valuation of the management options programme is neutral for the balance of net assets.	
(m)	*Other equity*	
(i)	Increase of owners' equity as a result of the issue of management options	6 654
(ii)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	(6 378)
	Total impact – increase of the deferred corporate income tax provision	276
(i)	According to IFRS 2, management options granted to employees are treated as additional remuneration. Accordingly, the respective part of the valuation of such options at the date of their granting is deducted from the profit of the period, over which the employees become eligible to the right to options and at the same time it is added to increase other equity items. The effect of valuation of the management options programme is neutral for the balance of net assets.	
(n)	*Minority interest*	
(i)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	15 814
	Total impact – increase of the deferred corporate income tax provision	15 814

Reconciliation of differences between IFRS and Polish GAAP in the consolidated balance sheet at the date of 31 March 2004 and in the consolidated profit and loss account for the period from 1 January 2004 to 31 March 2004

Item	Note	PL GAAP 31.03.2004	Adjustment	IFRS 31.03.2004
Assets				
Cash in hand, transactions with the Central Bank		673 700		673 700
Bills of exchange eligible for rediscounting at the Central Bank		60 888		60 888
Receivables from banks	a	4 462 108	(767 144)	3 694 964
Securities held for sale		4 459 588		4 459 588
Derivative financial instruments		1 213 176		1 213 176
Other financial instruments measured at fair value through the profit and loss account		-		-
Credits and loans granted to clients	b	17 103 104	(254 877)	16 848 227
Investments in securities	c	799 881	(46 692)	753 189
Assets pledged as collateral security		48 462		48 462
Investments in associated companies		30 093		30 093
Intangible assets	d	720 229	9 069	729 298
Tangible fixed assets	e	985 053	(35 814)	949 239
Deferred corporate income tax assets	f	627 218	1 920	629 138
Other assets	g	376 489	136 870	513 359
Total assets		**31 559 989**	**(956 668)**	**30 603 321**
LIABILITIES AND EQUITY				
Liabilities with respect to the Central Bank		-		-
Liabilities with respect to other banks	h	6 056 315	(762 111)	5 294 204
Other deposits		-		-
Derivative financial instruments and other liabilities held for sale		1 337 830		1 337 830
Liabilities with respect to clients	i	15 809 968	(23 510)	15 786 458
Liabilities on the account of issues of debt securities		3 941 809		3 941 809
Other borrowed funds		1 228 774		1 228 774
Other liabilities	j	777 168	(207 885)	569 283
Current liability on the account of corporate income tax		421		421
Deferred corporate income tax provision	k	538 615	1 264	539 879
Provisions		138 749		138 749
Total liabilities		**29 829 649**	**(992 242)**	**28 837 407**
Owners' equity				
Capital attributable to shareholders of the company		1 637 067	(1 524)	1 635 543
Share capital		91 882		91 882
Reserve capital	l	658 495	1 511	660 006
Retained profit (accumulated loss)	m	126 721	(7 629)	119 092
Other equity funds	n	759 969	4 594	764 563
		-		-
Minority interest	o	114 193	16 178	130 371
Total owners' equity		**1 751 260**	**14 654**	**1 765 914**
Total liabilities and equity		**31 580 909**	**(977 588)**	**30 603 321**

Interest income	p	324 024	225	324 249
Interest expenses	q	(217 697)	(10)	(217 707)
Net interest income		106 327	215	106 542
Fee and commission income		109 369		109 369
Fee and commission expenses	r	(31 021)	907	(30 114)
Net fee and commission income		78 348	907	79 255
Dividend income		-		-
Profit (loss) on trading	s	33 767	(1 964)	31 803
Profit (loss) on investments in securities	t	21 690	(1 889)	19 801
Other operating income	u	57 870	5 536	63 406
Net impairment loss write offs of credits and loans		(27 650)		(27 650)
Total overhead (administration) costs	v	(152 089)	(2 621)	(154 710)
Other operating expenses	w	(57 745)	(12 394)	(70 139)
Profit (loss) on operating activities		60 518	(12 210)	48 308
Profit (loss) sharing in associated companies		(23)		(23)
Gross profit (loss) before tax		60 495	(12 210)	48 285
Corporate income tax	x	(17 074)	784	(16 290)
Net profit (loss) after tax		43 421	(11 426)	31 995
Attributable to shareholders of the company		40 553	(11 557)	28 996
Attributable to minority interests	y	2 868	131	2 999

(a)	*Receivables from other banks*	
(i)	Diminution of receivables on the account of interest on hold	(5 033)
(ii)	Diminution of receivables on the account of swapped interest	(762 111)
	Total impact – diminution of receivables from other banks	(767 144)

(i) Change of presentation of the net value of receivables from banks. Gross receivables are reduced by the interest on hold amount. According to Polish GAAP, interest on hold was recognised under liabilities.

(ii) Change of principles of presentation of interest flows on the account of derivative instruments. Presentation of net interest accrued on the account of receivables and liabilities.

(b)	*Credits and loans granted to clients*	
(i)	Diminution of receivables on the account of interest on hold	(213 972)
(ii)	Diminution of receivables on the account of swapped interest	(23 004)
(iii)	Change of scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	(17 901)
	Total impact – diminution of receivables on the account of credits and loans granted to clients	(254 877)

(i) Change of presentation of the net value of receivables from other banks. Gross receivables are reduced by the value of interest on hold. According to Polish GAAP, interest on hold was recognised under liabilities.

(ii) Change of principles of presentation of interest flows on the account of derivative instruments. Presentation of net interest accrued on the account of receivables and liabilities.

(c)	*Investments in securities*	
(i)	Change of the scope of consolidation (recognition of additional subsidiary companies under the full consolidation method)	(46 692)

	Total impact – diminution of the item: investments in securities	(46 692)
(d)	*Intangible assets*	
(i)	Reversal of amortisation of goodwill in subsidiary companies	9 069
	Total impact – increase of intangible assets	9 069

(i) According to IFRS 3, goodwill is not amortised, but instead it is subject to impairment testing

(e)	*Tangible fixed assets*	
(i)	Change of depreciation method applicable to low initial value fixed assets	6 957
(ii)	Transfer of the presentation of the value of perpetual usufruct rights to the “other assets” item	(69 514)
(iii)	Change of the scope of consolidation (to include additional subsidiary companies under the full consolidation method)	26 743
	Total impact – diminution of the value of tangible fixed assets	(35 814)

(i) According to IFRS standards, depreciation spread over time applies to all fixed assets regardless of the value of their cost of acquisition. According to Polish GAAP, fixed assets with initial value up to PLN 3,500 were depreciated just once at the time of their acquisition.

(ii) According to IFRS standards, perpetual usufruct rights are recognised in the same way as operating leasing, whereas the costs incurred in connection with obtaining them are deferred over the period of duration of such rights and are recorded on an accrual basis in the assets. According to Polish GAAP, perpetual usufruct was presented at the initial acquisition cost under fixed assets.

(f)	*Deferred corporate income tax assets*	
(i)	Tax effect of the change of depreciation treatment of fixed assets with low initial value	(1 322)
(ii)	Tax effect of one off charge to costs of the commission paid in connection with a contract concerning the acquisition of financial assets, previously accounted for on an accrual basis spread over time	2 467
(iii)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	775
	Total impact – increase of the deferred corporate income tax asset	1 920

(i), (ii), (iii) The above indicated adjustments present the tax effect of the introduction of adjustments concerning the change of depreciation principles applicable to fixed assets, one-off write off of the commission previously accrued on a time apportioned basis and changes of the scope of consolidation.

(g)	*Other assets*	
(i)	Change of presentation of perpetual usufruct rights and accounting on a time apportioned accrual basis of the costs connected with the acquisition of perpetual usufruct rights.	69 514
(ii)	Impairment loss adjustment concerning the perpetual usufruct rights in connection with changed principles of accrual of costs incurred on the account of acquisition of that right.	2 133

(iii)	One off charge to costs of the commission paid on the account of the contract concerning the acquisition of financial assets, previously accrued over time.	(12 989)
(iv)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	94 992
(v)	Provision for indemnity compensation outstanding, due from an insurer.	(16 780)
	Total impact – increase of other assets	136 870

(i), (ii) According to IFRS standards, perpetual usufruct rights are recorded in the same way as operating leasing and the costs incurred in connection with their acquisition are deferred over the duration of such rights and are presented under deferred cost assets. According to Polish GAAP, perpetual usufruct rights were presented at the initial cost of acquisition under fixed assets. Additionally, in connection with the change of carrying value in the balance sheet of perpetual usufruct rights, an adjustment has been applied to the previously recognised impairment of such usufruct rights.

(iii) According to IAS 39, commission paid in connection with a contract on the acquisition of financial assets was expensed as a one off charge to the costs (when incurred). According to the Polish GAAP, that commission was accounted for on a straight line basis over the duration of the estimated time over which the acquired financial assets were to be held.

(v) Recognition of a provision against indemnity compensation at the time of recognition of an amount receivable from the insurer in connection with the occurrence of an event covered by the respective insurance policy.

(h) *Liabilities toward other banks*

(i)	Diminution of liabilities on the account of interest swaps	(762 111)
	Total impact – diminution of liabilities toward other banks	(762 111)

(i) Change of principles of presentation of interest flows on the account of derivative instruments. Presentation of net interest accruing on receivables and liabilities.

(i) *Liabilities toward clients*

(i)	Diminution of liabilities on the account of interest swaps	(23 004)
(ii)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	(506)
	Total impact – reduction of liabilities toward clients	(23 510)

(i) Change of principles of presentation of interest flows on the account of derivative instruments. Presentation of net interest accrued on receivables and liabilities.

(j) *Other liabilities*

(i)	Diminution of liabilities on the account of interest on hold	(219 004)
(ii)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	11 119
	Total impact – diminution of other liabilities	(207 885)

(i)	Change of presentation of interest on hold. According to IFRS, interest on hold is deducted from the gross value of receivables from other banks as well as credits and loans. According to Polish GAAP, interest on hold was recognised under liabilities.	
(k)	*Deferred corporate income tax provision*	
(i)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	1 264
	Total impact – increase of the deferred corporate income tax provision	1 264
(l)	*Reserve capital*	
(i)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	1 511
	Total impact – increase of reserve capital	1 511
(m)	*Retained profit (accumulated loss)*	
(i)	Change of principles of depreciation applied to low initial value fixed assets	5 635
(ii)	Adjustment of perpetual usufruct rights valuation connected with deferral over time of the costs incurred when acquiring such rights	2 133
(iii)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	11 662
(iv)	One off charge to costs of the commission paid in connection with the contract concerning the acquisition of financial assets, which was previously accounted for on an accrual basis spread over time.	(10 522)
(v)	Accounting through the profit and loss account for remuneration in the form of options granted to management.	(8 826)
(vi)	Provision for indemnity compensation due from an insurer.	(16 780)
(viii)	Change of goodwill amortisation treatment.	9 069
	Total impact – diminution of retained profit	(7 629)
(v)	According to IFRS 2, management options granted to employees are accounted for as additional remuneration. Accordingly, the respective part of the valuation of such options at the date of their granting is deducted from the profit of the period, over which the employees become eligible to rights to such options and at the same time it is added as an increase of other equity items. The effect of valuation of the management options programme is neutral for the balance of net assets.	
(vi)	Recognition of a provision for indemnity compensation from the insurer at the time of recognition of the receivable from the insurer in connection with the occurrence of an event covered by the insurance policy	
(viii)	In accordance with IFRS 3, goodwill is not amortised but it is subject to impairment testing.	
(n)	*Other equity funds*	
(i)	Increase of owners' equity as a result of the issue of management options	8 826
(ii)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	(4 232)
	Total impact – increase of other equity funds	4 594

(i)	According to IFRS 2, management options granted to employees are treated as additional remuneration. Accordingly, the respective part of the valuation of such options at the date of their granting is deducted from the profit of the period, over which the employees become eligible to the right to options and at the same time it is added to increase other equity items. The effect of valuation of the management options programme is neutral for the balance of net assets.	
(o)	*Minority interest*	
(i)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	16 178
	Total impact – increase of minority interest	16 178
(p)	*Interest income*	
(i)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	10
(ii)	Change of presentation principles concerning interest flows on the account of derivative instruments. Presentation of net interest accrued on receivables and liabilities.	215
	Total impact – increase of interest income	225
(ii)	Net income from interest flows on the account of derivative instruments is presented according to net value under interest income/expenses. According to Polish GAAP, net income from interest flows on the account of derivative instruments was presented under profit (loss) on financial operations and net gains/losses on foreign exchange items.	
(q)	*Interest expenses*	
(i)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	(10)
	Total impact – increase of interest expenses	(10)
(r)	*Fee and commission expenses*	
(i)	One of charge to expenses of the commission paid in connection with a contract concerning the acquisition of financial assets, previously accounted for on an accrual basis spread over time.	907
	Total impact – diminution of fee and commission expenses	907
(s)	*Profit (loss) on trading operations*	
(i)	Change of presentation treatment of interest flows on the account of derivative instruments. Net amount presentation concerning interest accrued on the account of receivables and liabilities.	(215)
(ii)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	(1 749)
	Total impact – diminution of profit (loss) on trading activities	(1 964)
(i)	Net income from interest flows on the account of derivative instruments are presented in net amounts under interest income /expenses. According to Polish GAAP, net income from interest flows on the account of derivative instruments was presented under the item of profit (loss) on financial operations and gains (losses) on foreign exchange items.	

(t)	*Profit (loss) on investments in securities*	
(i)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	(1 889)
	Total impact – diminution of profit on investments in securities	(1 889)
(u)	*Other operating income*	
(i)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	5 536
	Total impact – increase of other operating income	5 536
(v)	*Total overhead (administration) costs*	
(i)	Accounting for perpetual usufruct rights on the accrual basis over time	(79)
(ii)	Recognition of remuneration in the form of management options	(2 172)
(iii)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	(370)
	Total impact – increase of overhead (administration) costs	(2 621)
(w)	*Other operating expenses*	
(i)	Change depreciation accounting treatment fo low initial value fixed assets	125
(ii)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	(4 808)
(iii)	Provision for indemnity compensation from the insurer	(16 780)
(iv)	Change of goodwill amortisation principles	9 069
	Total impact – increase of other operating costs	(12 394)

(iii) Recognition of a provision for indemnity compensation from the insurer at the time of recognition of the amount receivable from the insurer in connection with the occurrence of the event covered by the insurance policy

(iv) According to IFRS 3, goodwill is not amortised but it is tested for possible impairment

(x)	*Corporate income tax*	
(i)	The tax effect of the change of treatment of low initial value fixed assets depreciation	(24)
(ii)	The tax effect of the one off charge to expenses of the commission paid in connection with the contract concerning the acquisition of financial assets, previously accounted for on an accrual basis over time.	(172)
(iii)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	980
	Total impact – diminution of corporate income tax	784
(y)	*Minority interest*	
(i)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	131
	Total impact – increase of minority interest	131

Reconciliation of the differences between IFRS and Polish GAAP in the consolidated balance sheet at the date of 31 December 2004 and the consolidated profit and loss account for the period from 1 January 2004 to 31 December 2004

Item	Note	PL GAAP 31.12.2004	Adjustment	IFRS 31.12.2004
ASSETS				
Cash in hand, transactions with the Central Bank		738 469		738 469
Bills of exchange eligible for rediscounting at the Central Bank		52 832		52 832
Receivables from banks	a	6 969 730	(1 188 337)	5 781 393
Securities held for sale		4 123 222		4 123 222
Derivative financial instruments		1 796 824		1 796 824
Other financial instruments measured at fair value through the profit and loss account		-		-
Credits and loans granted to clients	b	15 760 094	(317 032)	15 443 062
Investments in securities	c	881 551	(85 401)	796 150
Assets pledged as collateral security		31 500		31 500
Investments in associated companies		2 464		2 464
Intangible assets	d	660 028	4 696	664 724
Tangible fixed assets	e	528 770	(6 881)	521 889
Deferred corporate income tax assets	f	772 445	1 554	773 999
Other assets	g	403 786	147 411	551 197
Total assets		**32 721 715**	**(1 443 990)**	**31 277 725**
LIABILITIES AND EQUITY				
Liabilities with respect to the Central Bank		-		-
Liabilities with respect to other banks	h	5 354 685	(1 183 981)	4 170 704
Other deposits		-		-
Derivative financial instruments and other liabilities held for sale		1 535 731		1 535 731
Liabilities with respect to clients	i	18 371 956	(43 996)	18 327 960
Liabilities on the account of issues of debt securities		3 133 666		3 133 666
Other borrowed funds		1 020 144		1 020 144
Other liabilities	j	548 313	(216 326)	331 987
Current liability on the account of corporate income tax		1 761		1 761
Deferred corporate income tax provision	k	687 086	1 639	688 725
Provisions		143 426		143 426
Total liabilities		**30 796 768**	**(1 442 664)**	**29 354 104**
Owners' equity				
Capital attributable to shareholders of the company		1 861 938		1 845 390
Share capital		114 853		114 853
Reserve capital	l	1 190 793	1 511	1 192 304
Retained profit (accumulated loss)	m	(193 435)	(33 001)	(226 436)
Other equity funds	n	749 726	14 943	764 669
				-
Minority interest	o	63 009	15 222	78 231
Total owners' equity		**1 924 946**	**(1 325)**	**1 923 621**
Total liabilities and equity		**32 721 714**	**(1 443 989)**	**31 277 725**
Interest income	p	1 353 394	322	1 353 716
Interest expenses	q	(861 050)	(175)	(861 225)
Net interest income		492 344	147	492 491

Fee and commission income		434 661	-	434 661
Fee and commission expenses	r	(126 372)	3 625	(122 747)
Net fee and commission income		308 289	3 625	311 914
Dividend income		7 158	-	7 158
Profit (loss) on trading activities	s	227 968	224	228 192
Profit (loss) on investments in securities	t	(189 887)	13 462	(176 425)
Other operating income	u	447 208	39 770	486 978
Net impairment loss write off concerning credits and loans		(141 175)	-	(141 175)
General overhead (administration) costs	v	(702 729)	(11 147)	(713 876)
Other operating costs	w	(673 111)	(41 219)	(714 330)
Profit (loss) on operating activities		(223 935)	4 862	(219 073)
Profit (loss) sharing in associated companies		(35)	-	(35)
Gross profit (loss) before tax		(223 935)	4 827	(219 108)
Corporate income tax	x	(41 455)	(735)	(42 190)
Net profit (loss) after tax		(265 390)	4 092	(261 298)
Attributable to shareholders of the company		(278 430)	(3 507)	(281 937)
Attributable to minority interests	y	13 040	7 599	20 639

(a)	*Receivables from other banks*	
(i)	Diminution of receivables on the account of interest on hold	(4 356)
(ii)	Diminution of receivables on the account of swapped interest	(1 183 981)
	Total impact – diminution of receivables from other banks	(1 188 337)

(i) Change of presentation of the net value of receivables from banks. Gross receivables are reduced by the interest on hold amount. According to Polish GAAP, interest on hold was recognised under liabilities.

(ii) Change of principles of presentation of interest flows on the account of derivative instruments. Presentation of net interest accrued on the account of receivables and liabilities.

(b)	*Credits and loans granted to clients*	
(i)	Diminution of receivables on the account of interest on hold	(233 218)
(ii)	Diminution of receivables on the account of swapped interest	(35 738)
(iii)	Change of scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	(48 076)
	Total impact – diminution of receivables on the account of credits and loans granted to clients	(317 032)

(i) Change of presentation of the net value of receivables from banks. Gross receivables are reduced by the interest on hold amount. According to Polish GAAP, interest on hold was recognised under liabilities.

(ii) Change of principles of presentation of interest flows on the account of derivative instruments. Presentation of net interest accrued on the account of receivables and liabilities.

(c)	*Investments in securities*	
(i)	Change of scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	(85 401)
	Total impact – diminution of the item of investment securities	(85 401)

(d)	*Intangible assets*	
(i)	Reversal of goodwill amortisation at subsidiary companies	4 696

	Total impact – increase of intangible assets	4 696
(i)	According to IFRS 3, goodwill is not amortised but rather subjected to impairment testing	
(e)	*Tangible fixed assets*	
(i)	Change of amortisation treatment for fixed assets with low initial value	7 603
(ii)	Transfer of the presentation of the value of the perpetual usufruct rights to the item others	(18 750)
(iii)	Change of scope of consolidation (recognition of additional subsidiary companies under the full consolidation method)	4 266
	Total impact – diminution of the value of tangible fixed assets	(6 881)
(i)	According to IFRS standards, depreciation spread over time applies to all fixed assets regardless of the value of their cost of acquisition. According to Polish GAAP, fixed assets with initial value up to PLN 3,500 were depreciated just once at the time of their acquisition.	
(ii)	According to IFRS standards, perpetual usufruct rights are recognised in the same way as operating leasing, whereas the costs incurred in connection with obtaining them are deferred over the period of duration of such rights and are recorded on an accrual basis in the assets. According to Polish GAAP, perpetual usufruct was presented at the initial acquisition cost under fixed assets.	
(f)	*Deferred corporate income tax assets*	
(i)	Tax effect of the change of depreciation treatment of fixed assets with low initial value	(1 393)
(ii)	Tax effect of one off charge to costs of the commission paid in connection with a contract concerning the acquisition of financial assets, previously accounted for on an accrual basis spread over time	1 951
(iii)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	996
	Total impact – increase of the deferred corporate income tax asset	1 554
(i), (ii), (iii)	The above indicated adjustments present the tax effect of the introduction of adjustments concerning the change of depreciation principles applicable to fixed assets, one-off write off of the commission previously accrued on a time apportioned basis and changes of the scope of consolidation.	
(g)	*Other assets*	
(i)	Change of presentation of perpetual usufruct rights and accrual accounting over time of costs associated with the acquisition of perpetual usufruct rights.	18 750
(ii)	Adjustment of perpetual usufruct rights impairment in connection with the changed policy applied to the accounting for costs incurred on the account of the acquisition of such rights.	2 142
(iii)	One off charge to costs of the commission paid in connection with the contract concerning the acquisition of financial assets, which was previously accounted for on an accrual basis spread over time.	(10 271)
(iv)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	136 790
	Total impact – increase of other assets	147 411

(i), (ii)	According to IFRS standards, perpetual usufruct rights are recorded in the same way as operating leasing and the costs incurred in connection with their acquisition are deferred over the duration of such rights and are presented under deferred cost assets. According to Polish GAAP, perpetual usufruct rights were presented at the initial cost of acquisition under fixed assets. Additionally, in connection with the change of carrying value in the balance sheet of perpetual usufruct rights, an adjustment has been applied to the previously recognised impairment of such usufruct rights.	
(iii)	According to IAS 39, commission paid in connection with a contract on the acquisition of financial assets was expensed as a one off charge to the costs (when incurred). According to the Polish GAAP, that commission was accounted for on a straight line basis over the duration of the estimated time over which the acquired financial assets were to be held.	
(h)	*Liabilities toward other banks*	
(i)	Diminution of liabilities on the account of swapped interest	(1 183 981)
	Total impact – diminution of liabilities toward other banks	(1 183 981)
(i)	Change of principles of presentation of interest flows on the account of derivative instruments. Presentation of net interest accruing on receivables and liabilities.	
(i)	*Liabilities toward clients*	
(i)	Diminution of liabilities on the account of interest swaps	(35 738)
(ii)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	(8 258)
	Total impact – reduction of liabilities toward clients	(43 996)
(i)	Change of principles of presentation of interest flows on the account of derivative instruments. Presentation of net interest accrued on receivables and liabilities.	
(j)	*Other liabilities*	
(i)	Diminution of liabilities on the account of interest on hold	(237 574)
(ii)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	21 248
	Total impact – diminution of other liabilities	(216 326)
(i)	Change of presentation of interest on hold. According to IFRS, interest on hold is deducted from the gross value of receivables from other banks as well as credits and loans. According to Polish GAAP, interest on hold was recognised under liabilities.	
(k)	*Deferred corporate income tax provision*	
(i)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	1 639
	Total impact – increase of the deferred corporate income tax provision	1 639
(l)	*Reserve capital*	
(i)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	1 511

	Total impact – increase of reserve capital	1 511
(m)	*Retained profit (accumulated loss)*	
(i)	Change of principles of depreciation applied to low initial value fixed assets	6 210
(ii)	Adjustment of perpetual usufruct rights valuation connected with deferral over time of the costs incurred when acquiring such rights	2 142
(iii)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	(17 693)
(iv)	One off expense charge of the commission paid in connection with a contract concerning the acquisition of financial assets, previously deferred over time of duration.	(8 320)
(v)	Accounting through the profit and loss account for remuneration in the form of options granted to management	(15 340)
	Total impact – diminution of retained profit	(33 001)

(v) According to IFRS 2, management options granted to employees are accounted for as additional remuneration. Accordingly, the respective part of the valuation of such options at the date of their granting is deducted from the profit of the period, over which the employees become eligible to rights to such options and at the same time it is added as an increase of other equity items. The effect of valuation of the management options programme is neutral for the balance of net assets.

(n)	*Other equity*	
(i)	Increase of owners' equity as a result of the issue of management options	15 340
(ii)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	(397)
	Total impact – increase of other equity funds	14 943

(i) According to IFRS 2, management options granted to employees are treated as additional remuneration. Accordingly, the respective part of the valuation of such options at the date of their granting is deducted from the profit of the period, over which the employees become eligible to the right to options and at the same time it is added to increase other equity items. The effect of valuation of the management options programme is neutral for the balance of net assets.

(o)	*Minority interest*	
(i)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	15 222
	Total impact – increase of minority interests	15 222
(p)	*Interest income*	
(i)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	322
	Total impact – increase of interest income	322
(q)	*Interest expenses*	
(i)	Change of presentation principles applicable to interest flows on the account of derivative instruments. Presentation of net interest accrued on the account of receivables and liabilities.	(224)
(ii)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	49

	Total impact – increase of interest expenses	(175)
(i)	Net income from interest flows on the account of derivative instruments is presented in net values under interest income/expenses. According to Polish GAAP, net income from interest flows on the account of derivative instruments was presented in the profit (loss) on financial operations and in the net gains (losses) on foreign exchange positions.	
(r)	*Fee and commission expenses*	
(i)	One off charge to expenses of the commission paid in connection of the contract concerning the acquisition of financial assets, previously accounted for on the accrual basis over time.	3 625
	Total impact – diminution of fee and commission expenses	3 625
(s)	*Profit (loss) on trading activities*	
(i)	Change of presentation principles applicable to interest flows on the account of derivative instruments. Presentation of net interest accrued on the account of receivables and liabilities.	224
	Total impact – increase of profit on trading activities	224
(t)	*Profit (loss) on investments in securities*	
(i)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	13 462
	Total impact – diminution of profit on investments in securities	13 462
(u)	*Other operating income*	
(i)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	39 770
	Total impact – increase of other operating income	39 770
(v)	*General overhead (administration) costs*	
(i)	Perpetual usufruct rights accounting on the accrual basis, spreading the cost over time.	(308)
(ii)	Recognition charges in the profit and loss of remuneration in the form management options	(8 686)
(iii)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	(2 153)
	Total impact – increase of overhead (administration) costs	(11 147)
(w)	*Other operating expenses*	
(i)	Perpetual usufruct rights accounting on the accrual basis, spreading the cost over time.	238
(ii)	Change of principles of depreciation applied to low initial value fixed assets.	6 507
(iii)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	(47 964)
	Total impact – increase of other operating expenses	(41 219)
(x)	*Corporate income tax*	
(i)	Tax effect of the change of principles of depreciation applied to low initial value fixed assets.	(95)

(ii)	Tax effect of one off expense charge on the account of the commission paid in connection with the contract concerning the acquisition of financial assets, previously accounted for on the accrual basis as spread over time.	(689)
(iii)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	49
	Total impact – increase of corporate income tax liability	(735)
(y)	*Minority interest*	
(i)	Change of the scope of consolidation (inclusion of additional subsidiary companies under the full consolidation method)	7 599
	Total impact – increase of minority interests	7 599

Reconciliation of adjustments recognised in the consolidated balance sheet account as at 1 January 2005, drafted in compliance with IFRS, without the adjustments of comparative data for previous accounting periods

Item	**Note**	**PL GAAP 01.01.2004**	**Adjustment**	**IFRS 01.01.2005**
ASSETS				
Cash in hand, transactions with the Central Bank		738 469		738 469
Bills of exchange eligible for rediscounting at the Central Bank		52 832		52 832
Receivables from banks	a	5 781 393	(859)	5 780 534
Securities held for sale		4 123 222		4 123 222
Derivative financial instruments		1 796 824		1 796 824
Other financial instruments measured at fair value through the profit and loss account	b	-	118 401	118 401
Credits and loans granted to clients	c	15 443 062	(154 829)	15 288 233
Investments in securities	d	796 150	(118 401)	677 749
Assets pledged as collateral security		31 500		31 500
Investments in associated companies		2 464		2 464
Intangible assets		664 724		664 724
Tangible fixed assets		521 889		521 889
Deferred corporate income tax assets	e	773 999	19 897	793 896
Other assets	f	551 197	2 262	553 459
T o t a l a s s e t s		**31 277 725**	**(133 529)**	**31 144 196**
LIABILITIES AND EQUITY				
Liabilities with respect to the Central Bank		-		-
Liabilities with respect to other banks		4 170 704		4 170 704
Other deposits		-		-
Derivative financial instruments and other liabilities held for sale		1 535 731		1 535 731
Liabilities with respect to clients		18 327 961		18 327 961
Liabilities on the account of issues of debt securities	g	3 133 666	(236)	3 133 430
Other borrowed funds	h	1 020 144	6 287	1 026 431
Other liabilities	i	331 985	35 727	367 712
Current liability on the account of corporate income tax		1 761		1 761
Deferred corporate income tax provision	j	688 725	4 671	693 396
Provisions	k	143 426	(103 101)	40 325
T o t a l l i a b i l i t i e s		**29 354 103**	**(56 652)**	**29 297 451**
O w n e r s ' e q u i t y				

Capital attributable to shareholders of the company		1 845 391	(76 877)	1 768 514
Share capital		114 853		114 853
Reserve capital		1 192 304		1 192 304
Retained profit (accumulated loss)	I	(226 435)	(76 877)	(303 312)
Other equity funds		764 669		764 669
		-		-
Minority interest		78 231		78 231
Total owners' equity		**1 923 622**	**(76 877)**	**1 846 745**
Total liabilities and equity		**31 277 725**	**(133 529)**	**31 144 196**

(a)	*Receivables from other banks*	
(i)	Adjustment of the value of receivables on the account of application of the amortised cost valuation method	(859)
	Total impact – diminution of receivables from other banks	(859)
(b)	*Other financial instruments measured at fair value through the profit and loss account*	
(i)	Reclassification of shares held to the category of available for sale financial assets measured at fair value through the profit and loss account	118 401
	Total impact – increase of the value of other financial instruments measured at fair value through the profit and loss account	118 401
(c)	*Credits and loans granted to clients*	
(i)	Adjustment of the value of receivables on due to the application of the amortised cost method of valuation	(21 181)
(ii)	Adjustment of the valuation of receivables due to the recognition of impairment in compliance with IAS 39	(133 648)
	Total impact – diminution of receivables on the account of credits and loans granted to clients	(154 829)
(d)	*Investments in securities*	
(i)	Reclassification of possessed available for sale shares to the category of financial assets measured at fair value through the profit and loss account	(118 401)
	Total impact – diminution of the balance of the investments in securities position	(118 401)
(e)	*Deferred corporate income tax assets*	
(i)	Tax effect of the adjustment of the value of receivables on the account of the application of the amortised cost method of valuation.	11 696
(ii)	Tax effect of the adjustment of the valuation of receivables due to the recognition of impairment in compliance with IAS 39	8 201
	Total impact – increase of the deferred corporate income tax asset	19 897
(f)	*Other assets*	
(i)	Adjustment of the value of receivables due to the application of the amortised cost method of valuation	2 262
	Total impact – increase of other assets	2 262
(g)	*Liabilities on the account of issues of debt securities*	

(i)	Adjustment of the value of liabilities due to the application of the amortised cost method of valuation.	(236)
	Total impact – diminution of liabilities on the account of issues of debt securities	(236)
(h)	*Other borrowed funds*	
(i)	Adjustment of the value of liabilities due to the application of the amortised cost method of valuation.	6 287
	Total impact – increase of the value of other borrowed funds	6 287
(i)	*Other liabilities*	
(i)	Adjustment of the value of liabilities due to the application of the amortised cost method of valuation.	35 727
	Total impact – increase of other liabilities	35 727
(j)	*Deferred corporate income tax provision*	
(i)	Tax effect of the adjustment of the valuation of receivables due to the recognition of impairment in compliance with IAS 39	4 671
	Total impact – increase of the deferred corporate income tax provision	4 671
(k)	*Provisions*	
(i)	Change of the balance of provisions due to the application of measurement of impairment of financial assets recognised in compliance with IAS 39	(103 101)
	Total impact – diminution of provisions	(103 101)
(l)	*Retained profit (accumulated loss)*	
(i)	Adjustment of the Bank's retained profit (loss) on the account of the application of the amortised cost method to the valuation of certain financial assets.	(49 860)
(ii)	Adjustment of the Bank's retained profit (loss) on the account of the recognition of impairment of financial assets	(27 017)
	Total impact – diminution of the retained profit	(76 877)

Reconciliation of differences between IFRS and Polish GAAP standards in the individual company balance sheet at the date of 1 January 2004.

Item	Note	PL GAAP 01.01.2004	Adjustment	IFRS 01.01.2004
ASSETS				
Cash in hand, transactions with the Central Bank		473 243		473 243
Bills of exchange eligible for rediscounting at the Central Bank		52 765		52 765
Receivables from banks	a	4 516 772	(688 462)	3 828 310
Securities held for sale		3 691 898		3 691 898
Derivative financial instruments		1 701 506		1 701 506
Other financial instruments measured at fair value through the profit and loss account		-		-
Credits and loans granted to clients	b	12 197 484	(20 781)	12 176 703
Investments in securities	c	1 755 567	(20 731)	1 734 836
Assets pledged as collateral security		47 788	-	47 788
Investments in associated companies	d	(710)	7 014	6 304
Intangible assets		226 632		226 632
Tangible fixed assets	e	940 161	(62 682)	877 479
Deferred corporate income tax assets	f	634 802	1 342	636 144
Other assets	g	382 213	51 030	433 243
T o t a l a s s e t s		**26 620 121**	**(733 270)**	**25 886 851**
LIABILITIES AND EQUITY				
Liabilities with respect to the Central Bank		-		-
Liabilities with respect to other banks	h	4 100 522	(688 462)	3 412 060
Other deposits		-		-
Derivative financial instruments and other liabilities held for sale		1 609 211		1 609 211
Liabilities with respect to clients	i	17 152 604	(20 781)	17 131 823
Liabilities on the account of issues of debt securities		165 298		165 298
Other borrowed funds		1 179 475		1 179 475
Other liabilities		161 301		161 301
Current liability on the account of corporate income tax		-		-
Deferred corporate income tax provision		557 914		557 914
Provisions		116 946		116 946
T o t a l l i a b i l i t i e s		**25 043 271**	**(709 243)**	**24 334 028**
O w n e r s ' e q u i t y				
Capital attributable to shareholders of the company		-		-
Share capital		91 882		91 882
Reserve capital		748 739		748 739
Retained profit (accumulated loss)	j	(13 417)	(11 602)	(25 019)
Current year's profit (loss)	k	6 359	(19 079)	(12 720)
Other equity funds	l	743 286	6 654	749 940
Minority interest		-		-
T o t a l o w n e r s ' e q u i t y		**1 576 850**	**(24 027)**	**1 552 823**
T o t a l l i a b i l i t i e s a n d e q u i t y		**26 620 121**	**(733 270)**	**25 886 851**

(a)	*Receivables from other banks*	
(i)	Diminution of receivables on the account of swapped interest	(688 462)
	Total impact – diminution of receivables from other banks	(688 462)

(i)	Change of presentation principles applicable to interest flows on the account of derivative instruments. Presentation of net interest accrued on the account of receivables and liabilities.	

(b)	*Credits and loans granted to clients*	
(i)	Diminution of receivables on the account of swapped interest	(20 781)
	Total impact – diminution of receivables on the account of credits and loans granted to clients	(20 781)

(i)	Change of presentation principles applicable to interest flows on the account of derivative instruments. Presentation of net interest accrued on the account of receivables and liabilities.	

(c)	*Investments in securities*	
(i)	Valuation based on historical cost of acquisition of subsidiary companies, which were previously valued by the equity method of accounting.	(20 731)
	Total impact – diminution of the item: investments in securities	(20 731)

(i)	In compliance with IAS 27, the Bank applies the historical cost method to the valuation of subsidiary companies. Previously, in accordance with Polish GAAP, subsidiaries were valued using the equity method of accounting.	

(d)	*Investments in associated companies*	
(i)	Valuation of associated companies by the historical cost method, whereas they were previously valued by the equity method of accounting.	7 014
	Total impact – increase of the balance of the item: investments in associated companies	7 014

(i)	In compliance with IAS 27, the Bank applies the historical cost method to the valuation of associated companies. Previously, in accordance with Polish GAAP, associated entities were valued using the equity method of accounting.	

(e)	*Tangible fixed assets*	
(i)	Change of principles of depreciation applied to low initial value fixed assets.	6 832
(ii)	Transfer of the presentation of the value of perpetual usufruct rights to the “other assets” item.	(69 514)
	Total impact – diminution of the value of tangible fixed assets	(62 682)

(i)	According to IFRS standards, depreciation spread over time applies to all fixed assets regardless of the value of their cost of acquisition. According to Polish GAAP, fixed assets with initial value up to PLN 3,500 were depreciated just once at the time of their acquisition.	

(f)	*Deferred corporate income tax assets*	
(i)	Tax effect of the change of depreciation treatment of fixed assets with low initial value	(1 298)
(ii)	Tax effect of one off charge to costs of the commission paid in connection with a contract concerning the acquisition of financial assets, previously accounted for on an accrual basis spread over time	2 640
	Total impact – increase of the deferred corporate income tax asset	1 342

(i), (ii)	The above indicated adjustments present the tax effect of the introduction of adjustments concerning the change of depreciation principles applicable to fixed assets, one-off write	

off of the commission previously accrued on a time apportioned basis.

(g)	*Other assets*	
(i)	Transfer of the value of perpetual usufruct rights to the item of other assets and deferral over time of the costs attached to the acquisition of the perpetual usufruct rights.	69 514
(ii)	Impairment adjustment concerning the perpetual usufruct rights in connection with changed principles of accrual of costs incurred on the account of acquisition of such rights.	2 212
(iii)	One off charge to costs of the commission paid on the account of the contract concerning the acquisition of financial assets, previously accrued over time.	(13 896)
(iv)	Valuation at historical costs of the shares in non-financial entities, which were previously valued by the equity method of accounting.	(6 800)
	Total impact – increase of other assets	51 030
(h)	*Liabilities toward other banks*	
(i)	Diminution of liabilities on the account of swapped interest	(688 462)
	Total impact – diminution of liabilities toward other banks	(688 462)
(i)	*Liabilities toward clients*	
(i)	Diminution of liabilities on the account of interest swaps	(20 781)
	Total impact – reduction of liabilities toward clients	(20 781)
(j)	*Retained profit (accumulated loss)*	
(i)	Change of principles of depreciation applied to low initial value fixed assets.	(1 298)
(ii)	Adjustment of perpetual usufruct rights valuation connected with deferral over time of the costs incurred when acquiring such rights.	2 212
(iii)	Valuation of shares in subsidiary and associated companies according to historical costs.	(12 516)
	Total impact – diminution of retained profit	(11 602)
(k)	*Current year's profit (loss)*	
(i)	Change of principles of depreciation applied to low initial value fixed assets.	6 832
(ii)	Valuation of shares in subsidiary and associated companies according to historical costs.	(8 001)
(iii)	One off charge to costs of the commission paid on the account of the contract concerning the acquisition of financial assets, previously accrued over time.	(11 256)
(iv)	Recognition in the profit and loss account of the cost on the account of remuneration in the form of granted management options.	(6 654)
	Total impact – reduction of current year's profit	(19 079)

(iv) In accordance with IFRS 2, the management options programme is treated as additional remuneration. Accordingly, the value of the options programme is deducted from the profit (loss) of the period, during which the employees became eligible to the rights to the options, and at the same time it is added to other equity items. The effect of valuation of the programme is neutral for the balance of net assets.

(l)	*Other equity funds*	
(i)	Increase of owners' equity as a result of the issue of management options	6 654
	Total impact – increase of other equity funds	6 654

(i) In accordance with IFRS 2, the management options programme is treated as additional remuneration. Accordingly, the value of the options programme is deducted from the profit (loss) of the period, during which the employees became eligible to the rights to the options, and at the same time it is added to other equity items. The effect of valuation of the programme is neutral for the balance of net assets.

Reconciliation of differences between IFRS and Polish GAAP standards in the individual company balance sheet at the date of 31 March 2004 and in the individual company profit and loss account for the period from 1 January 2004 to 31 March 2004.

Item	Note	PL GAAP 31.03.2004	Adjustment	IFRS 31.03.2004
ASSETS				
Cash in hand, transactions with the Central Bank		610 138		610 138
Bills of exchange eligible for rediscounting at the Central Bank		60 888		60 888
Receivables from banks	a	4 654 163	(762 111)	3 892 052
Securities held for sale		4 566 782		4 566 782
Derivative financial instruments		1 226 627		1 226 627
Other financial instruments measured at fair value through the profit and loss account		-		-
Credits and loans granted to clients	b	12 593 939	(23 004)	12 570 935
Investments in securities	c	1 529 711	(14 050)	1 515 661
Assets pledged as collateral security		48 462		48 462
Investments in associated companies	d	(1 391)	8 620	7 229
Intangible assets	e	219 818	2 724	222 542
Tangible fixed assets	f	945 191	(62 557)	882 634
Deferred corporate income tax assets	g	562 457	1 145	563 602
Other assets	h	414 890	34 913	449 803
T o t a l a s s e t s		**27 431 675**	**(814 320)**	**26 617 355**
LIABILITIES AND EQUITY				
Liabilities with respect to the Central Bank		-		-
Liabilities with respect to other banks	i	3 923 967	(762 111)	3 161 856
Other deposits		-		-
Derivative financial instruments and other liabilities held for sale		1 314 042		1 314 042
Liabilities with respect to clients	j	17 972 043	(23 004)	17 949 039
Liabilities on the account of issues of debt securities		400 908		400 908
Other borrowed funds		1 186 658		1 186 658
Other liabilities		383 128		383 128
Current liability on the account of corporate income tax		-		-
Deferred corporate income tax provision		500 942		500 942
Provisions		117 454		117 454
T o t a l l i a b i l i t i e s		**25 799 142**	**(785 115)**	**25 014 027**
O w n e r s ' e q u i t y				
Capital attributable to shareholders of the company		-		-
Share capital		91 882		91 882
Reserve capital		748 739		748 739
Retained profit (accumulated loss)	k	(7 057)	(33 435)	(40 492)

Current year's profit (loss)	l	39 707	(4 596)	35 111
Other equity funds	m	759 262	8 826	768 088
Minority interest		-		-
Total owners' equity		**1 632 533**	**(29 205)**	**1 603 328**
Total liabilities and equity		**27 431 675**	**(814 320)**	**26 617 355**

Interest income	n	247 827	215	248 042
Interest expenses		(168 545)	-	(168 545)
Net interest income		79 282	215	79 497
Fee and commission income		74 182	-	74 182
Fee and commission expenses	o	(21 710)	907	(20 803)
Profit (loss) on the account of fees and commissions		52 472	907	53 379
Dividend income		15 963	-	15 963
Profit (loss) on trading activities	p	29 004	(1 964)	27 040
Profit (loss) on investments in securities	q	8 384	11 041	19 425
Other operating income		29 912	-	29 912
Net impairment write offs from credits and loans		(20 715)	-	(20 715)
General overhead (administration) costs	r	(95 807)	(2 252)	(98 059)
Other operating costs	s	(44 999)	(14 095)	(59 094)
Profit (loss) on operating activities		53 496	(6 148)	47 348
Gross profit (loss) before tax		53 496	(6 148)	47 348
Corporate income tax	t	(10 930)	(1 307)	(12 237)
Net profit (loss) after tax		42 566	(7 455)	35 111

(a)	*Receivables from other banks*	
(i)	Diminution of receivables on the account of swapped interest	(762 111)
	Total impact – diminution of receivables from other banks	(762 111)

(i) Change of principles of presentation of interest flows on the account of derivative instruments. Presentation of net interest accrued on the account of receivables and liabilities.

(b)	*Credits and loans granted to clients*	
(i)	Diminution of receivables on the account of swapped interest	(23 004)
	Total impact – diminution of receivables on the account of credits and loans granted to clients	(23 004)

(i) Change of principles of presentation of interest flows on the account of derivative instruments. Presentation of net interest accrued on the account of receivables and liabilities.

(c)	*Investments in securities*	
(i)	Valuation based on historical cost of acquisition of subsidiary companies, which were previously valued by the equity method of accounting.	(14 050)
	Total impact – diminution of the item: investments in securities	(14 050)

(i) In compliance with IAS 27, the Bank applies the historical cost method to the valuation of subsidiary companies. Previously, in accordance with Polish GAAP, subsidiaries were valued using the equity method of accounting.

(d)	*Investments in associated companies*	
(i)	Valuation at historical cost of acquisition of associated companies, which were previously valued by the equity method of accounting.	8 620
	Total impact – increase of the balance of the item: investments in associated companies	8 620

(i) In compliance with IAS 27, the Bank applies the historical cost method to the valuation of associated companies. Previously, in accordance with Polish GAAP, associated companies were valued using the equity method of accounting.

(e)	*Intangible assets*	
(i)	Reversal of goodwill amortisation arising on the acquisition of the banks PBR and BCZ.	2 724
	Total impact – increase of the balance of intangible assets	2 724
(f)	*Tangible fixed assets*	
(i)	Change of principles of depreciation applied to low initial value fixed assets.	6 957
(ii)	Transfer of the presentation of the value of perpetual usufruct rights to the "other assets" item.	(69 514)
	Total impact – diminution of the balance of tangible fixed assets	(62 557)

(i) According to IFRS standards, depreciation spread over time applies to all fixed assets regardless of the value of their cost of acquisition. According to Polish GAAP, fixed assets with initial value up to PLN 3,500 were depreciated just once at the time of their acquisition.

(ii) According to IFRS standards, perpetual usufruct rights are presented in the same way as accruals in the assets and the costs incurred in connection with their acquisition are spread on an accrual basis over the duration of such rights. In accordance to Polish GAAP standards, perpetual usufruct rights were presented at cost of acquisition under fixed assets.

(g)	*Deferred corporate income tax assets*	
(i)	The tax effect of the change of depreciation principles applicable to fixed assets having low initial value.	(1 322)
(ii)	The tax effect of the one off charge to costs of the commission paid on the account of the contract concerning the acquisition of financial assets, previously accrued over time.	2 467
	Total impact – increase of the deferred corporate income tax asset	1 145

(i), (ii) The above specified adjustments present the tax effect of the introduction of adjustments concerning the changes of principles applicable to the depreciation of fixed assets and the one off expensing of the commission charge, which was previously spread over time on an accrual basis.

(h)	*Other assets*	
(i)	Transfer of the value of perpetual usufruct rights to the item of "other assets" and the accrual based accounting for the costs attached to the acquisition of perpetual usufruct rights.	69 514

(ii)	Impairment adjustment in connection with the changed principles governing the accounting for the costs incurred on the account of acquisition of such rights.	2 133
(iii)	One off charge to costs of the commission paid on the account of the contract concerning the acquisition of financial assets, previously accrued over time.	(12 989)
(iv)	Historical cost basis valuation of shares in subsidiary and associated companies.	(6 965)
(v)	Provision recognised for the indemnity compensation claimed from the insurer.	(16 780)
	Total impact – increase of the balance of other assets	34 913

(i), (ii) In accordance with IFRS standards, perpetual usufruct rights are recognised in the same way as operating leasing, whereas the costs incurred in connection with their acquisition are accounted for on an accrual basis over the period of duration of such rights and are presented under accruals in the assets. According to the Polish GAAP standards, perpetual usufruct rights were presented at cost of acquisition under fixed assets. In addition, owing to the change of the carrying value in the balance sheet of the perpetual usufruct rights, an adjustment of the previously recognised impairment of those rights was applied.

(iii) In compliance with IAS 39, a one time write off was charged to the cost account (at the time when incurred) to expense the commission paid in connection with the conclusion of the contract concerning the acquisition of financial assets. According to Polish GAAP, that commission was accrued on a straight line basis over the estimated duration of time over which the purchased financial assets were expected to be held.

(iv) In accordance with the principles set by the standard IAS 27, the possessed shares in subsidiary and associated companies (including share premium contributions to capital account) are valued according to the cost of their acquisition. According to Polish GAAP, such shares (including share premium contributions to capital account) were previously valued by the equity method of accounting.

(i) *Liabilities toward other banks*

(i)	Diminution of liabilities on the account of swapped interest	(762 111)
	Total impact – diminution of liabilities toward other banks	(762 111)

(i) Change of presentation principles applicable to interest flows on the account of derivative instruments. Presentation of net interest accrued on the account of receivables and liabilities.

(j) *Liabilities toward clients*

(i)	Diminution of liabilities on the account of interest swaps	(23 004)
	Total impact – reduction of liabilities toward clients	(23 004)

(i) Change of presentation principles applicable to interest flows on the account of derivative instruments. Presentation of net interest accrued on the account of receivables and liabilities.

(k) *Retained profit (accumulated loss)*

(i)	Change of principles of depreciation applied to low initial value fixed assets	5 534
(ii)	Adjustment of perpetual usufruct rights valuation connected with deferral over time of the costs incurred when acquiring such rights	2 212

(iii)	Historical cost valuation of shares in subsidiary and associated companies.	(23 271)
(iv)	One off charge to costs of the commission paid on the account of the contract concerning the acquisition of financial assets, previously accrued over time.	(11 256)
(v)	Recognition of costs on the account of remuneration in the form of management options.	(6 654)
	Total impact – diminution of retained profit	(33 435)

(v) According to IFRS 2, management options granted to employees are accounted for as additional remuneration. Accordingly, the respective part of the valuation of such options at the date of their granting is deducted from the profit of the period, over which the employees become eligible to rights to such options and at the same time it is added as an increase of other equity items. The effect of valuation of the management options programme is neutral for the balance of net assets.

(l)	*Current year's profit (loss).*	
(i)	Change of principles of depreciation applied to low initial value fixed assets.	101
(ii)	Historical cost valuation of shares in subsidiary and associated companies.	10 876
(iii)	One off charge to costs of the commission paid on the account of the contract concerning the acquisition of financial assets, previously accrued over time.	734
(iv)	Recognition of costs on the account of remuneration in the form of management options.	(2 172)
(v)	Provision form for the claim of indemnity compensation from the insurer.	(16 780)
(vi)	Change of goodwill amortisation principles.	2 724
(vii)	Adjustment of perpetual usufruct rights valuation due to accrual accounting over time for the expenses incurred at the time of acquisition of such rights.	(79)
	Total impact – reduction of current year's profit	(4 596)

(m)	*Other equity funds*	
(i)	Increase of equity funds due to the issue of management options.	8 826
	Total impact – increase of other equity funds	8 826

(i) According to IFRS 2, management options granted to employees are accounted for as additional remuneration. Accordingly, the respective part of the valuation of such options at the date of their granting is deducted from the profit of the period, over which the employees become eligible to rights to such options and at the same time it is added as an increase of other equity items. The effect of valuation of the management options programme is neutral for the balance of net assets.

(n)	*Interest income*	
(i)	Change of presentation principles applicable to interest flows on the account of derivative instruments. Presentation of net interest accrued on the account of receivables and liabilities.	215
	Total impact – increase of interest income	215

(o) *Fee and commission expenses*

(i)	One off charge to costs of the commission paid on the account of the contract concerning the acquisition of financial assets, previously accrued over time.	907
	Total impact – diminution of fee and commission expenses	907
(p)	*Profit (loss) on trading operations*	
(i)	Historical cost valuation of shares in subsidiaries and associated companies.	(1 749)
(ii)	Change of presentation principles applicable to interest flows on the account of derivative instruments. Presentation of net interest accrued on the account of receivables and liabilities.	(215)
	Total impact – diminution of profit on trading operations	(1 964)
(q)	*Profit (loss) on investments in securities*	
(i)	Historical cost valuation of shares in subsidiaries and associated companies.	11 041
	Total impact – increase of profit on investments in securities	11 041
(r)	*General overhead (administration) costs*	
(i)	Accrual accounting over time for the cost of acquisition of perpetual usufruct rights.	(81)
(ii)	Recognition of the cost of remuneration in the form of management options.	(2 171)
	Total impact – increase of general (administration) costs	(2 252)
(s)	*Other operating expenses*	
(i)	Change of principles of depreciation applied to low initial value fixed assets.	126
(ii)	Historical cost valuation of shares in subsidiary and associated companies.	(165)
(iii)	Reversal of amortisation of goodwill arising on the acquisitions of the banks PBR and BCZ.	2 724
(iv)	Provision formed on the account of anticipated indemnity compensation claimed from the insurer.	(16 780)
	Total impact – increase of other operating expenses	(14 095)
(t)	*Corporate income tax*	
(i)	Tax effect of the change of depreciation treatment of fixed assets with low initial value.	(24)
(ii)	Tax effect of one off charge to costs of the commission paid in connection with a contract concerning the acquisition of financial assets, previously accounted for on an accrual basis spread over time.	(172)
(iii)	Tax effect of historical cost method of valuation of shares in subsidiary and associated companies.	(1 111)
	Total impact – reduction of corporate income tax	(1 307)

Reconciliation of differences between IFRS and Polish GAAP standards in the individual company balance sheet at the date of 31 December 2004 and in the individual company profit and loss account for the period from 1 January 2004 to 31 December 2004

Item	Note	PL GAAP 31.12.2004	Adjustment	IFRS 31.12.2004
ASSETS				
Cash in hand, transactions with the Central Bank		734 608		734 608
Bills of exchange eligible for rediscounting at the Central Bank		52 832		52 832
Receivables from banks	a	6 810 499	(1 188 337)	5 622 162
Securities held for sale		4 140 909		4 140 909
Derivative financial instruments		1 796 824		1 796 824
Other financial instruments measured at fair value through the profit and loss account		-		-
Credits and loans granted to clients	b	13 100 016	(268 956)	12 831 060
Investments in securities	c	1 387 325	(57 177)	1 330 148
Assets pledged as collateral security		31 500		31 500
Investments in associated companies	d	(4 902)	5 728	826
Intangible assets		350 148		350 148
Tangible fixed assets	e	487 327	(11 416)	475 911
Deferred corporate income tax assets	f	729 241	558	729 799
Other assets	g	425 876	(878)	424 998
Total assets		**30 042 203**	**(1 520 478)**	**28 521 725**
LIABILITIES AND EQUITY				
Liabilities with respect to the Central Bank		-		-
Liabilities with respect to other banks	h	3 279 940	(1 183 981)	2 095 959
Other deposits		-		-
Derivative financial instruments and other liabilities held for sale		1 613 461		1 613 461
Liabilities with respect to clients	i	20 692 778	(35 738)	20 657 040
Liabilities on the account of issues of debt securities		407 792		407 792
Other borrowed funds		1 020 144		1 020 144
Other liabilities	j	378 900	(237 574)	141 326
Current liability on the account of corporate income tax		-		-
Deferred corporate income tax provision		671 187		671 187
Provisions		123 470		123 470
Total liabilities		**28 187 672**	**(1 457 293)**	**26 730 379**
Owners‘ equity				
Capital attributable to shareholders of the company				
Share capital		114 853		114 853
Reserve capital		1 283 552		1 283 552
Retained profit (accumulated loss)	k	(293 099)	(78 525)	(371 624)
Other equity funds	l	749 225	15 340	764 565
Minority interest		-		-
Total owners‘ equity		**1 854 531**	**(63 185)**	**1 791 346**
Total liabilities and equity		**30 042 203**	**(1 520 478)**	**28 521 725**
Interest income		1 025 655	-	1 025 655
Interest expenses	m	(694 459)	(224)	(694 683)
Net interest income		331 196	(224)	330 972

Fee and commission income		323 243	-	323 243
Fee and commission expenses	n	(104 720)	3 625	(101 095)
Net fee and commission income		218 523	3 625	222 148
Dividend income		24 991	-	24 991
Profit (loss) on trading activities		203 514	224	203 738
Profit (loss) on investments in securities	o	(164 492)	(22 253)	(186 745)
Other operating income		315 546	-	315 546
Net impairment write offs on the account of credits and loans		(97 757)	-	(97 757)
General overhead (administration) costs	p	(486 015)	(8 994)	(495 009)
Other operating costs	q	(612 720)	3 802	(608 918)
Net operating profit (loss)		(267 214)	(23 820)	(291 034)
Gross profit (loss) before tax		(267 214)	(23 820)	(291 034)
Corporate income tax	r	(16 993)	(784)	(17 777)
Net profit (loss) after tax		(284 207)	(24 604)	(308 811)

(a)	*Receivables from other banks*	
(i)	Diminution of receivables on the account of interest on hold	(4 356)
(ii)	Diminution of receivables on the account of swapped interest	(1 183 981)
	Total impact – diminution of receivables from other banks	(1 188 337)

(i) Change of presentation of the net value of receivables from banks. Gross receivables are reduced by the interest on hold amount. According to Polish GAAP, interest on hold was recognised under liabilities.

(ii) Change of presentation principles applicable to interest flows on the account of derivative instruments. Presentation of net interest accrued on the account of receivables and liabilities.

(b)	*Credits and loans granted to clients*	
(i)	Diminution of receivables on the account of interest on hold	(233 218)
(ii)	Diminution of receivables on the account of swapped interest	(35 738)
	Total impact – diminution of receivables on the account of credits and loans granted to clients	(268 956)

(i) Change of presentation of net value of credits and loans granted to clients. Gross credits and loans are reduced by the value of interest on hold. According to Polish GAAP interest on hold was recognised under liabilities.

(ii) Change of presentation principles applicable to interest flows on the account of derivative instruments. Presentation of net interest accrued on the account of receivables and liabilities.

(c)	*Investments in securities*	
(i)	Historical cost valuation of subsidiary companies, which were previously valued by the equity method of accounting.	(57 177)
	Total impact – diminution of the item: investments in securities	(57 177)

(i) In compliance with IAS 27, the Bank applies the historical cost method to the valuation of subsidiary companies. Previously, in accordance with Polish GAAP, subsidiaries were valued using the equity method of accounting.

(d) *Investments in associated companies*

(i)	Historical cost valuation of associated companies, which were previously valued by the equity method of accounting.	5 728
	Total impact – increase of the balance of investments in associated companies	5 728

(i) In compliance with IAS 27, the Bank applies the historical cost method to the valuation of associated companies. Previously, in accordance with Polish GAAP, associated companies were valued using the equity method of accounting.

(e) *Tangible fixed assets*

(i)	Change of principles of depreciation applied to low initial value fixed assets.	7 334
(ii)	Transfer of the presentation of the value of perpetual usufruct rights to the item "other assets".	(18 750)
	Total impact – diminution of the value of tangible fixed assets	(11 416)

(i) According to IFRS standards, depreciation spread over time applies to all fixed assets regardless of the value of their cost of acquisition. According to Polish GAAP, fixed assets with initial value up to PLN 3,500 were depreciated just once at the time of their acquisition.

(ii) According to IFRS standards, perpetual usufruct rights are recognised in the same way as operating leasing, whereas the costs incurred in connection with obtaining them are deferred over the period of duration of such rights and are recorded on an accrual basis in the assets as deferred costs. According to Polish GAAP, perpetual usufruct was presented at the initial acquisition cost under fixed assets.

(f) *Deferred corporate income tax assets*

(i)	Tax effect of the change of depreciation treatment of fixed assets with low initial value	(1 393)
(ii)	Tax effect of one off charge to costs of the commission paid in connection with a contract concerning the acquisition of financial assets, previously accounted for on an accrual basis spread over time	1 951
	Total impact – increase of the deferred corporate income tax asset	558

(i), (ii) The above indicated adjustments present the tax effect of the adjustments concerning the changes of principles applied to the depreciation of fixed assets and the one off write off to the charge of costs of the commission, which was previously accounted for on an accrual basis spread over time.

(g) *Other assets*

(i)	Transfer of the value of perpetual usufruct rights to the item „other assets" and accounting on an accrual basis spread over time of the costs attached to the acquisition of perpetual usufruct rights.	18 750
(ii)	Impairment adjustment of the perpetual usufruct rights in connection with the change of accounting policy applied to the recognition of costs incurred on the account of acquisition of such rights.	2 142

(iii)	One off charge to costs of the commission paid on the account of the contract concerning the acquisition of financial assets, previously accrued over time.	(10 271)
(iv)	Historical cost valuation of shares in subsidiary and associated entities.	(11 499)
	Total impact – diminution of other assets balance	(878)

(i), (ii) According to IFRS standards, perpetual usufruct rights are recognised in the same way as operating leasing, whereas the costs incurred in connection with obtaining them are deferred over the period of duration of such rights and are recorded on an accrual basis in the assets. According to Polish GAAP, perpetual usufruct was presented at the initial acquisition cost under fixed assets. Additionally, in connection with the change of the carrying value of the perpetual usufruct rights in the balance sheet, an adjustment was applied to the previously recognised impairment of those rights.

(iii) According to IAS 39, commission paid in connection with a contract on the acquisition of financial assets was expensed as a one off charge to the costs (when incurred). According to the Polish GAAP, that commission was accounted for on a straight line basis over the duration of the estimated time over which the acquired financial assets were to be held.

(iv) In accordance with the principles set by the standard IAS 27, the possessed shares in subsidiary and associated companies (including share premium contributions to capital account) are valued according to the cost of their acquisition. According to Polish GAAP, such shares (including share premium contributions to capital account) were previously valued by the equity method of accounting.

(h) *Liabilities toward other banks*

(i)	Diminution of liabilities on the account of swapped interest	(1 183 981)
	Total impact – diminution of liabilities toward other banks	(1 183 981)

(i) Change of presentation principles applicable to interest flows on the account of derivative instruments. Presentation of net interest accrued on the account of receivables and liabilities.

(i) *Liabilities toward clients*

(i)	Diminution of liabilities on the account of interest swaps	(35 738)
	Total impact – reduction of liabilities toward clients	(35 738)

(i) Change of presentation principles applicable to interest flows on the account of derivative instruments. Presentation of net interest accrued on the account of receivables and liabilities.

(j) *Other liabilities*

(i)	Diminution of liabilities on the account of interest on hold	(237 574)
	Total impact – diminution of other liabilities	(237 574)

(i)	Change of presentation of interest on hold. According to IFRS, interest on hold is deducted from the gross value of receivables from other banks as well as credits and loans. According to Polish GAAP, interest on hold was recognised under liabilities.	
(k)	*Retained profit (accumulated loss)*	
(i)	Change of principles of depreciation applied to low initial value fixed assets	5 941
(ii)	Adjustment of perpetual usufruct rights valuation connected with deferral over time of the costs incurred when acquiring such rights	2 142
(iii)	Historical cost valuation of shares in subsidiary and associated companies.	(62 948)
(iv)	One off charge to costs of the commission paid on the account of the contract concerning the acquisition of financial assets, previously accrued over time.	(8 320)
(v)	Accounting through the profit and loss account for remuneration in the form of options granted to management	(15 340)
	Total impact – diminution of retained profit	(78 525)
(v)	According to IFRS 2, management options granted to employees are accounted for as additional remuneration. Accordingly, the respective part of the valuation of such options at the date of their granting is deducted from the profit of the period, over which the employees become eligible to rights to such options and at the same time it is added as an increase of other equity items. The effect of valuation of the management options programme is neutral for the balance of net assets.	
(l)	*Other equity funds*	
(i)	Increase of owners' equity as a result of the issue of management options	15 340
	Total impact – increase of other equity funds	15 340
(i)	According to IFRS 2, management options granted to employees are accounted for as additional remuneration. Accordingly, the respective part of the valuation of such options at the date of their granting is deducted from the profit of the period, over which the employees become eligible to rights to such options and at the same time it is added as an increase of other equity items. The effect of valuation of the management options programme is neutral for the balance of net assets.	
(m)	*Interest expenses*	
(i)	Change of presentation principles applicable to interest flows on the account of derivative instruments.	(224)
	Total impact – increase of interest expenses	(224)
(i)	Net income from interest flows on the account of derivative instruments is presented according to net value under interest income/expenses. According to Polish GAAP, net income from interest flows on the account of derivative instruments was presented under profit (loss) on financial operations and net gains/losses on foreign exchange items.	
(n)	*Fee and commission expenses*	

(i)	One off charge to costs of the commission paid on the account of the contract concerning the acquisition of financial assets, previously accrued over time.	3 625
	Total impact – reduction of fee and commission expenses	3 625
(o)	*Profit (loss) on investments in securities*	
(i)	Historical cost valuation of shares in subsidiary and associated companies.	(22 253)
	Total impact – diminution of the profit on investments in securities	(22 253)
(p)	*General overhead (administration) costs*	
(i)	Accrual accounting for the cost of acquisition of perpetual usufruct rights, spreading that cost over time.	(308)
(ii)	Recognition of the cost on the account of remuneration in the form of management options.	(8 686)
	Total impact – increase of overhead (administration) costs	(8 994)
(q)	*Other operating costs*	
(i)	Change of principles of depreciation applied to low initial value fixed assets.	6 832
(ii)	Adjustment of recognised impairment of perpetual usufruct rights in connection with the change of the principles of their valuation policy.	238
(iii)	Historical cost valuation of shares in subsidiary and associated companies.	(3 268)
	Total impact – reduction of other operating costs	3 802
(r)	*Corporate income tax*	
(i)	Tax effect of the change of depreciation treatment of fixed assets with low initial value	(95)
(ii)	Tax effect of one off charge to costs of the commission paid in connection with a contract concerning the acquisition of financial assets, previously accounted for on an accrual basis spread over time	(689)
	Total impact – increase of corporate income tax	(784)

Reconciliation of adjustments recorded in the individual company balance sheet at the date of 1 January 2005, drafted in compliance with IFRS standards, without adjusting comparative data for earlier accounting periods.

Item	**Note**	**IFRS 31.12.2004**	**Adjustment**	**IFRS 01.01.2005**
ASSETS				
Cash in hand, transactions with the Central Bank		734 608		734 608
Bills of exchange eligible for rediscounting at the Central Bank		52 832		52 832
Receivables from banks	a	5 622 162	(859)	5 621 303
Securities held for sale		4 140 909		4 140 909
Derivative financial instruments		1 796 824		1 796 824
Other financial instruments measured at fair value through the profit and loss account	b	-	118 401	118 401
Credits and loans granted to clients	c	12 831 060	(150 146)	12 680 914

Investments in securities	d	1 330 147	(118 401)	1 211 746
Assets pledged as collateral security		31 500		31 500
Investments in associated companies		826		826
Intangible assets		350 148		350 148
Tangible fixed assets		475 911		475 911
Deferred corporate income tax assets	e	729 799	19 897	749 696
Other assets	f	424 999	2 262	427 261
T o t a l a s s e t s		**28 521 725**	**(128 846)**	**28 392 879**
LIABILITIES AND EQUITY				
Liabilities with respect to the Central Bank		-		-
Liabilities with respect to other banks		2 095 960		2 095 960
Other deposits		-		-
Derivative financial instruments and other liabilities held for sale		1 613 461		1 613 461
Liabilities with respect to clients		20 657 040		20 657 040
Liabilities on the account of issues of debt securities	g	407 792	(236)	407 556
Other borrowed funds	h	1 020 144	6 287	1 026 431
Other liabilities	i	141 326	35 727	177 053
Current liability on the account of corporate income tax		-		-
Deferred corporate income tax provision	j	671 187	4 671	675 858
Provisions	k	123 470	(103 101)	20 369
T o t a l l i a b i l i t i e s		**26 730 380**	**(56 652)**	**26 673 728**
O w n e r s ‘ e q u i t y				
Capital attributable to shareholders of the company				
Share capital		114 853		114 853
Reserve capital		1 283 552		1 283 552
Retained profit (accumulated loss)	l	(371 625)	(72 194)	(443 819)
Other equity funds		764 565		764 565
Minority interest		-		-
T o t a l o w n e r s ‘ e q u i t y		**1 791 345**	**(72 194)**	**1 719 151**
T o t a l l i a b i l i t i e s a n d e q u i t y		**28 521 725**	**(128 846)**	**28 392 879**

(a)	*Receivables from other banks*	
(i)	Adjustment of the valuation of receivables on the account of application of the method of amortised cost basis of valuation	(859)
	Total impact – diminution of receivables from other banks	(859)
(b)	*Other financial instruments measured at fair value through the profit and loss account*	
(i)	Reclassification of shares of the available for sale category to the category of financial assets measured at fair value through the profit and loss account	118 401
	Total impact – increase of the value of other financial instruments measured at fair value through the profit and loss account	118 401
(c)	*Credits and loans granted to clients*	
(i)	Adjustment of the value of receivables on the account of the application of the amortised cost basis of valuation method.	(21 181)
(ii)	Adjustment of the valuation of receivables on the account of the recognition of impairment in compliance with IAS 39.	(128 965)
	Total impact – diminution of receivables on the account of credits and loans granted to clients	(150 146)

(d)	*Investments in securities*	
(i)	Reclassification of possessed shares of the available for sale category to the category of financial assets measured at fair value through the profit and loss account	(118 401)
	Total impact – diminution of the item: investments in securities	(118 401)
(e)	*Deferred corporate income tax assets*	
(i)	Tax effect of the adjustment of the valuation of receivables on the account of the application of the amortised cost basis method of valuation.	11 696
(ii)	Tax effect of the adjustment of the valuation of receivables on the account of recognition of impairment in compliance with IAS 39.	8 201
	Total impact – increase of the deferred corporate income tax asset	19 897
(f)	*Other assets*	
(i)	Adjustment of the valuation of receivables on the account of the application of the amortised cost method of valuation.	2 262
	Total impact – increase of other assets	2 262
(g)	*Liabilities on the account of issues of debt securities*	
(i)	Adjustment of the value of liabilities on the account of the application of the amortised cost method of valuation.	(236)
	Total impact – diminution of the liabilities on the account of issues of debt securities	(236)
(h)	*Other borrowed funds*	
(i)	Adjustment of the value of liabilities on the account of the application of the amortised cost method of valuation.	6 287
	Total impact – increase of the value of other borrowed funds	6 287
(i)	*Other liabilities*	
(i)	Adjustment of the value of liabilities on the account of the application of the amortised cost method of valuation.	35 727
	Total impact – increase of other liabilities	35 727
(j)	*Deferred corporate income tax provision*	
(i)	Tax effect of the adjustment of the valuation of receivables on the account of recognition of impairment in compliance with IAS 39.	4 671
	Total impact – increase of the deferred corporate income tax provision	4 671
(k)	*Provisions*	
(i)	Change of the balance of provisions resulting from the application of the measurement of impairment of financial assets in compliance with IAS 39	(103 101)
	Total impact – reduction of provisions	(103 101)
(l)	*Retained profit (accumulated loss)*	
(i)	Adjustment of the Bank's retained profit figure on the account of the application of the amortised cost method of valuation to some of the financial assets.	(49 860)
(ii)	Adjustment of the Bank's retained profit figure on the account of the application of measurement of impairment of financial assets in compliance with IAS 39.	(22 334)
	Total impact – diminution of the retained profit (accumulated loss) figure	(72 194)

SELECTED EXPLANATORY DATA

1. Compliance with International Financial Reporting Standards [IFRS]

The presented Report for the 1st quarter of 2005 fulfils the requirements of the International Accounting Standard (IAS) 34 concerning the interim financial reporting and the requirements of the International Financial Reporting Standard (IFRS) 1 specifying the requirements applicable to reports drafted for the first time on the basis of IFRS standards.

2. Consistency of accounting principles and calculation methods applied to the drafting of the quarterly report and the last annual financial report

A detailed description of the accounting policy principles of the Group applied since January 1, 2005, as well as the description of the nature and impact of such policies upon the equity funds of the Group 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 the item 2 and 5 of Notes to the Consolidated Financial Statements.
The accounting policies adopted by the Group from January 1, 2005, were applied retrospectively (with the exceptions described under the item 2.1 of Notes to the Consolidated Financial Statements) to all the periods presented in the financial statement, i.e. the opening balance sheet as at the date of 1 January 2004, at 31 March 2004 and at 31 December 2004.
The previously published financial statements for the Bank and the Group, including financial statements for the year 2004 were prepared in accordance with Polish Accounting Standards.

3. Seasonal or cyclical nature of the business

The business operations of the Capital Holding Group do not involve significant events that would be subject to seasonal or cyclical variations.

4. The nature and values of items affecting the assets, liabilities, net profit/(loss) or cash flows, which are extraordinary in terms of their nature, magnitude or exerted impact

In order to reduce the impact of incidental one-off events recognised in the 4th quarter of the year 2004, negatively affecting the net performance of the Bank as at the end of the year 2004 (the impact of these events has been discussed in detail in the financial statement for the year 2004), on February 2, 2005 the BRE Bank has issued subordinated bonds with unspecified maturity term and has thus raised cash amounting to EUR 100,000,000 (PLN 405,830,000 at the middle exchange rate of the National Bank of Poland at the issuing date). The funds raised through this issue served to change the hitherto existing structure of owners' equity funds of the BRE Bank SA and to increase the proportion of the supplementary tier capital in that structure. The Bank obtained the consent of the Regulator (KNB - Banking Supervision Commission) to classify the amount originating from the above indicated issue as supplementary capital. The issue was acquired in full by a subsidiary entity of the Commerzbank AG, which is the main shareholder of the Bank. Moreover, there is the possibility within the scope of the agreement to take advantage of an additional limit for the issue of subordinated bonds up to the value of EUR 150 million, which provides the Bank with a basis for secure growth over the next years ahead.

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 1st quarter 2005 there were no significant changes in estimate values of items presented in the previous financial periods.

6. Issues, redemption and repayment of debt and equity securities

Details concerning the issue of subordinated bonds by BRE Bank SA in the 1st quarter of the year 2005 are presented above (item No. 4).
In the 1st quarter of the year 2005 the BRE Bank executed the redemption of 2,283 depository receipts with a nominal value of PLN 228,300,000.
In addition, in the 1st quarter of the year 2005, the company BRE Leasing issued short-term bonds totalling PLN 106,000,000 and long-term bonds to the amount of PLN 12,000,000. In the same period, the Company carried out the redemption of short-term bonds to the amount of PLN 101,000,000.

7. Dividends paid (in total or as a value per one share), differentiating between ordinary shares and other classes of shares

The General Meeting of Shareholders of the BRE Bank SA on 22 March 2005 adopted the resolution not to pay any dividend for the year 2004.

8. Revenues and financial performance by particular business segments

The revenues and financial performance (profit/loss) by particular business segments within the Group are presented under the item No 4 of Notes to the Consolidated Financial Statements.

9. Significant events after the closing of the quarter, which were not reflected in the financial statement

There were no significant events after the end of 1st quarter 2005, which would not be recognised in the financial statements of the Group..

10. The effect of changes in the structure of the entity in the 1st quarter, including business combinations, acquisitions or disposal of subsidiaries and long-term investments, restructuring or discontinuation of business activities

In the 1st quarter of 2005 none of the above indicated events have taken place on any scale that would be material for the Group.

11. Changes in off-balance sheet liabilities

In the 1st quarter 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, which would result from current operating activities of the Group. There was also no single case of granting of guarantees or any other contingent liability of any material value for the Group.
The detailed list of off-balance sheet liabilities as at 31 March 2005 and 31 December 2004 is presented in below.

OFF-BALANCE-SHEET ITEMS	**as at 31 Mar 2005 end of the quarter 2005**	**as at 31 Dec 2004 end of the previous quarter 2004**
I. Contingent liabilities granted and received	**7 790 163**	**8 260 342**
1. Liabilities granted:	**7 233 313**	**7 268 893**
a) financing	5 644 809	5 628 898
b) guarantees	1 588 504	1 639 995
2. Liabilities received:	**556 850**	**991 449**
a) financing	37 002	340 000
b) guarantees	519 848	651 449
II. Liabilities arising from purchase/sale operations	290 288 642	223 399 356
III. Other, including:	**942 037**	**1 133 670**
- factoring receivables	487 350	688 057
- factoring payables	132 052	131 477
- other	322 634	314 136
TOTAL OFF-BALANCE-SHEET ITEMS	**299 020 842**	**232 793 368**

12. Write offs of the value of inventories deducted from net realisable value and reversals of such write offs

The above indicated situation does not apply to the Group.

13. Revaluation write offs on the account of impairment of tangible fixed assets, intangible assets or other assets, as well as reversals of such write offs

In the 1st quarter of 2005 no impairment loss write offs were recorded in relation to any tangible fixed assets, nor any reversals on such account were recorded within the Group.

14. Reversals of provisions against restructuring costs

The above indicated situation does not apply to the Group.

15. Acquisitions and disposals of tangible fixed asset items

In the 1st quarter of 2005 there were no material transactions of acquisition or disposal of any tangible fixed assets.

16. Liabilities assumed on the account of purchases of tangible fixed assets

The above indicated situations do not apply to the Group.

17. Settlements on the account of cases resolved before the courts

The above indicated situations do not apply to the Group.

18. Corrections of errors from previous reporting periods

In the 1st quarter of 2005 there were no corrections of errors from previous reporting periods.

19. Default or infringement of a loan agreement or failure to initiate composition proceedings

The above indicated situation does not apply to the Group.

20. Transactions with associated entities

Except issuing the subordinated bonds acquired in full by ATBRECOM Limited, a subsidiary entity of Commerzbank AG (described in item No. 4), in the 1st quarter of 2005 there were no material transactions with associated entities, which would not consist of typical and routine transactions, concluded on market terms, and the nature as well as terms and conditions of which would not stem from the current operating activities conducted by the Bank.