BRE BANK SA

BRE Bank SA Group

IFRS Consolidated Financial Statements 2006

Contents

Selected financial data

SELECTED FINANCIAL DATA FOR THE GROUP		in PLN '000		in EUR '000	
		2006 period from 2006-01-01 to 2006-12-31	2005 period from 2005-01-01 to 2005-12-31	2006 period from 2006-01-01 to 2006-12-31	2005 period from 2005-01-01 to 2005-12-31
I.	Interest income	**1 704 182**	**1 535 190**	**437 071**	**381 575**
II.	Fee and commission income	**723 301**	**543 217**	**185 505**	**135 018**
III.	Net trading income	**400 280**	**233 935**	**102 660**	**58 145**
IV.	Operating profit	**576 472**	**338 433**	**147 847**	**84 118**
V.	Profit before income tax	**576 360**	**337 964**	**147 819**	**84 002**
VI.	Net profit (loss) attributable to minority interest	**25 136**	**20 362**	**6 447**	**5 061**
VII.	Net profit (loss)	**421 258**	**247 543**	**108 040**	**61 527**
VIII.	Cash flows from operating activities	**(1 667 890)**	**(2 163 880)**	**(427 763)**	**(537 837)**
IX.	Cash flows from investing activities	**(253 180)**	**(95 256)**	**(64 933)**	**(23 676)**
X.	Cash flows from financing activities	**2 838 970**	**378 594**	**728 109**	**94 100**
XI.	Net increase / decrease in cash and cash equivalents	**917 900**	**(1 880 542)**	**235 413**	**(467 413)**
XII.	Total assets	**42 330 581**	**32 739 083**	**11 048 909**	**8 482 067**
XIII.	Amounts due to the Central Bank	**-**	**-**	**-**	**-**
XIV.	Amounts due to other banks	**7 972 386**	**4 256 749**	**2 080 911**	**1 102 842**
XV.	Amounts due to customers	**24 669 856**	**20 349 402**	**6 439 198**	**5 272 139**
XVI.	Capital and reserves attributable to the Company's equity holders	**2 530 766**	**2 035 239**	**660 567**	**527 291**
XVII.	Minority interest	**91 433**	**73 231**	**23 865**	**18 973**
XVIII.	Share capital	**118 064**	**115 936**	**30 816**	**30 037**
XIX.	Number of shares	**29 516 035**	**28 983 972**	**29 516 035**	**28 983 972**
XX.	Book value per share (in PLN/EUR per share)	**85.74**	**70.22**	**22.38**	**18.19**
XXI.	Diluted book value per share (in PLN/EUR per share)	**85.24**	**69.98**	**22.25**	**18.13**
XXII.	Capital adequacy ratio	**10.39**	**11.10**	**10.39**	**11.10**
XXIII.	Earnings per 1 ordinary share (in PLN/EUR per share) (for 12 months)	**13.12**	**9.10**	**3.37**	**2.26**
XXIV.	Diluted earnings per 1 ordinary share (in PLN/EUR per share) (for 12 months)	**13.05**	**9.07**	**3.35**	**2.26**
XXV.	Earnings per 1 ordinary share (in PLN/EUR per share) (for 12 months)	**-**	**-**	**-**	**-**

IFRS Consolidated Financial Statements 2006 PLN (000's)

Consolidated Profit and Loss Account

Consolidated Profit and Loss Account for the 2006 and 2005

	Note	Year ended 31 December 2006	2005
Continued operations			
Interest income	6	1 700 551	1 533 139
Interest expense	6	(976 373)	(882 275)
Net interest income		**724 178**	**650 864**
Fee and commission income	7	582 771	458 709
Fee and commission expense	7	(166 361)	(120 510)
Net fee and commission income		**416 410**	**338 199**
Dividend income	8	16 865	47 033
Net trading income, including:	9	*399 585*	*233 061*
Foreign exchange result		*354 140*	*257 897*
Other trading income		*45 445*	*(24 836)*
Gains less losses from investment securities	23	22 522	42 053
Other operating income	10	229 039	134 997
Impairment losses on loans and advances	14	(45 961)	(78 841)
Overhead costs	11	(879 492)	(768 450)
Amortization and depreciation	25, 26	(164 885)	(137 706)
Other operating expenses	12	(183 668)	(113 167)
Operating profit		**534 593**	**348 043**
Share of profit of associates	24	(112)	(469)
Profit before income tax from continued operations		**534 481**	**347 574**
Income tax expense	15	(124 232)	(65 172)
Net profit (loss) from continued operations including minority interest		**410 249**	**282 402**
Discontinued operations	28		
Profit before income tax from discontinued operations		**41 879**	**(9 610)**
Income tax expense		(5 734)	(4 887)
Net profit (loss) from discontinued operations including minority interest		**36 145**	**(14 497)**
Net profit (loss) from continued and discontinued operations including minority interest, of which:		**446 394**	**267 905**
Net profit (loss) attributable to minority interest		25 136	20 362
Net profit (loss)		**421 258**	**247 543**
Net profit (loss) from continued operations attributable to the Bank's equity holders (for 12 months)		**385 113**	**262 040**
Weighted average number of ordinary shares		**29 344 158**	**28 780 011**
Earnings per 1 ordinary share (in PLN per share)	16	**13.12**	**9.10**
Weighted average number of ordinary shares for diluted earnings		**29 518 255**	**28 878 173**
Diluted earnings per 1 ordinary share (in PLN per share)	16	**13.05**	**9.07**

IFRS Consolidated Financial Statements 2006 PLN (000's)

Consolidated Balance Sheet

Consolidated Balance Sheet as at 31 December 2006 and 31 December 2005

	Note	31.12.2006	31.12.2005
ASSETS			
Cash and balances with Central Bank	17	3 716 607	1 778 457
Debt securities eligible for rediscounting at the Central Bank	18	26 725	37 464
Loans and advances to banks	19	2 844 124	4 668 474
Trading securities	20	3 516 149	5 011 960
Derivative financial instruments	21	1 413 065	1 264 500
Loans and advances to customers	22	23 044 694	15 375 958
Investment securities	23	3 055 516	1 124 832
- Available for sale		3 055 516	1 124 832
Non-current assets held for sale	28	385 194	317 349
Pledged assets	20, 23,36	2 702 180	1 516 212
Investments in associates	24	5 356	6 477
Intangible assets	25	381 111	406 380
Tangible fixed assets	26	580 108	558 535
Deferred income tax assets	35	65 112	117 048
Other assets	27	594 640	555 437
Total assets		**42 330 581**	**32 739 083**
EQUITY AND LIABILITIES			
Amounts due to other banks	29	7 972 386	4 256 749
Derivative financial instruments and other trading liabilities	21	1 253 900	1 271 206
Amounts due to customers	30	24 669 856	20 349 402
Debt securities in issue	31	3 389 559	2 731 157
Subordinated liabilities	32	1 547 354	1 362 528
Other liabilities	33	759 799	562 907
Current income tax liabilities		20 047	3 529
Provisions for deferred income tax	35	312	161
Provisions	34	70 168	86 135
Libilities held for sale	28	25 001	6 839
Total liabilities		**39 708 382**	**30 630 613**
Equity			
Capital and reserves attributable to the Bank's equity holders		**2 530 766**	**2 035 239**
Share capital:		**1 496 946**	**1 423 843**
- Registered share capital	37	118 064	115 936
- Share premium	38	1 378 882	1 307 907
Revaluation reserve	39	**5 110**	**(2 975)**
Retained earnings:	40	**1 028 710**	**614 371**
- Profit (loss) from the previous year		607 452	366 828
- Profit (loss) for the current year		421 258	247 543
Minority interest		91 433	73 231
Total equity		**2 622 199**	**2 108 470**
Total equity and liabilities		42 330 581	32 739 083
Capital adequacy ratio	46	**10.39**	**11.10**
Book value		**2 530 766**	**2 035 239**
Number of shares		**29 516 035**	**28 983 972**
Book value per share (in PLN)		**85.74**	**70.22**
Diluted number of shares		**29 690 132**	**29 082 134**
Diluted book value per share (in PLN)		**85.24**	**69.98**

IFRS Consolidated Financial Statements 2006 (PLN 000's)

Statements of changes in consolidated equity

Changes in consolidated equity from 1 January 2006 to 31 December 2006

	Note	Share capital		Revaluation reserve	Retained earnings					Minority interest	Total
		Registered share capital	Share premium		Other supplementary capital	Other reserved capital	General risk fund	Profit (loss) from the previous year	Profit (loss) for the current year		
Equity as at 1 January 2006		**115 936**	**1 307 907**	**(2 975)**	**-**	**(4 304)**	**558 000**	**60 675**	**-**	**73 231**	**2 108 470**
- reclassification to book value through profit and loss account		-	-	-	-	-	-	-	-	-	**-**
- changes to accounting policies		-	-	-	-	-	-	-	-	-	**-**
- adjustment of errors		-	-	-	-	-	-	-	-	-	**-**
Adjusted equity as at 1 January 2006		**115 936**	**1 307 907**	**(2 975)**	**-**	**(4 304)**	**558 000**	**60 675**	**-**	**73 231**	**2 108 470**
Net change in investments available for sale, net of tax	39	-	-	7 162	-	-	-	-	-	-	7 162
Net change in cash flow hedges, net of tax	39	-	-	321	-	-	-	-	-	320	641
Currency translation differences	39	-	-	602	-	-	-	-	-	231	833
Net profit not recognised in the profit & loss account		-	-	8 085	-	-	-	-	-	551	**8 636**
Net profit (loss)	40	-	-	-	-	-	-	-	421 258	25 136	**446 394**
Total profit recognised in current year		-	-	8 085	-	-	-	-	421 258	25 687	**455 030**
Dividends paid		-	-	-	-	-	-	-	-	(5 965)	(5 965)
Transfer to General Banking Risk Fund		-	-	-	-	-	-	-	-	-	-
Transfer to supplementary capital		-	-	-	-	31 362	-	(31 362)	-	-	-
Transfer to reserve capital		-	-	-	9 295	-	-	(9 295)	-	-	-
Loss coverage with reserve capital		-	-	-	-	-	-	-	-	-	-
Loss coverage with supplementary capital		-	-	-	-	-	-	-	-	-	-
Issue of shares	37	2 128	63 231	-	-	-	-	-	-	-	65 359
Redemption of shares		-	-	-	-	-	-	-	-	-	-
Purchase/sale of own shares		-	-	-	-	-	-	-	-	-	-
Issue expenses		-	-	-	-	-	-	-	-	-	-
Additional shareholder payments		-	-	-	-	-	-	-	-	(1 494)	(1 494)
Change in share of consolidated company		-	-	-	-	-	-	(918)	-	-	(918)
Other changes		-	(160)	-	156	(467)	-	2	-	(26)	(495)
Stock option program for employees	40	-	7 904	-	-	(5 692)	-	-	-	-	**2 212**
- value of services provided by the employees		-	-	-	-	2 212	-	-	-	-	2 212
- settlement of exercised options		-	7 904	-	-	(7 904)	-	-	-	-	-
Equity as at 31 December 2006		**118 064**	**1 378 882**	**5 110**	**9 451**	**20 899**	**558 000**	**19 102**	**421 258**	**91 433**	**2 622 199**

IFRS Consolidated Financial Statements 2006 (PLN 000's)

Changes in consolidated equity from 1 January 2005 to 31 December 2005

	Note	Share capital		Revaluation reserve	Retained earnings					Minority interest	Total
		Registered share capital	Share premium		Other supplementary capital	Other reserved capital	General risk fund	Profit (loss) from the previous year	Profit (loss) for the current year		
Equity as at 1 January 2005		**114 853**	**1 271 164**	**1 568**	**8 303**	**206 049**	**558 000**	**(315 192)**	**-**	**62 656**	**1 907 401**
- reclassification to book value through profit and loss account		-	-	-	-	-	-	-	-	-	-
- changes to accounting policies		-	-	-	-	-	-	(86 879)	-	(2 809)	(89 688)
- adjustment of errors		-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2005		**114 853**	**1 271 164**	**1 568**	**8 303**	**206 049**	**558 000**	**(402 071)**	**-**	**59 847**	**1 817 713**
Net change in investments available for sale, net of tax	39	-	-	(2 444)	-	-	-	-	-	-	(2 444)
Net change in cash flow hedges, net of tax	39	-	-	2 616	-	-	-	-	-	2 616	5 232
Currency translation differences	39	-	-	(4 715)	-	-	-	-	-	(2 655)	(7 370)
Net profit not recognised in income statement		-	-	(4 543)	-	-	-	-	-	(39)	**(4 582)**
Net profit (loss)	40	-	-	-	-	-	-	-	247 543	20 362	**267 905**
Total profit recognised in current year		-	-	(4 543)	-	-	-	-	247 543	20 323	**263 323**
Dividends paid		-	-	-	-	-	-	-	-	(1 967)	(1 967)
Transfer to General Banking Risk Fund		-	-	-	-	-	-	-	-		-
Transfer to supplementary capital		-	-	-	-	-	-	-	-	-	-
Transfer to reserve capital		-	-	-	10 006	-	-	(10 006)	-	-	-
Loss coverage with reserve capital		-	-	-	-	(208 301)	-	208 301	-	-	-
Loss coverage with supplementary capital		-	-	-	(18 309)	-	-	18 309	-	-	-
Issue of shares	37	1 083	29 834	-	-	-	-	-	-	-	30 917
Redemption of shares		-	-	-	-	-	-	-	-	-	-
Purchase/sale of own shares		-	-	-	-	-	-	-	-	-	-
Issue expenses		-	-	-	-	-	-	-	-	-	-
Additional shareholder payments		-	-	-	-	-	-	-	-	(8 996)	(8 996)
Change in share of consolidated company		-	-	-	-	-	-	-	-	3 803	3 803
Other changes		-	-	-	-	321	-	(1 401)	-	221	(859)
Stock option program for employees	40	-	6 909	-	-	(2 373)	-	-	-	-	**4 536**
- value of services provided by the employees		-	-	-	-	4 536	-	-	-	-	4 536
- settlement of exercised options		-	6 909	-	-	(6 909)	-	-	-	-	-
Equity as at 31 December 2005		**115 936**	**1 307 907**	**(2 975)**	**-**	**(4 304)**	**558 000**	**(186 868)**	**247 543**	**73 231**	**2 108 470**

IFRS Consolidated Financial Statements 2006 (PLN 000's)

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement for the 2006 and 2005

	Note	Year ended 31 December 2006	2005
A. Cash flow from operating activities - indirect method		**(1 667 890)**	**(2 163 880)**
Profit before income tax		**576 360**	**337 964**
Adjustments:		**(2 244 250)**	**(2 501 844)**
Income taxes paid (negative amount)		(26 598)	(74 403)
Amortisation and depreciation		166 603	139 615
Foreign exchange gains (losses)		(10 759)	(138 984)
Gains (losses) on investing activities		(225)	(18 882)
Impairment of financial assets		1 308	41 252
Dividends received		(15 823)	(46 310)
Interest paid		975 650	708 153
Net (increase)/decrease in loans and advances to banks		313 622	(354 109)
Net (increase)/decrease in trading securities		556 515	(2 876 390)
Net (increase)/decrease in derivative financial instruments		(151 808)	532 324
Net (increase) in loans and advances to customers		(5 730 716)	(1 117 423)
Net (increase) in investment securities		(1 900 236)	(560 282)
Net (increase)/decrease in other assets		(23 289)	252 946
Net (decrease) in amounts due to other banks		(33 971)	(1 198 139)
Net (decrease) in financial instruments and other trading liabilities		(17 190)	(349 502)
Net increase in amounts due to customers		3 383 950	2 757 539
Net increase/(decrease) in debt securities in issue		85 058	(393 734)
Net (decrease) in provisions		(22 147)	(12 701)
Net increase in other liabilities		205 806	207 186
Net cash from operating activities		**(1 667 890)**	**(2 163 880)**
B.Cash flows from investing activities		**(253 180)**	**(95 256)**
Investing activity inflows		**86 234**	**149 019**
Disposal of shares in associates		10 944	-
Disposal of shares in subsidiaries, net of cash disposed		36 078	69 087
Proceeds from sale of intangible assets and tangible fixed assets		18 374	10 650
Other investing inflows		20 838	69 282
Investing activity outflows		**339 414**	**244 275**
Acquisition of associates		3 831	-
Acquisition of subsidiaries, net of cash acquired		101 522	11 173
Purchase of intangible assets and tangible fixed assets		135 351	153 412
Other investing outflows		98 710	79 690
Net cash used in investing activities		**(253 180)**	**(95 256)**
C. Cash flows from financing activities		**2 838 970**	**378 594**
Financing activity inflows		**11 933 333**	**2 996 818**
Proceeds from loans and advances from other banks		5 168 706	999 036
Proceeds from other loans and advances		30 508	120 975
Issue of debt securities		6 478 600	1 440 060
Increase of subordinated liabilities		190 160	405 830
Issue of ordinary shares		65 359	30 917
Financing activity outflows		**9 094 363**	**2 618 224**
Repayments of loans and advances from other banks		1 742 666	1 028 390
Repayments of other loans and advances		71 585	-
Redemption of debt securities		7 005 337	1 418 260
Dividends and other payments to shareholders		6 728	-
Other financing outflows		268 047	171 574
Net cash from financing activities		**2 838 970**	**378 594**
Net increase / decrease in cash and cash equivalents (A+B+C)		**917 900**	**(1 880 542)**
(Decrease)/increase in cash and cash equivalents in respect of foreign exchange gains and losses		1 526	(3 325)
Cash and cash equivalents at the beginning of the reporting period		8 163 420	10 047 287
Cash and cash equivalents at the end of the reporting period	42	**9 082 846**	**8 163 420**

Notes presented on pages 9 – 81 constitute an integral part of these Consolidated Financial Statements.

Explanatory Notes to the Consolidated Financial Statements

1. Information concerning the Group of BRE Bank SA

The Group of the BRE Bank SA ("Group") consists of entities under the control of the BRE Bank SA (the "Bank") of the following nature:

- 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 /NIF/ and foreign closed end funds);
- Other: Company shares and equity interests acquired in exchange for receivables, in transactions resulting from composition and work out agreements with creditors, with the intention to recover a part or all claims to loan receivables and insolvent companies under liquidation or receivership.

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

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

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

As at 31 December 2006, the BRE Bank's Group covered by the Consolidated Financial Statements comprised the following companies:

BRE Bank SA: the parent entity

Bank Rozwoju Eksportu S.A. (Export Development Bank) was established by Resolution of the Council of Ministers N° 99 of 20 June 1986. The Bank was registered pursuant to the legally valid decision of the District Court for the Capital City of Warsaw, 16th (Commercial) Division on 23 December 1986 in the Business Register under the number RHB 14036. The 9th Extraordinary Meeting of Shareholders held on 4 March 1999 adopted the resolution changing the Bank's name to BRE Bank SA. The new name of the Bank was entered in the Business Register on 23 March 1999. On 11 July 2001, the District Court in Warsaw issued the decision on the entry of the Bank in the National Court Registry (KRS) under number KRS 0000025237.

According to the Polish Classification of Business Activities, the business of the Bank was classified as "Other banking business" under number 6512A. According to the Stock Exchange Quotation, the Bank is classified as pertaining to the "Banks" sector of the "Finance" macro-sector.

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

The Bank provides services to Polish and international corporations and individuals, both in the local currency (Polish Zloty, PLN) and in foreign currencies. In particular, the Bank supports all kinds of activities leading to the development of exports.
The Bank may open and maintain accounts with Polish and foreign banks, as well as having the right to possess foreign exchange assets and to trade with them.

The average employment in the period of the year 2006 was: in BRE Bank SA 3 803 persons and in the Group 5 159 persons (the year 2005: BRE Bank 3 410, Group 4 297).

Investment Banking

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

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

- **BRE Corporate Finance SA**, subsidiary

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

- **BRE Finance France SA**, subsidiary

This is a special purpose company. Its core business is to raise funds for the Bank through issues of debt securities in international financial markets

- **Tele-Tech Investment Sp. z o.o**., subsidiary

The company is in the BRE Bank's Group since 1999. The company's core business involves investment in securities and trade in receivables, executing securities transactions on its own account, management of controlled companies as well as business and management consulting services. The Company has no employees.

- **Garbary Sp. z o.o.,** subsidiary

Management of a real estate located at 101/111 Garbary St. in Poznań is the only business of the Company. The real estate consists of several meat factories which are not used at present. The Company employs 2 persons.

Corporate Banking

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

The Bank has been holding the company in its portfolio since June 1991. The company's business is to acquire, rent, lease, and hire real estate properties, and to acquire, build, rent and lease all types of plots of land, buildings, and facilities. The company may execute transactions and take actions aimed at direct or indirect pursuit of its business objectives, including purchase of receivables and agency services in real estate trading. The Company has a network of offices in the largest cities of Poland. The Bank holds 50.004% of the company's stocks.

- **Intermarket Bank AG**, subsidiary

Factoring activity is provided both on domestic and foreign markets by the group which consists of four companies: Transfinance a.s. (Czech Republic), Magyar Factor zRt. (Hungary) and Polfactor SA (Poland), centred around Austrian Intermarket Bank AG. They carry on local and international factoring business and they are market leaders in their home markets. The Group offers its services to the metal sector, food sector, fast moving consumer goods sector and building materials.

Intermarket Bank AG is in the BRE Bank's Group since July 2000. The main products of the company are: *finance factoring* - providing financing against bought receivables and *full finance* – which is product combining financing together with receivables management services.

- **Magyar Factor zRt.**, subsidiary

The Company is in the BRE Bank's Group since January 2003.
Magyar Factor zRt. provides domestic, export and import factoring services as part of Factors Chain International, an international organisation of factoring companies. The Bank holds 50% of Magyar Factor zRt.'s stocks and Intermarket Bank AG holds the remaining 50%.

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

The Bank has been holding the company in its portfolio since October 2000. The core business of the company includes purchase of receivables and intermediary services in collection of these receivables. The Bank holds 50% of Transfinance's stocks and Intermarket Bank AG holds the remaining 50%.

- **Polfactor SA**, subsidiary

The Company was established in 1995. The Bank had a direct 50% stake in the share capital and votes in the General Meeting of Shareholders of the Company and Intermarket Bank AG held the rest of the shares. The Company provides factoring services for domestic, export and import transactions under Factors Chain International.

- **BRE Bank Hipoteczny SA,** subsidiary

The core business of BRE Bank Hipoteczny SA is to grant mortgage credits to finance commercial real estates, development projects, for the local governments and issuing mortgage and public letters of pledge.

Moreover, the Company takes term deposits, receives loans, is entrusted with securities for safekeeping and purchases shares of other entities which legal form ensures the limitation of the Bank's liability up to the level of money invested.

Asset Management

- **Powszechne Towarzystwo Emerytalne Skarbiec-Emerytura SA**, subsidiary

The Company is in the BRE Bank's Group since August 1998. The business of the Company includes managing an open pension fund and representing OFE Skarbiec Emerytura.

On 7 August 2002, the District Court for the Capital City of Warsaw registered the merger of Powszechne Towarzystwo Emerytalne Skarbiec Emerytura SA with Powszechne Towarzystwo BIG Banku Gdańskiego SA. The merger was effected by transferring all assets of PTE BIG BG SA to PTE Skarbiec Emerytura SA in return for stocks handed over to BIG Bank Gdański SA, representing 38.61% of the increased share capital and votes in the General Meeting of Stockholders of PTE Skarbiec Emerytura SA. In September 2002, BRE Bank SA purchased PTE Skarbiec-Emerytura SA's stocks representing 38.61% of share capital and votes in the General Meeting of Stockholders of the Company from BIG Bank Gdański SA. Accordingly, BRE Bank SA holds 100% of shares and votes in the General Meeting of Shareholders of PTE Skarbiec-Emerytura SA.

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

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

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

- Skarbiec TFI SA: Creation of investment funds, introduction of new investment products, and sales to the corporate customers' market.
- BRE Agent Transferowy Sp. z o.o.: Support of investment funds, corporate and fund accounting, administration, pension fund and information technology.

- **BRE Wealth Management SA**, subsidiary

On 27 December 2006, the Bank acquired 100% of the shares of BRE Wealth Management SA (to December 28, 2006 Skarbiec Investment Management SA) from its subsidiary Skarbiec Asset Management Holding SA ("SAMH")

The core business of BRE Wealth Management is portfolio management. In the future, the Company is going to offer new services of wealth management which include: finance planning, tax and investment advising, art banking and real-estate advising.

The acquisition of the BRE Wealth Management SA shares by the Bank was a part of the implementation of the SAMH shares sale agreement concluded on 25 September 2006 between the Bank and Polish Enterprise Fund V., L.P.

The final sale transaction of the SAMH shares by the Bank took place on January 8, 2007. After the transaction the Bank does not possess any shares of SAMH.

As on December 31, 2006 shares of PTE Skarbiec-Emerytura SA and SAMH meet criteria for classification to non-current assets held for sale, according to IFRS 5 "Non-current assets held for sale and discontinued operations", the carrying value of the Group's investments in PTE Skarbiec-Emerytura and SAMH have been presented in the balance sheet as separate positions: "Non-current assets held for sale" and "Liabilities held for sale".

From the Group point of view, the core business of PTE Skarbiec-Emerytura SA and SAMH i.e. managing an open pension fund and asset management makes criteria of discontinued operations. So, according to IFRS 5 in the consolidated profit and loss account profit from discontinued operations was separated.

Additionally, the Group made adjustments in the profit and loss account for the period from January 1 to December 31, 2005.

The detailed data concerning discontinued operations was presented in the Note 28 of these financial statements.

Other Business

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

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

BRE Locum Sp. z o.o., subsidiary

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

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

Company's name	Share of voting rights (direct and indirect)	Consolidation method
BRE Bank Hipoteczny SA	100.00%	full
BRE Corporate Finance SA	100.00%	full
BRE Wealth Management SA	100.00%	full
Centrum Rozliczeń i Informacji CERI Sp. z o.o.	100.00%	full
Dom Inwestycyjny BRE Banku SA	100.00%	full
Garbary Sp. z o.o.	100.00%	full
PTE - Skarbiec Emerytura S.A.	100.00%	full
Skarbiec Asset Management Holding SA	100.00%	full
Tele-Tech Investment Sp. z o.o.	100.00%	full
BRE Finance France SA	99.99%	full
BRE.locum Sp. z o.o.	79.99%	full
Transfinance a.s.	78.12%	full
Polfactor SA	78.12%	full
Magyar Factor zRt.	78.12%	full
Intermarket Bank AG	56.24%	full
BRE Leasing Sp. z o.o.	50.004%	full

Referring to the purchase of 100% shares of BRE Bank Hipoteczny, the Company was included in the consolidated financial statements of BRE Bank SA beginning from 1st quarter 2006.

Beginning from 1st quarter 2006 the Bank ceased to consolidate the following companies:

- BRE International Finance B.V. – the company was liquidated. On 30 March 2006 the company was canceled from National Court Registry (KRS),
- TV-TECH Investment 1 Sp. z o.o. – on 23 March 2006 the company's General Shareholders Meeting passed a resolution to go into liquidation. On 17 January the entity was finally deleted from the court register.

According to the purchase 100% shares of BRE Wealth Management SA, beginning from the fourth quarter 2006 the company was consolidated directly by the Bank, not indirectly by consolidated financial statements of Skarbiec Asset Management Holding SA.

The Management Board approved these Consolidated Financial Statements on February 28, 2007.

2. Description of Relevant Accounting Policies

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

2.1. Accounting Basis

These Consolidated Financial Statements of BRE Bank Group have been prepared for the 12 month period ended on 31 December 2006.

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

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

2.2. Consolidation

Subsidiaries

Subsidiaries comprise any entities (including special purpose vehicles) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of a majority of the voting rights. When assessing whether the Group actually controls the given entity, the existence and impact of potential voting rights that are currently exercisable or convertible are considered. Subsidiary entities are subject to full consolidation from the date of acquisition of control over them by the Group. Their consolidation is discontinued from the date when control is not exercised any longer. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement (see Note 2.14).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Business Combination involving entities under common control is reflected under the purchase method in accordance with IFRS 3 "Business Combination".

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

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (see Note 2.14).

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

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

2.3. Interest Income and Expenses

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

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

Following the recognition of an impairment loss on a financial asset or a group of similar financial assets, the subsequent interest income is measured according to the interest rate at which the future cash flows were discounted for the purpose of valuation of impairment.

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

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

Interest income on impaired loans is recognised using the interest used to discount the future cash flows for the purpose of measuring impairment loss.

Relating the effective interest rate only the terms of closely related embedded derivatives are considered.

2.4. Fee and Commission Income

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

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

2.5. Segment Reporting

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

2.6. Financial Assets

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

<u>Financial assets valued at fair value</u>

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

Disposals of debt securities held for trading are accounted according to the weighted average method.

The Group classifies financial assets/financial liabilities as measured at fair value through profit and loss if they meet either of the following conditions:

a) financial assets/financial liabilities are classified as held for trading i.e.: they are acquired or incurred principally for the purpose of selling or repurchasing them in the near term, they are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit making or they are derivatives (except for derivatives that are designated and being effective hedging instruments),

b) upon initial recognition, assets/liabilities are designated by the entity at fair value through profit and loss.

If a contract contains one or more embedded derivatives, the Group may designate the entire hybrid (combined) contract as a financial asset or financial liability at fair value through profit or loss unless:

a) the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or

b) it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited, such as a prepayment option embedded in a loan that permits the holder to prepay the loan for approximately its amortised cost.

The Group may also designate the financial assets/liabilities at fair value through profit or loss when doing so results in more relevant information, because either

a) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or

b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

Interest income and expense from financial assets measured at fair value are presented in net interest income. Valuation and gains and losses from sale of financial assets measured at fair value are presented in net trading income.

The Group did not recognize any assets/liabilities at fair value through profit and loss.

Loans and Receivables

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

Held to Maturity Investments

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

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

Available for Sale Investments

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 changes of interest rates, foreign exchange rates, or prices of equity instruments.

Interest income and expense from available for sale investments are presented in net interest income. Valuation and gains and losses from sale of available for sale investments are presented in gains and losses from investments securities.

Transactions consisting of buying and selling on a regular way of financial assets valued at fair value through the Profit and Loss Account, held to their maturity date, and available for sale are recognised at the date of transaction – the date on which the Group commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. A financial asset or financial liability is recognised initially at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit and loss, transaction costs. Financial assets are derecognised when the rights to receive cash flows have expired or where the Group has transferred substantially all rights and rewards of ownership.

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

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

2.7. Offsetting Financial Instruments

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

2.8. Impairment of Financial Assets

<u>Assets Carried at Amortised Cost</u>

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

a) significant financial difficulties of an issuer or obligor;
b) a breach of contract, such as a default or delinquency in interest or principal payments;
c) concessions granted by the Group to a borrower caused by the economic or legal aspects of such borrower's financial difficulties, which would not have been taken into account under different circumstances;
d) probability of bankruptcy or other financial reorganisation of the debtor;
e) disappearance of the active market for the respective financial asset caused by financial difficulties; or
f) noticeable data indicating a measurable decrease of estimated future cash flows attached to a group of financial assets since the time of their initial recognition, even if such reduction cannot yet be assigned to particular items of the respective group of financial assets, including:
    - adverse changes in the payment status of borrowers; or
    - economic situation of the country or on the local market causing the impairment of assets belonging to the respective group.

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

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

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

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

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

For the purpose of calculation of the amount to be provisioned against balance sheet exposures analysed collectively, the probability of default (PD) method has been applied. By proper calibration of PD values, taking into account characteristics of specific products and emerging periods for losses on those products, such PD values allow already arisen losses to be identified and cover only the period in which the losses arising at the date of establishment of impairment should crystallise.

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

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

<u>Assets Measured at Fair Value</u>

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

2.9. Financial Guarantee Contracts

In accordance with Amendment to IAS 39, which came into force at 1st January 2006, the Group has an obligation to recognize financial guarantee contract in its financial statements.

The financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

When a financial guarantee contract is recognized initially, it is measured at the fair value. After initial recognition, an issuer of such a contract, measures it at the higher of:

1. the amount determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, and
2. the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18 *Revenue.*

2.10. Cash and Cash Equivalents

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

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

2.11. Sell-buy-back Contracts

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

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

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

Securities borrowed by the Group are not recognized in the financial statements, unless these are sold to third parties, in which case the purchase and sale transactions are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as trading liability.

2.12. Derivative Financial Instruments and Hedge Accounting

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

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

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

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

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

Income and expense from interest rate derivative financial instruments and their valuation are presented in net trading income.

Fair Value Hedges

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

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

Cash Flow Hedges

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

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

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

Derivative Instruments Not Fulfilling the Criteria of Hedge Accounting

Changes of the fair value of derivative instruments that do not meet the criteria of hedge accounting are recognised in the Profit and Loss Account of the current period.
The Group holds the following derivative instruments in its portfolio:

Market risk instruments:

a) Futures contracts for bonds, index futures
b) Options for securities and for stock-market indices
c) Options for futures contracts
d) Forward transactions for securities

Interest rate risk instruments:

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

Foreign exchange risk instruments:

a) Currency forwards, fx swap, fx forward
b) Currency options

2.13. Borrowings

Borrowings (including deposits) are initially recognised at fair value reduced by the incurred transaction costs. After the initial recognition, borrowings are recorded at adjusted cost of acquisition (amortised cost). Any differences between the amount received (reduced by transaction costs) and the redemption value are recognised in the Profit and Loss Account over the period of duration of the respective agreements according to the effective interest rate method.

2.14. 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 expected period of economic useful life of the respective intangible assets.

Goodwill

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

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

Computer software

Purchased computer software licences are capitalised in the amount of costs incurred for the purchase and adaptation for use of specific computer software. These costs are amortised on the basis of the expected useful life of the software (2-10 years). Expenses attached to the development or maintenance of computer software are expensed when incurred. Costs directly linked to the development of identifiable and unique proprietary computer programmes controlled by the Bank, which are likely to generate economic benefits in excess of such costs expected to be gained over a period exceeding one year, are recognised as intangible assets.
Direct costs comprise personnel expenses attached to the development of software and the corresponding part of the respective general overhead costs.
Capitalised costs attached to the development of software are amortised over the period of their estimated useful life.
Computer software directly connected with the functioning of specific information technology hardware is recognised as "Tangible fixed assets".

Development costs

The Group identifies development costs as intangible asset as the asset will generate probable future economic benefits and fulfill the following requirements described in IAS 38: the Group has the intention and technical feasibility to complete and to use or sell the intangible asset, the availability of adequate technical, financial and other resources to complete and to use the intangible asset and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs' useful lives are finite and the amortization period does not exceed 3 years. The Group shows separately additions from internal development and separately those acquired through business combinations.

Research and development expenditure comprises all expenditure that is directly attributable to research and development activities.

Intangible 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.

2.15. Tangible Fixed Assets

Tangible fixed assets are carried at historical cost reduced by depreciation. Historical cost takes into the account the expenses directly attached to the acquisition of the respective assets.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only where it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Any other expenses incurred on repairs and maintenance are expensed to the Profit and Loss Account in the reporting period in which they were incurred.

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

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

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

Land and buildings consist mainly of branch outlets and offices.

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.

If there is any indication that an asset may be impaired, recoverable amount shall be estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the cash-generating unit to which the asset belongs.

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

2.16. Non Current Assets Held for Sale and Discontinued Operation

The Group classifies non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.
For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets (or disposal groups) and it sale must be highly probable, i.e. the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated.
Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non current assets held for sale are priced at the lower of: its carrying value and fair value less costs to sell. Assets classified in this category are not depreciated.

When criteria for classification to non current assets held for sale are not met, the Group ceases to classify the assets as held for sale and reclassify them into appropriate category of assets. The Group measures a non-current assets that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of:

- its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale, and
- its recoverable amount at the date of the subsequent decision not to sell.

Discontinued operations are a component of the Group that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operation, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

The classification to this category takes places at the moment of sale or when the operation meets criteria of the operation classified as held for sale, if this moment took place previously.

Operations held for sale, which are to be finished , can be also classified as discontinued operation.

2.17. Deferred Tax Assets and Liabilities

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

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

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

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

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

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

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is possible that the difference will not reverse in the foreseeable future.

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

2.18. Assets Taken Over for Debts

Assets taken over in return for debts are measured as follows:

- inventories - at the lower of cost and net realisable value
- properties - as at balance sheet the Group measures properties taken over in return for debts as investment properties. The Group measures the investment properties at historical cost reduced by depreciation.
- non current assets taken over for debts acording to IFRS 5 classified as assets held for sale the Group measures at the lower of two: its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale, or its recoverable amount at the date of the subsequent decision not to sell.

In the case when the fair value of acquired assets is higher than the debt amount, the difference constitutes a liability toward the debtor.

2.19. Prepayments, Accruals and Deferred Income

Prepayments are recorded if the respective expenses concern the months succeeding the month in which they were incurred. Prepayments are presented in the Balance Sheet under "Other assets".

Accruals include costs of supplies delivered to the Group but not yet resulting in its payable liabilities. Deferred income includes received amounts of future benefits. Accruals and deferred income are presented in the Balance Sheet under "Other liabilities".

2.20. Leasing

<u>BRE Bank SA Group as 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 account of leasing is recorded over the period of the lease according to the net investment method (before tax), which reflects the fixed periodical rate of return on the lease.

<u>BRE Bank SA Group as a Lessee</u>

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

2.21. Provisions

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

According to IAS 37 provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely that an outflow of resources will be required to settle the obligation and the amount has been reliable estimated.

2.22. Retirement Benefits and Other Employee Benefits

Retirement Benefits

The Group forms provisions against future liabilities on account of retirement benefits determined on the basis of an estimation of liabilities of that type, using an actuarial model. All provisions formed are charged to the Profit and Loss Account.

Benefits Based on Shares

The Group runs a program of employee remuneration based on and settled in shares. These benefits are accounted for in compliance with IFRS 2 *Share-based Payment*. The fair value of the work performed by employees in return for options granted increases the costs of the respective period, corresponding to equity. The total amount which needs to be expensed over the period when the outstanding rights of the employees for their options to become exercisable are vested is determined on the basis of the fair value of the granted options. There are no market conditions that shall be taken into account when estimating the fair value of share options at the measurement date. Non market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. In accordance with IFRS 2, in spite of the fact that the fair value of the options are changing it is not necessary to recognize the change in fair value of the share-based payment over the term of the program.

2.23. Equity

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

Registered share capital

Share capital is presented at its nominal value, in accordance with the Company Articles of Association and with the entry in the business register.

a) Share Issue Costs

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

b) Dividends

Dividends for the given year, which have been approved by the General Shareholders Meeting but not distributed at the Balance Sheet date, are shown under the liabilities on account of dividends payable under the item of "Other liabilities".

c) Own Shares

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

Share premium

Share premium is formed from the share premium obtained from the issue of shares reduced by the attached direct costs incurred with that issue.

Revaluation reserve

Revaluation reserve is formed as a result of:

- valuation of available for sale ,
- valuation of cash flow hedge financial assets,
- currency translation differences.

Retained earnings

Retained earnings include:

- other supplementary capital,
- other reserved capital,
- general banking risk fund,
- undistributed profit for the previous year,

- net profit (loss) for the current year.

Other supplementary capital, other reserved capital and general banking risk fund are formed from allocations of profit and are assigned to purposes specified in the Company Articles of Association or other regulations of the law.

2.24. Valuation of Items Denominated in Foreign Currencies

Functional Currency and Presentation Currency

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

Transactions and Balances

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

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

Companies Belonging to the Group

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

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

b) revenues and expenses in each Profit and Loss Account are converted at the rate equal to the arithmetic mean of the mid rates quoted by NBP on the last day of each of twelve months of each presented periods; whereas

c) all resulting foreign exchange differences are recognised as a distinct item of equity.

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

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

Leasing Business

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

Additionally, in the case of operating lease agreements, all future receivables on account of leasing payments (including receivables in foreign currencies) are not presented on the face of the financial reports, but off-Balance Sheet. In case of finance lease agreements the foreign exchange differences arising from the valuation of leasing payments due as well as of liabilities denominated in foreign currency are recognised through the Profit and Loss Account at the time of valuation.

2.25. Custody Services Business

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

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

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

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

2.26. Standards, Interpretations and Amendments to Published Standards

Amendments to published standards and interpretations effective 1 January 2006.

- IAS 19 (Amendment) – Actuarial Gains and Losses, Group Plans and Disclosures;
- IAS 21 (Amendment) – Net Investment in a Foreign Operation;
- IAS 39 (Amendment) – Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- IAS 39 (Amendment) – The Fair Value Option;
- IAS 39 and IFRS 4 (Amendment) – Financial Guarantee Contracts;
- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards, and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;
- IFRS 6, Exploration for and Evaluation of Mineral Resources;
- IFRIC 4, Determining whether an Arrangement contains a Lease;
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and
- IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.

IAS 19 (Amendment) introduces the option of an alternative recognition approach for actuarial gains and losses. It also adds new disclosure requirements. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment only impacts the format and extent of disclosures presented in the financial statements.

Acording to application of amendment to IAS 39, concerning recognition of financial guarantee contracts the Group has made adjustments in comparative data (adjustmets are disclosured in the Note 2.27). The accounting policies concerning financial guarantee contracts are described in the Note 2.9.

IFRS 6 (Amendment) Exploration for and Evaluation of Mineral Resources; IFRIC 5 and IFRIC 6 – do not relate to the Group activity.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:

- IFRIC 7, "Applying the Restatement Approach under IAS 29", *"Financial Reporting in Hyperinflationary Economies*", effective for annual periods beginning on or after 1 March 2006.
- IFRIC 8, "Scope of IFRS 2", effective for annual periods beginning on or after 1 May 2006.
- IFRIC 9, "Reassessment of Embedded Derivatives Financial Instrument", effective for annual periods beginning on or after 1 June 2006.
- IFRIC 10, "*Interim Financial Reporting and Impairment"* effective for annual periods beginning on or after 1 November 2006.
- IFRIC 11, IFRS 2 *"Group Treasury Share Transactions"*, effective for annual periods beginning on or after 1 March 2007.
- IFRIC 12, *Service Concession Arrangements",* effective for annual periods beginning on or after 1 January 2009.
- IFRS 7, *"Financial Instruments: Disclosures Financial Instruments"*, effective for annual periods beginning on or after 1 January 2007.
- IFRS 8, "Operating segments", effective for annual periods beginning on or after 1 January 2008.

In the Group opinion the application of these new interpretations will not have a material impact on the entity's financial statements in the period of initial application.

IFRS 7 will introduce new requirements concerning the disclosures on financial instruments and will supersede IAS 30 "Disclosures in the Financial Statements of Banks and Similar Financial Institutions" and the disclosure requirements of IAS 32 "Financial instruments: presentation".

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The changes brought by IFRS 7 will mostly affect the following areas: disclosing risk "through the eyes of management", expanded quantitative disclosures of risk, the introduction of sensitivity analysis, enhanced disclosure of an Group's financial position and performance.

2.27. Comparative Data

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

None of the presentation adjustments described below had influence on the net profit and equity presented in comparative data as at 31 December 2005.

The following presentation changes have been made:

1. IRS, CIRS and OIS interest is presented in the income statement in the position "Net trading income" and not as previously in the position "Net interest income". In the balance sheet it is presented in the positions: "Derivative financial instruments" in assets and "Derivative financial instruments and other trading liabilities" in liabilities. Previously, it was presented in the balance sheet on the net basis in the positions: "Loans and advances to banks"/"Amounts due to other banks" and "Loans and advances to customers"/"Amounts due to customers".
2. As at 30 June 2006 the Bank applied for the first time the Amendment to IAS 39 "*Financial Guarantee Contracts*" in its financial statements. The necessary comparative data have been adjusted in the financial statements as at 31 December 2005. As a result of the adjustment the following positions have been reduced: "Loans and advances to customer", "Amounts due to customers" and "Other liabilities". Off-balance sheet value of granted guarantee liabilities have been increased.

The influence of presentation changes on comparative data in consolidated financial statements as at 31 December 2005 is presented in the table below.

Pesentation changes in the profit and loss for the period from January 01 to December 31, 2005 before breaking down to continued and discontinued operations.

	Period from 01-01-2005 to 31-12-2005 (before adjustments)	Adjustments	Period from 01-01-2005 to 31-12-2005 (after adjustments)
Net interest income	621 728	31 175	652 903
Net trading income	265 110	(31 175)	233 935

Presentation changes in the balance sheet as at 31 December 2005:

	31-12-2005 (before adjustments)	Adjustments	31-12-2005 (after adjustments)
Derivative financial instruments	1 255 232	9 268	1 264 500
Loans and advances to customers	15 463 514	(87 556)	15 375 958
Amounts due to other banks	4 337 056	(80 307)	4 256 749
Derivative financial instruments and other trading liabilities	1 175 070	96 136	1 271 206
Amounts due to customers	20 443 406	(94 004)	20 349 402
Other liabilities	563 020	(113)	562 907

Presentation changes in contingent liabilities and commitments as at 31 December 2005:

	31-12-2005 (before adjustments)	Adjustments	31-12-2005 (after adjustments)
Liabilities and commitments granted			
- guarantees	1 740 953	86 635	1 827 588

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Moreover, in connection with separate presentation of discontinued operations, the Group has made adjustments to profit and loss account for the year 2005 by breaking down continued and discontinued operations.

The influence of brake down to continued and discontinued operations on comparative data in consolidated financial statements as at 31 December 2005 is presented in the table below.

	Period from 01-01-2005 to 31-12-2005 (before adjustments)	Adjustments	Period from 01-01-2005 to 31-12-2005 (after adjustments)
Continued operations			
Interest income	1 535 190	(2 051)	1 533 139
Interest expense	(882 287)	12	(882 275)
Net interest income	**652 903**	**(2 039)**	**650 864**
Fee and commission income	543 217	(84 508)	458 709
Fee and commission expense	(149 608)	29 098	(120 510)
Net fee and commission income	**393 609**	**(55 410)**	**338 199**
Dividend income	47 033	-	47 033
Net trading income, including:	233 935	(874)	233 061
Foreign exchange result	*257 887*	*10*	*257 897*
Other trading income	*(23 952)*	*(884)*	*(24 836)*
Gains less losses from investment securities	43 145	(1 092)	42 053
Other operating income	136 176	*(1 179)*	134 997
Impairment losses on loans and advances	(78 841)	-	(78 841)
Overhead costs	(800 348)	*31 898*	(768 450)
Amortization and depreciation	(139 615)	*1 909*	(137 706)
Other operating expenses	(149 564)	*36 397*	(113 167)
Operating profit	**338 433**	**9 610**	**348 043**
Share of profit of associates	(469)	-	(469)
Profit before income tax from continued operations	**337 964**	**9 610**	**347 574**
Income tax expense	(70 059)	4 887	(65 172)
Net profit (loss) from continued operations including minority interest	**267 905**	**14 497**	**282 402**
Discontinued operations			
Profit before income tax from discontinued operations	**-**	**9 610**	**(9 610)**
Income tax expense	-	4 887	(4 887)
Net profit (loss) from discontinued operations including minority interest	**-**	**14 497**	**(14 497)**
	-		
Net profit (loss) from continued and discontinued operations including minority interest, of which:	**267 905**	**-**	**267 905**
Net profit (loss) attributable to minority interest	20 362	-	20 362
Net profit (loss)	**247 543**	**-**	**247 543**

3. Financial Risk Management

3.1 Strategy in using Financial Instruments

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

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

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

Hedge Accounting

BRE Bank SA

The Bank does not use hedge accounting.

BRE Leasing Sp. z o.o.

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

Interest rate swap (IRS) transactions are used to hedge the level of interest cash flows resulting from variable rate credit agreements. IRS transactions were made with the same banks with which BRE Leasing concluded variable rate credit agreements. The hedged item is the level of interest cash flows resulting from payments under variable rate credits.

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

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

a) Loan and swap (IRS) transactions have the same face values in each interest period, the same dates of payment, and the same reference rate;
b) In case of differences (temporary) in the face values, interest periods or reference rates for the hedging item and the hedged item, a hedging efficiency ratio would remain within required range (the criterion of hedging efficiency would be met).

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

BRE Leasing defines the hedging efficiency criterion as a hedging efficiency ratio ranging between 0.8<=corr<=1.25.

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

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

- The effective part of a hedge is reflected as an equity (revaluation reserve); and
- The ineffective part of the hedge is reflected in the Profit and Loss Account.

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

3.2 Credit Risk

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

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

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

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

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

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

Derivative Instruments

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

Master Netting Agreements

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

Off-balance sheet Credit-related Commitments

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

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

New External Regulations on Credit Risk, 2007-2008

New future requirements under external regulations on credit risk will mainly derive from the application of the New Capital Accord drafted by the Basel Committee (Basel II) and the International Financial Reporting Standard 7 (IFRS 7).
The implementation of Basel II will require the application of new credit risk rating regulations. The new provisions set out the Group's methodology of credit risk rating, and will mainly affect the amount of specific provisions to be set up in order to cover possible default credit losses. The new regulations will also have a major impact on the value of granted loans, and will require a higher quality of the Group's lending business.

The Basel II regulations will be put in place as of 1 January 2007. Under an EU Directive, banks have the option of implementing the standard method as of 2008. Advanced methods require a case-by-case approval of the supervision.

The application of IFRS 7 by the Group as of 1 January 2007 will require the disclosure of extended qualitative information about the Group's exposure to credit risk arising from financial instruments. The disclosed qualitative information about credit risk will include information about the type of exposure to risk and its origination, the Group's credit risk management goals, policies, and processes, as well as its risk measurement methods. IFRS 7 will also require the disclosure of quantitative information about the Group's exposure to credit risk at the reporting date by category of financial instruments.

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

Loan portfolio as at 31.12.2006 and 31.12.2005 – analysis of 9 biggest sectors

No	Sector	Principal exposure (PLN 000's) 31.12.2006	%	Principal exposure (PLN 000's) 31.12.2005	%
1.	Household customers	8 709	45.7	4 323	29.3
2.	Leasing	671	3.5	772	3.9
3.	Banks	656	3.4	715	4.9
4.	Metal	633	3.3	944	4.8
5.	Wholesale trade	544	2.9	792	4.0
6.	Wood and furnitures	470	2.5	767	3.9
7.	Construction industry	406	2.1	835	4.2
8.	Equipment	398	2.1	677	3.4
9.	Other financial mediation	358	1.9	3 305	17.8

The total exposure of the Bank with these sectors (other than households) represents approximately 22% of the loan portfolio.

A recent study of the Market Economy Research Institute *(Instytut Badań nad Gospodarką Rynkową)* assessed the risks of investing in these segments (in a 5-point scale: small, medium, increased, large and very large) as follows:

Leasing	- non classified
Banks	- non classified
Metal	- medium
Wholesale trade	- small/medium
Wood and furnitures	- medium
Constriction trade	- increased
Equipment	- increased
Other financial mediation	- non classified

Concentration of the exposure of BRE Bank per entity and capital group (balance sheet and off-balance sheet exposure) as at 31.12.2006 and 31.12.2005

Entity	31.12.2006		31.12.2005	
	PLN 000's	Share of the total gross exposure (%)	PLN 000's	Share of the total gross exposure (%)
Customer 1	1 657 365	5.17	2 445 128	7.63
Customer 2	902 527	2.82	1 816 365	5.67
Customer 3	240 317	0.75	291 049	0.91
Customer 4	191 511	0.60	86 079	0.27
Customer 5	162 763	0.51	190 811	0.60
Customer 6	150 000	0.47	150 000	0.47
Customer 7	148 904	0.46	165 759	0.52
Customer 8	145 668	0.45	143 810	0.45
Customer 9	140 300	0.44	188 300	0.59

Customer 10	118 175	0.37	234 687	0.73
Razem:	**3 857 530**		**5 711 988**	

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

The first item concerns mainly guarantees for redemption of Eurobonds issued by a subsidiary of the Bank. The second exposure consists of loans and an open credit line for a public/government organization. Exposure to customers 3 relate mainly to subsidiaries. Item 4 represents exposure including credit and credit granted but not drawn to an entity of a stable financial standing. Exposure 5 is a long-term exposure to a special-purpose vehicle associated with a group of a stable financial standing. Exposures 6 to 8 are exposures to companies operating under the Polish commercial law which are associated with international corporations of a good or very good financial standing. Exposure 10 is an exposure under credit and debt securities to a subsidiary of the Bank.

The Bank's total exposure to the entities mentioned above was down PLN 1 809 968 thousand in 2006, mainly due to a reduction of exposures to entities 1 and 2.

Capital groups	31.12.2006		31.12.2005	
	PLN 000's	Share of the total gross exposure (%)	PLN 000's	Share of the total gross exposure (%)
Group 1	394 906	1.23	395 173	1.23
Group 2	333 704	1.04	238 881	0.75
Group 3	275 036	0.86	95 104	0.30
Group 4	256 046	0.80	108 328	0.34
Group 5	246 704	0.77	265 764	0.83
Group 6	232 681	0.73	203 417	0.63
Group 7	223 027	0.70	7 011	0.02
Group 8	221 166	0.69	221 248	0.69
Group 9	202 869	0.63	68 117	0.21
Group 10	196 650	0.61	82 804	0.26
Razem:	**2 582 789**		**1 685 847**	

These items represent credit exposures and off-balance sheet exposures (guarantees, letters of credits, unused parts of credits) with the listed capital groups. The first item includes exposure to the capital group which is the BRE Bank's subsidiary. The standing of each of these groups is considered good or very good. All assets are classified as „non default". The above items do not include exposures with the public sector.

BRE Leasing

BRE Leasing Sp. z o.o. only makes leasing transactions with businesses. Its total exposure to the 10 largest customers represented 9.8% of the company's leasing portfolio. The 5 largest exposures (total balance-sheet exposures and leasing limits granted but not used) exceeded 25% of the company's equity. For Company 1, the amount shown represents the balance-sheet exposure while the credit risk is limited to PLN 8,511 thousand due to the sub-participation of a third-party financial institution in the risk. The largest concentration of BRE Leasing's exposure relates to the sector of "Foodstuffs and beverages production" which accounts for 16% of the leasing portfolio.

The largest exposures to lessees to BRE Leasing's total exposure:

Entity	PLN 000's	Share of the total gross exposure (%)
Customer 1	44 037	2.1
Customer 2	30 216	1.4
Customer 3	22 356	1.1
Customer 4	21 594	1.0
Customer 5	15 345	0.7
Customer 6	15 035	0.7
Customer 7	15 030	0.7

Customer 8	13 887	0.7
Customer 9	13 854	0.7
Customer 10	12 960	0.6
TOTAL	**204 314**	

Relation of the biggest leasing exposure to the equity of BRE Leasing:

Entity	**PLN 000's**	**Relation to the equity (%)**
Customer 1	44 037	72.7
Customer 2	30 216	49.9
Customer 3	22 356	36.9
Customer 4	21 594	35.7
Customer 5	15 345	25.3
Customer 6	15 035	24.8
Customer 7	15 030	24.8
Customer 8	13 887	22.9
Customer 9	13 854	22.9
Customer 10	12 960	21.4
TOTAL	**204 314**	

Concentration of the exposure of BRE Banku Hipotecznego SA

Loan portfolio as at 31.12.2006 – sector analysis

No	**Sector**	**Principal exposure (PLN 000's) 31.12.2006**	**%**
1.	Real estate management	1 295	57.18
2.	Construction industry	313	13.81
3.	Health care and social security	226	9.97
4.	Hotels and restaurants	165	7.30
5.	Public administration and national defence	152	6.71
6.	Household customers	114	5.03
	Total	**2 265**	**100.00**

Concentration of the exposure of BRE Bank Hipoteczny per entity (balance sheet and off-balance sheet exposure) as at 31.12.2006.

Entity	**31.12.2006**	
	PLN 000's	**Share of the total grose exposure (%)**
Customer 1	75 013	3.52
Customer 2	55 983	2.63
Customer 3	54 031	2.53
Customer 4	47 853	2.24
Customer 5	47 017	2.21
Customer 6	46 623	2.19
Customer 7	45 826	2.15
Customer 8	45 071	2.11
Customer 9	44 141	2.07
Customer 10	42 943	2.01
Total:	**504 501**	

Concentration of the exposure of BRE Bank Hipoteczny per capital group (balance sheet and off-balance sheet exposure) as at 31.12.2006.

Capital groups	31.12.2006	
	PLN 000's	Share of the total grose exposure (%)
Group 1	75 658	3.55
Group 2	66 959	3.14
Group 3	63 576	2.98
Group 4	48 377	2.27
Group 5	44 291	2.08
Group 6	44 248	2.08
Group 7	39 176	1.84
Group 8	36 155	1.70
Group 9	33 823	1.59
Group 10	25 480	1.20
Razem:	**477 743**	

The above positions does not include exposure related to public sector and BRE Bank Hipoteczny dependant entities.

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

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

3.4 Market Risk

BRE Bank SA

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

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

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

At 31 December 2006, the one-day total VaR in the trade book of the Bank amounted to PLN 1 048 thousand at 95% relevance (31 December 2005: PLN 743 thousand). The following table presents values of mean one-day VaR of the Bank's trade book between 1 January 2006 and 31 December 2006 and between 1 January 2005 and 31 December 2005.

IFRS Consolidated Financial Statements 2006 (PLN 000's)

	12 monts to 31.12.2006			12 monts to 31.12.2005		
	mean	max.	min.	mean	max.	min.
Interest rate risk	770	2 343	116	568	1 459	151
Roreign exchange risk	351	1 152	54	401	1 327	90
Equities risk	234	1 523	82	261	472	57
Total VaR	**964**	**2 357**	**292**	**838**	**1 694**	**409**

BRE Leasing Sp. z o.o.

The company is exposed to the market risks under open fx positions and a gap in the maturities of interest rate risk products. The company identifies, measures, monitors, and manages the risks pursuant to the principles described below. The Management Board sets limits for particular market risks. The limits are subject to ongoing monitoring.

The company uses VaR (Value at Risk) as a global measure of the interest rate risk which represents the maximum impairment of the portfolio at a given confidence level (99%) within a given holding period (10 days) taking account of all risk factors under the VaR/Cov methodology. The general calculation formula is as follows:

a) Calculation of the sensitivity of each risk factor;
b) Calculation of VaR for each risk factor;
c) Aggregation of VaR using the correlation matrix.

Under these assumptions, VaR must not be greater than 15% of the annual profit target of the core business. If VaR approaches the limit, the Company will buy relevant hedging instruments to reduce VaR. At 31 December 2006, the company's VaR was PLN 752 thousand. VaR is calculated using the tested specialised software "Mondrian" supplied to the company by Entory (a Deutsche Boerse Group company).

	VaR	VaR
	31.12.2006	**31.12.2005**
Interest rate risk	609	597
Foreign exchange	143	1 057
Total VaR	**752**	**1 654**

BRE Bank Hipoteczny SA

The Bank is exposed to market risk, consisting of open positions in fx instruments, interest rate instruments, and equity instruments. The risk profile is determined in a risk assessment process, taking account of two main parameters: the financial impact, and the probability of an event. The risk profile puts the identified risks in the order of diminishing significance, and it is a tool for prioritisation of risk mitigation measures. As a specialised institution, the Bank does not trade in property rights, and only holds a banking portfolio. It is the Bank's overall objective to use natural hedging, i.e., to raise financing in the currencies and at interest rates (fixed or variable) directly matched to the corresponding assets. Due to the profile of the Bank's business, the exposure to market risk should be maintained at the possibly lowest level. The identification of market and liquidity risks takes account of internal and external factors. Internal factors include: the specificity of lending, the specificity of refinancing. External factors include factors in the Bank's environment: the interbank market, the behaviour of financial markets, the strategy and policy of the shareholder towards the Bank. Market risk is identified for all product categories and for all businesses. The identification process relies on universally applicable methodologies. The Bank determines the risk level by measuring the value at risk (VaR).

At 31 December 2006, the one-day total VaR amounted to PLN 469 thousand at 99% relevance (31 December 2005: PLN 29 thousand). The following table presents values of mean one-day VaR of the Bank's trade book between 1 January 2006 and 31 December 2006 and between 1 January 2005 and 31 December 2005.

	12 monts to 31.12.2006		12 monts to 31.12.2005	
	mean	max.	mean	max.
Interest rate risk	164	662	96	217
Total VaR	**164**	**662**	**96**	**217**

IFRS Consolidated Financial Statements 2006 (PLN 000's)

3.5 Currency Risk

The Group is exposed to changes in currency exchange rates. The following table presents the exposure of the Group to currency risk as at 31 December 2006 and 31 December 2005. The table presents assets and liabilities of the Group at balance sheet carrying amount, for each currency:

31.12.2006	PLN	EUR	USD	CHF	GBP	Other	Total
ASSETS							
Cash and balances with Central Bank	3 692 795	14 698	5 492	717	1 727	1 178	3 716 607
Debt securities eligible for rediscounting at the Central Bank	26 725	-	-	-	-	-	26 725
Loans and advances to banks	1 444 811	476 589	846 829	13 351	27 657	34 887	2 844 124
Financial instruments at fair value through profit or loss (including trading)	3 292 557	138 444	85 148	-	-	-	3 516 149
Derivative financial instruments	1 404 545	4 405	3 114	598	3	400	1 413 065
Loans and advances to customers	11 065 959	4 254 579	763 748	6 525 741	24 717	409 950	23 044 694
Investment securities	2 660 801	141 177	253 538	-	-	-	3 055 516
- Available for sale	2 660 801	141 177	253 538	-	-	-	3 055 516
Pledged assets	2 657 795	44 385	-	-	-	-	2 702 180
Investments in associated undertakings	238	5 118	-	-	-	-	5 356
Intangible assets	380 549	96	-	-	-	466	381 111
Tangible fixed assets	572 647	5 860	-	-	-	1 601	580 108
Other assets, including deferred income tax assets	1 034 150	9 438	241	25	29	1 063	1 044 946
Total assets	**28 233 572**	**5 094 789**	**1 958 110**	**6 540 432**	**54 133**	**449 545**	**42 330 581**

	PLN	EUR	USD	CHF	GBP	Other	Total
LIABILITIES							
Amounts due to other banks	1 970 790	1 342 725	113 901	4 192 044	15 202	337 724	7 972 386
Derivative financial instruments and other trading liabilities	1 224 180	25 999	2 804	480	36	401	1 253 900
Amounts due to customers	20 093 713	2 940 585	1 504 729	18 380	77 523	34 926	24 669 856
Debt securities in issue	1 420 126	1 829 857	139 576	-	-	-	3 389 559
Other borrowed funds	-	1 356 399	-	190 955	-	-	1 547 354
Other liabilities including tax liabilities	727 693	61 826	8 930	323	1	6 386	805 159
Provisions	68 530	1 638	-	-	-	-	70 168
Total liabilities	**25 505 032**	**7 559 029**	**1 769 940**	**4 402 182**	**92 762**	**379 437**	**39 708 382**
Net on-balance sheet position	**2 728 540**	**(2 464 240)**	**188 170**	**2 138 250**	**(38 629)**	**70 108**	**2 622 199**
Credit commitments	**8 332 786**	**1 184 053**	**328 326**	**680 467**	**5 231**	**16 166**	**10 547 029**

31.12.2005	PLN	EUR	USD	CHF	GBP	Other	Total
ASSETS							
Cash and balances with Central Bank	1 741 404	24 385	9 744	624	1 306	994	1 778 457
Debt securities eligible for rediscounting at the Central Bank	37 464	-	-	-	-	-	37 464
Loans and advances to banks	2 495 658	526 681	1 431 333	9 008	3 230	202 564	4 668 474
Financial instruments at fair value through profit or loss (including trading)	4 307 128	447 640	257 192	-	-	-	5 011 960
Derivative financial instruments	1 229 388	16 399	17 391	891	206	225	1 264 500
Loans and advances to customers	8 644 400	2 431 817	707 094	3 012 049	9 230	571 368	15 375 958
Investment securities	588 228	162 973	373 618	-	-	13	1 124 832
- Available for sale	588 228	162 973	373 618	-	-	13	1 124 832
Pledged assets	1 488 188	28 024	-	-	-	-	1 516 212
Investments in associated undertakings	5 175	1 302	-	-	-	-	6 477
Intangible assets	405 916	289	-	-	-	175	406 380
Tangible fixed assets	550 624	6 193	-	-	-	1 718	558 535
Other assets, including deferred income tax assets	979 014	4 239	5 315	3	8	1 255	989 834
Total assets	**22 472 587**	**3 649 942**	**2 801 687**	**3 022 575**	**13 980**	**778 312**	**32 739 083**

	PLN	EUR	USD	CHF	GBP	Other	Total
LIABILITIES							
Amounts due to other banks	1 493 176	1 936 418	42 809	370 934	1 653	411 759	4 256 749
Derivative financial instruments and other trading liabilities	1 228 099	30 241	11 868	488	236	274	1 271 206
Amounts due to customers	16 418 428	2 381 634	1 399 951	12 305	42 023	95 061	20 349 402
Debt securities in issue	314 015	2 390 987	26 155	-	-	-	2 731 157
Other borrowed funds	-	1 362 528	-	-	-	-	1 362 528
Other liabilities including tax liabilities	531 257	28 715	8 593	-	-	4 871	573 436
Provisions	78 780	6 456	131	-	-	768	86 135
Total liabilities	**20 063 755**	**8 136 979**	**1 489 507**	**383 727**	**43 912**	**512 733**	**30 630 613**
Net on-balance sheet position	**2 408 832**	**(4 487 037)**	**1 312 180**	**2 638 848**	**(29 932)**	**265 579**	**2 108 470**
Credit commitments	**6 097 653**	**823 954**	**337 376**	**158 976**	**5 568**	**5 217**	**7 428 744**

3.6 Interest Rate Risk

BRE Bank SA

Restatement date misfit gap and interest earnings at risk (EaR) based on the former are the key interest rate risk measures at BRE Bank SA. In addition, the Bank performs stress test analyses based on these methods.
A sudden, lasting and disadvantageous change of market interest rates by 100 base points for all maturities in the 2006 would result in decrease in the annual interest income by the following amounts, on average:

- PLN 21.14 million for PLN
- PLN 1.66 million for USD
- PLN 0.28 million for EUR
- PLN 2.03 million for CHF

To calculate these values, the Group assumed that the structure of financial assets and liabilities disclosed in the financial statements as of 31 December 2006 would be fixed during the year and the Group would not take any measures to change related exposure to interest rate change risk.

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

- PLN 15.91 million for PLN
- PLN 4.81 million for USD
- PLN 1.70 million for EUR
- PLN 4.58 million for CHF

BRE Lesing Sp. z o.o.

BRE Leasing Sp. z o.o. performs risk analysis based on the following risk factors:
- interest rates;
- fx rates.

The sensitivity of individual transactions to the risk factors is calculated by adding the shock rate and analysing its impact on the present value of the portfolio (MTM).

A sudden, lasting and disadvantageous change of market interest rates by 100 base points for all maturities in 2006 would result in decrease in the annual interest income by the following amounts, on average:

- PLN 7.8 million for PLN
- PLN 6.6 million for EUR
- PLN 2.6 million for CHF
- PLN 0.05 million for USD

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

- PLN 7.1 million for PLN
- PLN 5.9 million for EUR
- PLN 3.5 million for CHF
- PLN 1.0 million for USD

BRE Bank Hipoteczny SA

Restatement date misfit gap and interest earnings at risk (EaR) based on the former are the key interest rate risk measures at BRE Bank Hipoteczny SA.

A sudden, lasting and disadvantageous change of market interest rates by 100 base points for all maturities in the 2006 would result in decrease in the annual interest income by the following amounts, on average:

- PLN 2 708.9 thousand for PLN
- PLN 33.5 thousand for USD
- PLN 99.7 thousand for EUR

To calculate these values, the Bank assumed that the structure of financial assets and liabilities disclosed in the financial statements as of 31 December 2006 would be fixed during the year and the Bank would not take any measures to change related exposure to interest rate change risk.

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

IFRS Consolidated Financial Statements 2006 (PLN 000's)

31.12.2006	Up to 1 month	Up to 3 months	Up to 1 year	Up to 5 years	More than 5 years	Non-interest bearing	Total
ASSETS							
Cash and balances with Central Bank	3 108 745	-	-	-	-	607 862	**3 716 607**
Debt securities eligible for rediscounting at the Central Bank	-	26 725	-	-	-	-	**26 725**
Loans and advances to banks	1 908 220	260 515	535 152	85 972	-	54 265	**2 844 124**
Trading securities, investment securities and pledged assests	4 864 474	798 423	845 011	2 117 646	379 892	268 399	**9 273 845**
Loans and advances to customers	19 552 266	2 248 001	678 935	444 933	43 488	77 071	**23 044 694**
Other assets and derivative financial instruments	200 033	77 057	188 574	78 094	1 496	1 462 451	**2 007 705**
T o t a l a s s e t s	**29 633 738**	**3 410 721**	**2 247 672**	**2 726 645**	**424 876**	**2 470 048**	**40 913 700**
LIABILITIES							
Amounts due to other banks	4 222 280	3 371 350	375 404	-	-	3 352	**7 969 034**
Amounts due to customers	22 746 900	931 944	565 469	192 544	178 227	54 772	**24 615 084**
Debt securities in issue	1 528 544	887 902	965 113	8 000	-	-	**3 389 559**
Subordinated liabilities	398 818	1 148 536	-	-	-	-	**1 547 354**
Other liabilities and derivative financial instruments	194 460	88 723	186 699	77 855	1 589	1 464 373	**549 326**
Total liabilities	**29 091 002**	**6 428 455**	**2 092 685**	**278 399**	**179 816**	**1 522 497**	**39 592 854**
Total interest repricing gap	**542 736**	**(3 017 734)**	**154 987**	**2 448 246**	**245 060**		

	Up to 1 month	Up to 3 months	Up to 1 year	Up to 5 years	More than 5 years	
Off-balance sheet long positions	49 882 201	72 823 047	169 905 284	77 893 097	1 605 666	
Off-balance sheet short positions	(47 464 614)	(72 434 083)	(171 257 449)	(79 059 227)	(1 771 165)	
Net neutral positions						(122 757)
Off-balance sheet gap	**2 417 587**	**388 964**	**(1 352 165)**	**(1 166 130)**	**(165 499)**	

31.12.2005	**Up to 1 month**	**Up to 3 months**	**Up to 1 year**	**Up to 5 years**	**More than 5 years**	
Interest bearing assets	19 244 049	4 602 390	2 050 615	1 315 012	694 346	
Interest bearing liabilities	(19 888 526)	(5 916 002)	(1 044 998)	(134 910)	(14 306)	
Net neutral positions						(907 670)
Balance sheet gap	**(644 477)**	**(1 313 612)**	**1 005 617**	**1 180 102**	**680 040**	
Off-balance sheet long positions	28 859 046	42 262 988	95 160 770	33 104 827	906 539	
Off-balance sheet short positions	(29 227 565)	(40 100 322)	(96 971 486)	(34 110 638)	(1 318 682)	
Net neutral positions						1 434 523
Off-balance sheet gap	**(368 519)**	**2 162 666**	**(1 810 716)**	**(1 005 811)**	**(412 143)**	
Total gap	**(1 012 996)**	**849 054**	**(805 099)**	**174 291**	**267 897**	**526 853**

The table below summarises the effective interest rate by major currencies for financial instruments:

31.12.2006	**PLN %**	**EUR %**	**USD %**	**CHF %**	**GBP %**
ASSETS					
Cash and balances with Central Bank	4.17	0.06	-	-	-
Loans and advances to banks	4.25	3.81	5.49	2.15	5.41
Trading securities	4.35	3.89	5.53	-	-
Loans and advances granted to customers	6.00	5.45	7.08	3.95	7.54
Investment securities	4.68	4.01	5.32	-	-
LIABILITIES					
Amounts due to other banks	4.16	3.81	5.41	2.13	5.39
Amounts due to customers	4.23	3.67	5.38	2.07	5.27
Debt securities in issue	4.36	-	-	-	-
Subordinated liabilities	-	3.80	-	2.15	-

31.12.2005	**PLN %**	**EUR %**	**USD %**	**CHF %**	**GBP %**
ASSETS					
Cash and balances with Central Bank	3.55	0.71	-	-	-
Loans and advances to banks	4.45	2.46	4.45	0.68	4.80
Trading securities	4.46	2.53	4.88	-	-
Loans and advances granted to customers	6.72	4.14	6.23	3.62	9.58
Investment securities	4.56	3.29	5.00	-	-
LIABILITIES					
Amounts due to other banks	4.21	2.53	4.32	1.20	4.78
Amounts due to customers	4.04	2.42	4.35	0.73	4.63
Debt securities in issue	4.66	-	-	-	-
Subordinated liabilities	-	2.52	-	-	-

3.7 Liquidity Risk

BRE Bank SA

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

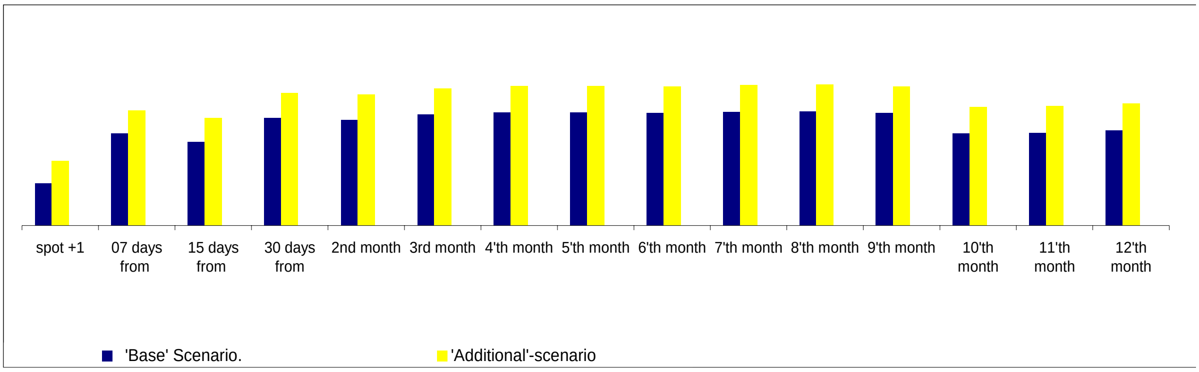
The Bank assesses potential liquidity risks and their impact based on scenario methodologies, including stress-testing. The Bank has put in place contingency procedures, both in case of a sharp and a gradual deterioration of the liquidity position of the Bank.

Gap limits, an important part of strategic management, are set under two scenarios which differ in restrictiveness. Each scenario is assigned limits set as a range of incremental gaps of real cash flows. The scenarios are named "Base" and "Additional". They cover balance-sheet and off-balance-sheet cash flows in the relevant time periods and provide for possible disposal of debt instruments classified under liquidity reserves before maturity.

The gap limits apply as of H2 2006 and were not exceeded in that period.

The section below presents the incremental gaps under both scenarios (in PLN million) for all time periods as at 31 December 2006.

	spot +1	07 days from	15 days from	30 days from	2nd month	3rd month	4'th month	5'th month	6'th month	7'th month	8'th month	9'th month	10'th month	11'th month	12'th month
BASE sc.	1735	3756	3412	4399	4310	4537	4631	4629	4604	4660	4678	4598	3763	3788	3887
Additional sc.	2641	4707	4404	5430	5368	5610	5709	5711	5692	5749	5768	5689	4855	4884	4985



BRE Leasing

The purpose of liquidity risk management is to assure and maintain the capacity of the company to honour both its current and future liabilities, taking into the account the costs of achieving liquidity.

The company manages its liquidity risk by matching the maturity of amounts receivable under leasing contracts with the maturity of credit liabilities on the basis of cash flow reports. In addition, the company has open sources of refinancing for periods exceeding 6 months.

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BRE Bank Hipoteczny SA

Liquidity risk occurs due to a gap between the maturity of the Bank's assets and its liabilities. The Bank manages liquidity risk by implementing procedures of monitoring of and reporting on the expected inflows and outflows and the net cash flows.

The sources of financing are diversified by means of co-operation with multiple partners and the selection of diverse instruments in order to finance lending. The Bank finances long-term assets in the first place with mortgage bonds of long-term maturity and fulfils its current demand for financing in the interbank market by means of issues of short-term bonds and accepted placements.

The Bank has put in place a contingency plan applicable in the event of deterioration of liquidity.
In 2006, the liquidity ratios up to 1 month were between 7.67% and 42.28% and the average liquidity ratio was 16.92%. The liquidity ratio was 42.28% at 31 December 2006.*

* Liquidity up to 1 month was 42.28% including a credit limit of PLN 250 million granted by BRE Bank.

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

31.12.2006	**Up to 1 month**	**Up to 3 months**	**Up to 1 year**	**Up to 5 years**	**More than 5 years**	**Total**
ASSETS						
Cash and balances with Central Bank	3 716 607	-	-	-	-	3 716 607
Debt securities eligible for rediscounting at the Central Bank	-	26 725	-	-	-	26 725
Loans and advances to banks	1 916 939	194 720	511 720	190 759	29 986	2 844 124
Trading securities and other financial instruments at fair value through profit or loss	2 804 634	124 256	126 191	2 593 038	512 794	6 160 913
Loans and advances to customers	4 556 913	2 596 052	3 211 107	5 317 296	7 363 326	23 044 694
Investment securities	33 527	2 168	897 887	1 819 929	359 421	3 112 932
- Available for sale	33 527	2 168	897 887	1 819 929	359 421	3 112 932
Other assets	654 923	161 178	615 872	1 163 619	828 994	3 424 586
T o t a l a s s e t s	**13 683 543**	**3 105 099**	**5 362 777**	**11 084 641**	**9 094 521**	**42 330 581**

	Up to 1 month	**Up to 3 months**	**Up to 1 year**	**Up to 5 years**	**More than 5 years**	**Total**
LIABILITIES						
Amounts due to other banks	1 425 473	470 251	575 246	5 450 529	50 887	7 972 386
Amounts due to customers	22 320 921	879 480	647 268	590 456	231 731	24 669 856
Debt securities in issue	397 790	180 803	972 507	1 838 459	-	3 389 559
Other borrowed funds	-	-	-	-	1 547 354	1 547 354
Other liabilities	794 355	79 552	537 899	602 631	44 622	2 059 059
Provisions	14 004	1 026	54 056	1 082	-	70 168
Total liabilities	**24 952 543**	**1 611 112**	**2 786 976**	**8 483 157**	**1 874 594**	**39 708 382**
Net liquidity gap	**(11 269 000)**	**1 493 987**	**2 575 801**	**2 601 484**	**7 219 927**	**2 622 199**

31.12.2005	**Up to 1 month**	**Up to 3 months**	**Up to 1 year**	**Up to 5 years**	**More than 5 years**	**Total**
ASSETS						
Cash and balances with Central Bank	1 778 457	-	-	-	-	1 778 457
Debt securities eligible for rediscounting at the Central Bank	-	37 464	-	-	-	37 464
Loans and advances to banks	2 230 586	1 117 956	1 071 798	213 430	34 704	4 668 474
Trading securities and other financial instruments at fair value through profit or loss	3 308 619	979 103	258 634	944 954	1 014 375	6 505 685
Loans and advances to customers	3 453 749	1 961 395	3 383 431	3 375 179	3 202 204	15 375 958
Investment securities	28 837	988	286 263	699 688	131 543	1 147 319
- Available for sale	28 837	988	286 263	699 688	131 543	1 147 319
Other assets	1 630 886	7 375	147 073	547 709	892 683	3 225 726
T o t a l a s s e t s	**12 431 134**	**4 104 281**	**5 147 199**	**5 780 960**	**5 275 509**	**32 739 083**

	Up to 1 month	**Up to 3 months**	**Up to 1 year**	**Up to 5 years**	**More than 5 years**	**Total**
LIABILITIES						
Amounts due to other banks	996 365	645 665	1 483 025	1 100 889	30 805	4 256 749
Amounts due to customers	17 086 691	1 763 044	712 965	407 861	378 841	20 349 402
Debt securities in issue	64 063	-	819 889	1 847 205	-	2 731 157
Other borrowed funds	-	-	-	-	1 362 528	1 362 528
Other liabilities	1 597 483	105 834	20 528	47 759	73 038	1 844 642
Provisions	14 189	-	6 522	65 002	422	86 135
Total liabilities	**19 758 791**	**2 514 543**	**3 042 929**	**3 468 716**	**1 845 634**	**30 630 613**
Net liquidity gap	**(7 327 657)**	**1 589 738**	**2 104 270**	**2 312 244**	**3 429 875**	**2 108 470**

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3.8 Fair Value of Financial Assets and Liabilities

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

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

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

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

	Carrying value 31.12.2006	Fair value 31.12.2006
Financial assets		
Loans and advances to banks	2 844 124	2 895 950
Loans and advances to customers	23 044 694	23 051 940
Assets available for sale	3 055 516	3 055 516
Financial liabilities		
Amounts due to other banks	7 972 386	7 971 601
Amounts due to customers	24 669 856	24 680 536
Debt securities in issue	3 389 559	3 391 215

	Carrying value 31.12.2005	Fair value 31.12.2005
Financial assets		
Loans and advances to banks	4 668 474	4 696 884
Loans and advances to customers	15 375 958	15 417 875
Assets available for sale	1 124 832	1 124 832
Financial liabilities		
Amounts due to other banks	4 256 749	4 257 586
Amounts due to customers	20 349 402	20 357 177
Debt securities in issue	2 731 157	2 734 706

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

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

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

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

Available for sale financial assets. Listed available for sale financial instruments held by the Group are priced at their fair values. The Group was unable to prepare reliable fair value estimates for unlisted equity instruments and it used the purchase price adjusted for the balance sheet valuation purposes.

The Group applied this rule concerning equity instruments to the shares of PZU SA and Vectra SA.

The Group holds 653 660 shares of PZU SA, representing 0.76% of the share capital; their book value is PLN 73 988 480.40. PZU SA is Poland's largest property insurer and the owner of the life insurer PZU Życie SA.

Shares of PZU SA are not listed in a regulated market. Shareholders frequently trade in its shares but this usually involves small packages of employee-held shares. The market is liquid to an extent, but in view of a conflict between the major shareholders and due to the fact that the potential IPO date of PZU SA remains unknown, the transaction prices are believed to include a large discount. It is estimated that the actual value is between PLN 180 and PLN 400 per share.

The Group holds 9 045 404 shares of Vectra, representing 19.95% of the share capital; their book value is PLN 124 962 835.57. Vectra is the second largest operator of cable tv and has over 600 thousand customers in Poland.
Shares of the company are not listed in a regulated market. The investment in Vectra SA shares is subject to an investment agreement which sets the conditions applicable to the disposal of shares by the shareholders. According to estimates of the shares value, the package held by BRE Bank may be worth between PLN 230 and 380 million.

Financial Liabilities. Financial instruments on the liabilities side include the following:

1. Contracted loans;
2. Liabilities resulting from the issue of securities;
3. Deposits.

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

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

3.9 Other Business

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

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

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

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

Impairment of loans and advances

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

Fair value of derivative instruments

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

Impairment of equity securities available for sale

Impairment is regarded to occur if over a period of at least three months the listed price of the given security continues to be lower than the cost of its acquisition or the issuer incurs loss not covered by its equity within the period of one year, as well as the occurrence of other facts and circumstances providing indications of the impairment of value.

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

Impairment of debt instruments available for sale

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

Goodwill

The Group tests the value of goodwill arising from acquisition of shares in Group member companies consolidated in the financial statements in terms of the risk of goodwill impairment during each annual period. The movements are disclosed in Note 25.

5. Business Segments

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

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

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

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

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

   Independently or in syndicates with other banks, the Bank enters into agreements concerning issues of debt securities (bonds, investment notes and certificates of deposit) and into agreements concerning financing of big scale projects in a form of loans.

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

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

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

3) Asset Management, including the results of Skarbiec Asset Management Holding SA, PTE Skarbiec-Emerytura SA and BRE Wealth Management SA (to December 28, 2006 - Skarbiec Investment Management SA).
Taking into account the sale of SAMH that took place on January 8, 2007 and the intention to sell PTE, asset management activity (except for the operations of BRE Wealth Management SA) is being considered by the Group as discountinued operations.

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

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

Corporate banking includes the results of the following companies: BRE Bank Hipoteczny, BRE Leasing Sp. z o.o., Intermarket Bank AG, Polfactor SA, Transfinance a.s., and Magyar Factor zRt. The Bank's offerd is enriched by commercial real estate financing, leasing, factoring.

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

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

Funds are allocated to particular business segments, which results in funding cost transfers. Interest charged for these funds is based on the Group's cost capital and presented in operating income.

Internal funds transfers are calculated on transfer rates based on market rates. Transfer rates are determined on the same basis for all operating units of the Bank and their differentiation results only from currency and term structure of assets and liabilities. Internal settlements concerning internal valuation of funds transfer have been reflected in the performance of each business.

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

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

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

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

Business segment reporting on the activities of the BRE Bank Group
for the period from 01.01.2006 to 31.12.2006
(PLN'000)

	Retail Banking (including Private Banking)	Corporate Banking	Investment Banking	Asset Management - discontinued operations *	Other	Eliminations	Group
Net interest income	**290 281**	**368 256**	**91 380**	**(18 531)**	**(3 200)**	**(442)**	**727 744**
- sales to external clients	112 374	455 018	157 765	4 225	(1 196)	(442)	727 744
- sales to other segments	177 907	(86 762)	(66 385)	(22 756)	(2 004)	-	-
Net fee and commission income	**101 845**	**274 480**	**40 852**	**105 803**	**(470)**	**(5 378)**	**517 132**
- sales to external clients	102 945	259 190	55 040	105 803	(468)	(5 378)	517 132
- sales to other segments	(1 100)	15 290	(14 188)	-	(2)	-	-
Unallocated costs	-	-	-	-	-	-	-
Gross profit / (loss) of the segment	**114 655**	**232 982**	**215 927**	**24 424**	**19 601**	**(31 229)**	**576 360**
Profit / (loss) on operating acitivities	-	-	-	-	-	-	576 472
Contribution of profit / (loss) sharing in associated companies (before tax)	-	-	-	-	-	(112)	(112)
Gross profit (before tax)	**-**	**-**	**-**	**-**	**-**	**-**	**576 360**
Corporate income tax	-	-	-	-	-	-	(129 966)
Net profit (loss) attributable to minority interest	-	-	-	-	-	-	25 136
Net profit (after tax)	**-**	**-**	**-**	**-**	**-**	**-**	**421 258**
Asset of the segment	**9 118 674**	**14 393 195**	**20 989 770**	**654 743**	**794 467**	**(3 620 268)**	**42 330 581**
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**42 330 581**
Segment's liabilities	**9 490 966**	**13 250 234**	**20 065 613**	**262 241**	**2 881 795**	**(3 620 268)**	**42 330 581**
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**42 330 581**
Other items of the segment	-	-	-	-	-	-	-
Expenditures incurred on fixed assets and intangible assets	(48 873)	(62 299)	(24 722)	(1 514)	(77)	-	(137 485)
Amortisation/depreciation	(60 074)	(78 740)	(20 538)	(2 798)	(2 371)	(2 082)	(166 603)
Losses on credits and loans	(60 290)	(287 431)	(42 067)	-	(4 208)	-	(393 996)
Other items without cash outflows, including:	-	10 837	148 468	-	-	-	159 305
- other costs without outflows	-	*(552)*	*(1 251 420)*	-	-	-	*(1 251 972)*
- other income without inflows	-	*11 389*	*1 399 888*	-	-	-	*1 411 277*

* The "Asset Management" segment includes the result of BRE Wealth Management SA (to December 29 2006 Skarbiec Investment Management SA), which will remain in the Group in the below amounts:

Net interest income	217
Net fee and commission income	11 113
Profit before income tax	4 107
Assets	10 119
Liabilities	10 119
Amortization	(104)

Business segment reporting on the activities of the BRE Bank Group
for the period from 01.01.2005 to 31.12.2005
(PLN'000)

	Retail Banking (including Private Banking)	Corporate Banking	Investment Banking	Asset Management - discontinued operations *	Other	Eliminations	Group
Net interest income	**222 421**	**303 034**	**161 050**	**(25 439)**	**291**	**(8 454)**	**652 903**
- sales to external clients	(36 232)	449 145	247 725	2 535	(1 816)	-	661 357
- sales to other segments	258 653	(146 111)	(86 675)	(27 974)	2 107	(8 454)	(8 454)
Net fee and commission income	**48 183**	**273 652**	**16 215**	**61 872**	**1 795**	**(8 108)**	**393 608**
- sales to external clients	48 990	259 300	29 776	61 872	1 779	-	401 717
- sales to other segments	(807)	14 352	(13 561)	-	16	(8 108)	(8 108)
Unallocated costs	-	-	-	-	-	-	
Gross profit / (loss) of the segment	**19 110**	**175 034**	**199 193**	**(39 941)**	**(11 577)**	**(3 855)**	**337 964**
Profit / (loss) on operating acitivities	-	-	-	-	-	-	338 433
Contribution of profit / (loss) sharing in associated companies (before tax)	-	-	(7)	-	-	(462)	(469)
Gross profit (before tax)	-	-	-	-	-	-	337 964
Corporate income tax	-	-	-	-	-	-	(70 059)
Net profit (loss) attributable to minority interest	-	-	-	-	-	-	20 362
Net profit (after tax)	-	-	-	-	-	-	247 543
Asset of the segment	**4 578 528**	**10 475 477**	**20 031 993**	**747 128**	**811 055**	**(3 905 098)**	**32 739 083**
Total assets	-	-	-	-	-	-	32 739 083
Segment's liabilities	**7 229 632**	**9 925 307**	**17 620 416**	**233 194**	**1 635 632**	**(3 905 098)**	**32 739 083**
Total liabilities	-	-	-	-	-	-	32 739 083
Other items of the segment	-	-	-	-	-	-	
Expenditures incurred on fixed assets and intangible assets	(65 919)	(110 658)	(31 708)	(3 137)	(2 586)	-	(214 008)
Amortisation/depreciation	(45 873)	(63 373)	(25 274)	(2 871)	(2 224)	-	(139 615)
Losses on credits and loans	(82 781)	(276 653)	(42 269)	-	-	-	(401 703)
Other items without cash outflows, including:	-	-	(127 723)	-	(71)	-	(127 794)
- other costs without outflows	-	-	*(1 040 455)*	-	-	-	*(1 040 455)*
- other income without inflows	-	-	*912 732*	-	-	-	*912 732*

* The "Asset Management" segment includes the result of BRE Wealth Management SA (to December 29 2006 Skarbiec Investment Management SA), which will remain in the Group in the below amounts:

Net interest income	258
Net fee and commission income	7 026
Profit before income tax	656
Assets	8 976
Liabilities	8 976
Amortization	(235)

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6. Net Interest Income

	31.12.2006	**31.12.2005**
Interest income		
Cash and short-term investments	218 880	229 877
Investment securities	89 573	33 280
Amounts due arising from purchased securities with a sale clause	139	2 409
Loans and advances including the unwind of the impairment provision discount	1 222 860	1 051 434
Debt securities	135 004	196 650
Other	34 095	19 489
	1 700 551	**1 533 139**
Interest expense		
Arising from amounts due to banks and customers	(742 603)	(709 458)
Arising from issue of debt securities	(159 414)	(89 068)
Other borrowed funds	(69 025)	(52 267)
Trading debt securities	(2 605)	(9 386)
Other	(2 726)	(22 096)
	(976 373)	**(882 275)**

Net interest income per segment is as follows:

	31.12.2006	**31.12.2005**
Interest income		
From banking sector	369 431	347 343
From clients, including:	1 331 120	1 185 796
- corporate clients	770 898	727 802
- individual clients	336 025	215 760
- public sector	224 197	242 234
	1 700 551	**1 533 139**
Interest expense		
From banking sector	(273 585)	(241 251)
From clients, including:	(682 537)	(616 038)
- corporate clients	(451 962)	(359 171)
- individual clients	(223 268)	(245 445)
- public sector	(7 307)	(11 422)
Own issue	(20 251)	(24 986)
	(976 373)	**(882 275)**

7. Net Fee and Commission Income

	31.12.2006	**31.12.2005**
Fee and commission income		
Credit related fees and commissions	132 176	100 501
Fees from brokerage activity	79 514	40 257
Fees from portfolio-management services and other management-related fees	15 048	15 562
Guarantees granted and trade finance commissions	26 946	29 412
Commissions from credit cards	104 316	76 330
Commissions from money transfers	67 753	62 163
Commissions from bank accounts	39 111	44 702
Other	117 907	89 782
	582 771	**458 709**
Fee and commission expense		
Brokerage fees	(24 499)	(18 133)
Credit cards related fees	(77 427)	(64 149)
Other fees	(64 435)	(38 228)
	(166 361)	**(120 510)**

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8. Dividend Income

	31.12.2006	31.12.2005
Trading securities	140	723
Securities available for sale, investment in subsidiaries and associates	16 725	46 310
Dividend income, total	**16 865**	**47 033**

9. Net Trading Income

	31.12.2006	31.12.2005
Foreign exchange result	**354 140**	**257 897**
Foreign exchange differences from the translation (net)	226 231	362 766
Net transaction gains and losses	127 909	(104 869)
Other trading income (losses) net	**45 445**	**(24 836)**
Interest-bearing instruments	21 431	(13 241)
Equities	6 560	(3 702)
Market risk instruments	17 454	(7 893)
Total net trading income	**399 585**	**233 061**

The "Foreign exchange result" includes profits and losses on spot transactions and forward contracts, options, futures and translated assets and liabilities denominated in foreign currencies. The "Interest-bearing instruments" include the profit/(loss) on money market instrument trading, swap contracts for interest rates and currencies, options and other derivative instruments. The "Equities" include the profit/(loss) on the global trade with equity securities and derivative equity instruments, such as swap contracts, options, futures and forward contracts.

10. Other Operating Income

	31.12.2006	31.12.2005
Sale of tangible and intangible fixed assets and assets held for resale	118 567	73 942
Income from recovering previously designated as uncollectible receivables	5 765	580
Income from compensation, penalties and fines received	1 093	3 030
Income due to release of other provisions	20 377	9 568
Proceeds from services provided	69 729	19 880
Other	13 508	27 997
Total other operating income	**229 039**	**134 997**

11. Overhead Costs

	31.12.2006	31.12.2005
Staff-related expenses (Note 13)	(475 925)	(403 164)
Material costs	(379 077)	(334 255)
Taxes and fees	(12 568)	(11 565)
Contributions and transfers to the Banking Guarantee Fund	(4 160)	(3 895)
Contribution to the Social Benefits Fund	(3 601)	(1 094)
Other	(4 161)	(14 477)
Total overhead costs	**(879 492)**	**(768 450)**

The position "Material costs" consist of tangible assets operating lease payment costs (mainly real estate) of PLN 30 434 thousand (2005: PLN 35 732 thousand).

12. Other Operating Expenses

Costs of selling or scrapping fixed assets, intangible assets and assets held for resale	(95 388)	(57 442)
Impairment provisions created for tangible and intangible assets	(2 229)	(68)
Impairment provisions created for other receivables (excluding loans and advances)	(1 376)	(1 497)
Receivables and liabilities recognised as uncollectible and written off	(5 266)	(6 595)
Compensation, penalties and fines paid	(11 429)	(11 661)
Donations made	(2 366)	(3 191)
Impairment losses on other non-financial assets	(828)	(6 944)
Provisions for future commitments	(20 116)	(10 915)

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Costs of services sale	(32 910)	(938)
Other operating costs	(11 760)	(13 916)
Total other operating expenses	**(183 668)**	**(113 167)**

13. Staff Costs

	31.12.2006	**31.12.2005**
Wages and salaries	(385 835)	(319 269)
Social security expenses	(57 578)	(53 752)
Pension fund expenses	(1 383)	(667)
Salaries in form of share option program for employees	(2 212)	(4 536)
Other staff expenses	(28 917)	(24 940)
Staff-related expenses, total	**(475 925)**	**(403 164)**

The average level of employment in the Group in 2006 was 5 159 persons (vs. 4 297 in 2005).
The additional information related to share-based payment has been presented in the Note 40 "Retained earnings".

14. Impairment Losses on Loans and Advances

	31.12.2006	**31.12.2005**
Amounts due from other banks	(4 975)	-
Loans and advances to customers	(40 986)	(78 841)
Total impairment losses on loans and advances	**(45 961)**	**(78 841)**

The above data include provisions for off-balance sheet contingent liabilities, including:

	31.12.2006	**31.12.2005**
Off-balance sheet contingent liabilities due to other banks	(397)	-
Off-balance sheet contingent liabilities due to customers	12 143	(10 224)
	11 746	**(10 224)**

15. Income Tax Expense

	31.12.2006	**31.12.2005**
Current tax	(80 055)	(87 043)
Deferred income tax (Note 35)	(44 177)	21 871
Total income tax	**(124 232)**	**(65 172)**
Profit before tax	**534 481**	**347 574**
Tax calculated at Polish current tax rate (19%)	(101 551)	(66 039)
Effect of different tax rates in other countries	(2 055)	(3 181)
Income not subject to tax	9 994	15 929
Costs other than tax deductible costs	(21 199)	(18 105)
Other positions effecting income tax	(9 421)	6 224
Income tax expense	**(124 232)**	**(65 172)**
Effective tax rate calculation		
Profit before income tax	534 481	347 574
Income tax	(124 232)	(65 172)
Effective tax rate	**23.24%**	**18.75%**

Further information about deferred income tax is presented in Note 35. The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the parent as presented above.

16. Earnings per Share

Earnings per share for 12 months – continued operations

	31.12.2006	31.12.2005
Basic:		
Net profit from continued operations attributable to shareholders (for 12 months)	385 113	262 040
Weighted average number of ordinary shares	29 344 158	28 780 011
Net basic profit per share (in PLN per share)	**13.12**	**9.10**
Diluted:		
Net profit from continued operations attributable to shareholders (for 12 months)	385 113	262 040
Net profit applied for calculation of diluted earnings per share (in thousand PLN)	385 113	262 040
Weighted average number of ordinary shares	29 344 158	28 780 011
Adjustments for:		
- stock options for employees	174 097	98 162
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 518 255	28 878 173
Diluted earnings per share (in PLN per share)	**13.05**	**9.07**

Earnings per share for 12 months – together continued and discontinued operations

	31.12.2006	31.12.2005
Basic:		
Net profit from continued and discontinued operations attributable to the Bank's equity holders (for 12 months)	421 258	247 543
Weighted average number of ordinary shares	29 344 158	28 780 011
Net basic profit per share (in PLN per share)	**14.36**	**8.60**
Diluted:		
Net profit from continued and discontinued operations attributable to shareholders (for 12 months)	421 258	247 543
Net profit applied for calculation of diluted earnings per share (in thousand PLN)	421 258	247 543
Weighted average number of ordinary shares	29 344 158	28 780 011
Adjustments for:		
- stock options for employees	174 097	98 162
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 518 255	28 878 173
Diluted earnings per share (in PLN per share)	**14.27**	**8.57**

The basic earnings per share is computed as the quotient of the Bank stockholders' share of the profit and the weighted average number of ordinary shares during the year.

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

According to IAS 33, the Bank prepares a statement of the so-called "diluted earnings per share", taking account of share purchase options granted to employees. In 2006 BRE Bank had two share-based payment programs.

Under the first share-based payment program (started in May 2000 and amended in May 2003) the members of Bank’s Management received 479 500 options that could have been exercised until 30 June 2006. Options gave the right to receive 479 500 additional shares issued. The program expired on 30 June 2006.

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

The detailed data concerning both programs is described in the Note 40.

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17. Cash and Balances with Central Bank

	31.12.2006	31.12.2005
Cash in hand	102 705	86 829
Current account	1 213 372	314 402
Other	2 400 530	1 377 226
Total cash and balances with central bank (Note 42)	**3 716 607**	**1 778 457**
Including: mandatory reserve deposit	708 759	585 227

The mandatory reserve is held in an account with the central bank and in the Bank's hand. As at 31 December 2006, the former part of the reserve bore 3.83% interest (31 December 2005: 4.28%).

18. Debt Securities Eligible for Rediscounting at the Central Bank

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

19. Loans and Advances to Banks

Current accounts	50 394	223 766
Placements with other banks	1 702 432	3 005 623
Included in cash equivalents (Note 42)	**1 752 826**	**3 229 389**
Loans and advances	896 565	1 362 670
Reverse repo / buy sell back transactions	124 339	33 430
Other receivables	74 972	42 985
Total (gross) loans and advances to banks	**2 848 702**	**4 668 474**
Provisions created for loans and advances to banks (negative amount) (Note 14)	(4 578)	-
Total (net) loans and advances to banks	**2 844 124**	**4 668 474**

The following table presents receivables from Polish and foreign banks:

	31.12.2006	31.12.2005
Loans and advances to Polish banks (gross)	319 290	805 444
Provisions created for loans and advances to Polish banks	(323)	-
Loans and advances to foreign banks (gross)	2 529 412	3 863 030
Provisions created for loans and advances to foreign banks	(4 255)	-
Total (net) loans and advances to banks	**2 844 124**	**4 668 474**

The variable rate loans and advances to banks amount to PLN 744 692 thousand (31 December 2005: PLN 748 226 thousand).

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

	31.12.2006	31.12.2005
Provisions for loans and advances to banks as at the beginning of the period	**-**	**(2 287)**
Increase (due to)	(9 563)	-
- provisions created	(9 563)	-
Release (due to)	4 985	2 287
- release of provisions	4 985	-
- reclassification	-	2 287

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Provisions for loans and advances to banks as at the end of the period	**(4 578)**	**-**

Provisions for loans and advances to banks of PLN 4 578 thousand, as well as changes in allowance for losses on amounts due from banks, relate in total to exposures analysed according to a portfolio based approach.

20. Trading Securities and Pledged Assets

	31.12.2006	**31.12.2005**
Debt securities:	**6 148 676**	**6 461 131**
Government bonds included in cash equivalents and pledged government bonds (sell buy back transactions) (Note 42), including:	2 746 486	1 473 639
- pledged government bonds (sell buy back transactions) (Note 36)	1 921 475	40 804
Treasury bills included in cash equivalents and pledged treasury bills (sell buy back transactions) (Note 42), including:	829 649	1 640 129
- pledged treasury bills (sell buy back transactions) (Note 36)	723 289	1 298 166
Other debt securities, including:	2 572 541	3 347 363
- pledged deposit certificates (sell buy back transactions) (Note 36)	-	64 767
- pledged corporate bonds (sell buy back transactions) (Note 36)	-	89 988
Equity securities:	**12 237**	**44 554**
- listed	12 237	44 554
Debt and equity securities, including:	**6 160 913**	**6 505 685**
- Trading securities	*3 516 149*	*5 011 960*
- Pledged assets (Note 36)	*2 644 764*	*1 493 725*

Government bonds include securities used to secure sell-buy-back transactions with customers, the market value of which as at 31 December 2006 amounted to PLN 1 921 475 thousand (31 December 2005: PLN 40 804 thousand). The bonds are disclosed separately within the "Pledged assets" in the Balance Sheet.

"Debt securities" include treasury bills eligible for rediscounting issued by the Polish Treasury for a period of up to one year. All treasury notes bear fixed interest rates.

The note above does not include securities under the Bank Guarantee Fund of PLN 57 416 thousand (31 December 2005: PLN 22 487 thousand), which have been presented in the Note 23 "Investment securities and pledged assets".

21. Derivative Financial Instruments and Other Trading Liabilities

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

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

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

Currency and interest rate options are agreements, pursuant to which the selling party grants the buying party the right, but not an obligation, to purchase (call option) or sell (put option) a specific quantity of a foreign currency or a financial instrument at a predefined price on or by a specific date or within an agreed period. In return for accepting currency or interest rate risk, the buyer offers the seller a premium. An option can be either a public instrument traded at a stock exchange or a private instrument negotiated between the Group and a

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

	Contract amount	Fair value of asset	Fair value of liability
As at 31 December 2006			
Derivatives held for trading			
Foreign exchange derivatives			
- Currency forwards	21 167 613	196 646	129 054
- Currency swaps	42 027 419	389 998	209 462
- Cross-currency interest rate swaps	267 306	6 389	1 456
- OTC currency options bought and sold	2 612 114	37 111	50 066
Total OTC derivatives	**66 074 452**	**630 144**	**390 038**
- Currency futures	36 954	-	-
- Stock exchange traded currency options - bought and sold	14 585	609	233
Total foreign exchange derivatives	**66 125 991**	**630 753**	**390 271**
Interest rate derivatives			
- Interest rate swaps	285 014 560	466 629	536 456
- Forward rate agreements	167 856 340	81 705	83 666
- OTC interest rate options	-	104	162
Total OTC interest rate derivatives	**452 870 900**	**548 438**	**620 284**
Total interest rate derivatives	**452 870 900**	**548 438**	**620 284**
Stock exchange traded market risk transactions	540 010	233 874	243 345
Total recognised derivative assets/(liabilities) and other trading liabilities	**519 536 901**	**1 413 065**	**1 253 900**

	Contract amount	Fair value of asset	Fair value of liability
As at 31 December 2005			
Derivatives held for trading			
Foreign exchange derivatives			
- Currency forwards	-	403 464	335 501
- Currency swaps	169 329 631	162 359	133 551
- Cross-currency interest rate swaps	195 639	58 743	141 648
- OTC currency options bought and sold	6 132 571	104 808	123 246
Total OTC derivatives	**175 657 841**	**729 374**	**733 946**
Total foreign exchange derivatives	**175 657 841**	**729 374**	**733 946**
Interest rate derivatives			
- Interest rate swaps	200 000	458 659	469 122
- Forward rate agreements	111 492 406	70 877	61 605
- OTC interest rate options	5 333	19	19
- Other OTC derivatives	39 016	839	779
Total OTC interest rate derivatives	**111 736 755**	**530 394**	**531 525**
- Interest rate futures	538 546	-	-
Total interest rate derivatives	**112 275 301**	**530 394**	**531 525**
Stock exchange traded market risk transactions	**259 293**	**4 732**	**4 943**
Total derivative assets / (liabilities) held for trading	**288 192 435**	**1 264 500**	**1 270 414**

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Derivatives held for hedging			
Derivatives designated as cash flow hedges	99 983	-	792
- Currency swaps	99 983	-	792
- Stock exchange traded currency options bought	-	-	-
Total derivatives held for hedging	**99 983**	**-**	**792**
Total recognised derivative assets/(liabilities) and other trading liabilities	**288 292 418**	**1 264 500**	**1 271 206**

As at 31 December 2006 and 31 December 2005 the Group does not have any other assets or financial liabilities in the category of financial liabilities priced at fair value through the profit and loss account.

22. Loans and Advances to Customers

	31.12.2006	31.12.2005
Loans and advances to individuals:	**8 802 523**	**4 326 918**
- overdrafts	1 179 317	823 395
- credit cards	20 210	16 191
- term loans	7 602 996	3 487 332
Loans and advances to corporate entities:	**13 106 473**	**9 564 436**
- overdrafts	4 244 730	1 766 850
- credit cards	3 488	2 422
- direct commercial loans	7 731 822	7 121 662
- consortium loans	598 665	305 580
- revers repo / buy sell back transactions	40 436	-
- other	487 332	367 922
Loans and advances to public sector	**529 710**	**1 222 449**
Receivables purchased	**1 108 495**	**987 958**
Realised guarantees and warranties	**6 325**	**18 894**
Other receivables	**328 250**	**118 914**
Total (gross) loans and advances to customers	**23 881 776**	**16 239 569**
Provisions for loans and advances to customers (negative amount)	(837 082)	(863 611)
Total (net) loans and advances to customers	**23 044 694**	**15 375 958**

As at 31 December 2006, variable and fixed rate credits amounted to PLN 21 837 890 thousand and PLN 600 816 thousand, respectively. The values mentioned above relate to loans granted to individual clients, corporate clients and budget sector.

The Group accepted exchange-listed securities at the fair value of PLN 1 151 932 thousand (31 December 2005: PLN 331 640 thousand) as collateral for commercial loans.

Allowance for Losses on Loans and Advances

	31.12.2006	31.12.2005
Receivables classified as "non-default"		
Gross balance sheet exposure	22 872 012	15 040 124
Provisions for exposures analysed according to portfolio approach	(106 986)	(113 783)
Net balance sheet exposure	**22 765 026**	**14 926 341**
Receivables classified as "default"		
Gross balance sheet exposure	1 009 764	1 199 445
Provisions for exposures analysed individually	(730 096)	(749 828)
Net balance sheet exposure	**279 668**	**449 617**

Changes in Allowance for Losses on Loans and Advances

	31.12.2006	31.12.2005
Provisions as at the beginning of the period for loans and advances	**(863 611)**	**(888 564)**
Increase (due to)	(411 893)	(399 411)

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- provisions created	(394 986)	(398 937)
- foreign exchange differences	(1 187)	(474)
- other	(15 720)*	-
Decrease (due to)	438 422	424 364
- provisions release	341 882	330 320
- reclassification	16 254	36 649
- foreign exchange differences	11 339	666
- charge-offs	68 947	44 388
- other	-	12 341
Provisions as at the end of the period	**(837 082)**	**(863 611)**

* Change in the scope of consolidation – merger of provisions of the BRE Bank Hipoteczny SA

Loans and advances to customers include finance lease receivables.

Finance Lease Receivables:

	31.12.2006	**31.12.2005**
Gross investment in finance leases, receivable:	**2 137 315**	**1 801 971**
- No later than 1 year	804 412	692 780
- Later than 1 year and no later than 5 years	1 296 871	1 061 436
- Later than 5 years	36 032	47 755
Unearned future finance income on finance leases (negative amount)	(256 453)	(244 902)
Net investment in finance leases	**1 880 862**	**1 557 069**
Net investment in finance leases, receivable:		
- No later than 1 year	678 032	566 414
- Later than 1 year and no later than 5 years	1 169 478	946 827
- Later than 5 years	33 352	43 828
	1 880 862	**1 557 069**

23. Investment Securities and Pledged Assets

	31.12.2006	**31.12.2005**
Debt securities	**2 842 902**	**931 059**
- listed	2 806 229	898 210
- unlisted	36 673	32 849
Equity securities	**270 030**	**216 260**
- listed	10 411	15 246
- unlisted	259 619	201 014
Total investment securities and pledged assets, including:	**3 112 932**	**1 147 319**
- Available for sale securities	*3 055 516*	*1 124 832*
- Pledged assets (Note 36)	*57 416*	*22 487*

Unlisted equity securities at fair value include impairment in amount of PLN 29 015 thousand (2005: PLN 57 809 thousand).

As at 31 December 2006, the carrying values of debt securities based on fixed interest rate amounted to PLN 2 680 626 thousand and variable interest rate PLN 162 276 thousand (2005: respectively PLN 723 584 thousand and PLN 119 789 thousand).

Listed debt securities include the Polish Brady bonds. The Polish Brady bonds were issued in the execution of agreements made on 14 September 1994 between the Republic of Poland and commercial banks associated in the London Club pursuant to the Regulation N° 78 of the Minister of Finance of 26 October 1994 concerning the issue of bonds for the performance of agreements for reduction and restructuring of Poland's debts, made with commercial banks associated in the London Club. These are denominated in US Dollars. The carrying value of Brady bonds was PLN 29 083 thousand as at 31 December 2006 (31 December 2005: PLN 54 943 thousand).

The above note includes treasury bills pledged in accordance of the Bank Guarantee Fund, which are presented in the balance sheet in a separate position "Pledged assets" (see Note 36).

In accordance with the Bank Guarantee Fund Law of 14 December 1994, the Group had PLN 57 416 thousand, at face value PLN 58 200 thousand worth of treasury notes and money bills disclosed in its Balance Sheet as at 31 December 2006 (2005: PLN 22 487 thousand at face value PLN 23 000 thousand). The notes were used as security under the Bank Guarantee Fund and they were deposited in a separate account with the National Bank of Poland.

Gains and Losses from Investment Securities

	31.12.2006	31.12.2005
Redemption / sale by the issuer of the financial assets available for sale	23 289	47 334
Impairment of available for sale equity securities	(767)	(5 281)
Total gains and losses from investment securities	**22 522**	**42 053**

Gains and losses from investment securities include income from sale of sahres of Novitus SA amounting to PLN 11 699 thousand.

Movement in Investment Securities and Pledged Assets

	Available for sale	Held to maturity
As at 1 January 2006	**1 147 319**	**-**
Exchange differences	(43 044)	-
Additions	7 359 621	-
Disposals (sale and redemption)	(5 359 299)	-
Losses from impairment	(767)	-
Gains / losses from changes in fair value	9 102	-
As at 31 December 2006	**3 112 932**	

	Available for sale	Held to maturity
As at 1 January 2005	**596 285**	**15 323**
Exchange differences	8 846	-
Additions	7 049 168	43 927
Disposals (sale and redemption)	(6 505 707)	(59 250)*
Losses from impairment	(4 096)	-
Gains / losses from changes in fair value	2 823	-
As at 31 December 2005	**1 147 319**	**-**

* Decrease of investment securities held to maturity included in PTE securities portfolio was connected with reclassification of PTE to non-current assets held for sale.

24. Investments in Associates

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

31 December 2006 (in PLN '000)

Name of the company	Country of registration	Assets	Liabilities	Revenues	Profit / (loss)	% interest held
Xtrade S.A.	Poland	700	983	1 560	(734)	24.90
Transfactor Slovakia A.S.	Slovakia	81 005	78 460	2 294	454	56.24
Compania de Factoring S.A.*	Rumanian	24 250	7 103	761	(930)	28.12

* The company started its activity in July 2006

31 December 2005 (in PLN '000)

Name of the company	Country of registration	Assets	Liabilities	Revenues	Profit / (loss)	% interest held
Xtrade S.A.	Poland	1 521	1 063	1 793	(1 863)	24.90
NOVITUS S.A.	Poland	36 077	10 202	58 751	6 929	24.88
Transfactor Slovakia A.S.	Slovakia	29 713	27 790	2 768	209	56.24

Change in Investments in Associates:

	31.12.2006	31.12.2005
As at the beginning of the period	**6 477**	**2 224**
Increase due to:	**3 878**	**4 828**
- purchase	3 831	-
- reclassification of shares	-	4 823
- realise of impairment	47	-
- other	-	5
Decrease due to:	**(4 999)**	**(575)**
- sale	(2 934)	(33)
- reclassification of shares	(1 938)	-
- foreign exchange differences	(15)	(73)
- share of results	(112)	(469)
As at the end of the period	**5 356**	**6 477**

25. Intangible Assets

	31.12.2006	31.12.2005
Development costs	4 315	5 574
Concessions, patents, licences and similar assets, including	309 293	328 957
- computer software	278 661	290 382
Other intangible assets	11 273	2 801
Intangible assets under development	49 093	37 436
Goodwill	7 137	31 612
Total intangible assets	**381 111**	**406 380**

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Movements in Intangible Assets

Movements in intangible assets from 1 January 2006 to 31 December 2006	Development costs	Acquired concessions, patents, licences and other similar assets, including:		Other intangible assets	Intangible assets under development, including:		Goodwill	Total intangible assets	Assets held for sale (Note 28)
			acquired computer software			investment expenditure			
Gross value of intangible assets as at the beginning of the period: 01.01.2006	**33 119**	**495 882**	**415 306**	**9 724**	**37 436**	**1 335**	**31 612**	**607 773**	**466 854**
Increase (due to)	**-**	**56 938**	**44 417**	**11 995**	**57 987**	**186**	**-**	**126 920**	**32 980**
- purchase	-	6 289	2 834	11 978	55 991	186	-	74 258	440
- transfer from assets under construction	-	408	296	-	123	-	-	531	-
- transfer from intangible assets under development	-	43 723	34 769	17	-	-	-	43 740	-
- included in consolidation for the first time	-	6 396	6 396	-	-	-	-	6 396	-
- other increases	-	122	122	-	1 873	-	-	1 995	32 540
Decrease (due to)	**-**	**(51 545)**	**(31 490)**	**(4 132)**	**(46 330)**	**(1 335)**	**(24 475)**	**(126 482)**	**(4 060)**
- sale	-	(902)	(630)	-	-	-	-	(902)	-
- liquidation	-	(48 296)	(29 742)	-	(197)	-	-	(48 493)	(4 060)
- transfer from investment expenditure	-	(538)	(538)	-	(43 740)	-	-	(44 278)	-
- other decreases	-	(1 809)	(580)	(4 132)	(2 393)	(1 335)	(24 475)	(32 809)	-
Gross value of intangible assets as at the end of the period: 31.12.2006	**33 119**	**501 275**	**428 233**	**17 587**	**49 093**	**186**	**7 137**	**608 211**	**495 774**
Accumulated amortization as at the beginning of the period: 01.01.2006	**(27 545)**	**(166 857)**	**(124 856)**	**(6 923)**	**-**	**-**	**-**	**(201 325)**	**(1 933)**
Amortization for the period (due to)	**(1 259)**	**(25 086)**	**(24 677)**	**609**	**-**	**-**	**-**	**(25 736)**	**(3 750)**
- depreciation charges	(1 259)	(67 739)	(48 312)	(3 325)	-	-	-	(72 323)	(297)
- included in consolidation for the first time	-	(4 892)	(4 892)	-	-	-	-	(4 892)	-
- other increases	-	(119)	(119)	-	-	-	-	(119)	(7 508)
- sale	-	902	630	-	-	-	-	902	-
- liquidation	-	45 407	27 548	-	-	-	-	45 407	4 055
- other decreases	-	1 355	468	3 934	-	-	-	5 289	-
Accumulated amortization as at the end of the period: 31.12.2006	**(28 804)**	**(191 943)**	**(149 533)**	**(6 314)**	**-**	**-**	**-**	**(227 061)**	**(5 683)**
Impairment losses as at the beginning of the period: 01.01.2006	**-**	**(68)**	**(68)**	**-**	**-**	**-**	**-**	**(68)**	**(224 706)**
- increase	-	-	-	-	-	-	-	-	(14 760)
- decrease	-	29	29	-	-	-	-	29	-
Impairment losses as at the end of the period: 31.12.2006	**-**	**(39)**	**(39)**	**-**	**-**	**-**	**-**	**(39)**	**(239 466)**
Net value of intangible assets as at the end of the period: 31.12.2006	**4 315**	**309 293**	**278 661**	**11 273**	**49 093**	**186**	**7 137**	**381 111**	**250 625**

Movements in intangible assets from 1 January 2005 to 31 December 2005	Development costs	Acquired concessions, patents, licences and other similar assets, including:		Other intangible assets	Intangible assets under development, including:		Goodwill	Total intangible assets	Assets held for sale (Note 28)
			acquired computer software			investment expenditure			
Gross value of intangible assets as at the beginning of the period: 01.01.2005	**33 119**	**325 166**	**268 427**	**8 571**	**144 741**	**-**	**496 465**	**1 008 062**	**-**
Increase (due to)	**-**	**182 662**	**153 864**	**1 884**	**55 708**	**1 335**	**-**	**240 254**	**466 854**
- purchase	-	25 838	5 792	65	54 650	1 314	-	80 553	-
- transfer from assets under construction	-	1 212	7	18	747	-	-	1 977	-
- transfer from intangible assets under development	-	154 807	147 562	1 771	-	-	-	156 578	-
- assets held for sale	-	-	-	-	-	-	-	-	466 854
- other increases	-	805	503	30	311	21	-	1 146	-
Decrease (due to)	**-**	**(11 946)**	**(6 985)**	**(731)**	**(163 013)**	**-**	**(464 853)**	**(640 543)**	**-**
- liquidation	-	(9 736)	(6 473)	(731)	-	-	-	(10 467)	-
- transfer from investment expenditure	-	-	-	-	(156 578)	-	-	(156 578)	-
- assets held for sale	-	(2 001)	(318)	-	-	-	(464 853)	(466 854)	-
- other decreases	-	(209)	(194)	-	(6 435)	-	-	(6 644)	-
Gross value of intangible assets as at the end of the period: 31.12.2005	**33 119**	**495 882**	**415 306**	**9 724**	**37 436**	**1 335**	**31 612**	**607 773**	**466 854**
Accumulated amortization as at the beginning of the period: 01.01.2005	**(25 400)**	**(122 426)**	**(95 813)**	**(6 868)**	**-**	**-**	**-**	**(154 694)**	**-**
Amortization for the period (due to)	**(2 145)**	**(44 431)**	**(29 043)**	**(55)**	**-**	**-**	**-**	**(46 631)**	**(1 933)**
- depreciation charges	(2 145)	(54 087)	(34 872)	(755)	-	-	-	(56 987)	-
- depreciation charges-discontinued operations	-	(248)	(24)	-	-	-	-	(248)	(142)
- other increases	-	(1)	(1)	(31)	-	-	-	(32)	(1 791)
- liquidation	-	7 457	5 440	731	-	-	-	8 188	-
- assets held for sale	-	1 933	292	-	-	-	-	1 933	-
- other decreases	-	515	122	-	-	-	-	515	-
Accumulated amortization as at the end of the period: 31.12.2005	**(27 545)**	**(166 857)**	**(124 856)**	**(6 923)**	**-**	**-**	**-**	**(201 325)**	**(1 933)**
Impairment losses as at the beginning of the period: 01.01.2005	**-**	**-**	**-**	**-**	**-**	**-**	**(188 597)**	**(188 597)**	**-**
- increase	-	(117)	(117)	-	-	-	(36 109)	(36 226)	(224 706)
- decrease	-	49	49	-	-	-	224 706	224 755	**-**
Impairment losses as at the end of the period: 31.12.2005	**-**	**(68)**	**(68)**	**-**	**-**	**-**	**-**	**(68)**	**(224 706)**
Net value of intangible assets as at the end of the period: 31.12.2005	**5 574**	**328 957**	**290 382**	**2 801**	**37 436**	**1 335**	**31 612**	**406 380**	**240 215**

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26. Tangible fixed assets

	31.12.2006	31.12.2005
Tangible fixed assets, including:	541 665	525 470
- land	2 672	2 559
- buildings and constructions	231 637	248 665
- equipment	119 985	119 081
- vehicles	79 096	53 437
- other tangible fixed assets	108 275	101 728
Assets under construction	38 443	33 065
Total tangible fixed assets	**580 108**	**558 535**

Movements in Fixed Assets

Movements in tangible fixed assets from 1 January 2006 to 31 December 2006	Land	Buildings	Equipment	Vehicles	Other tangible fixed assets	Total	Assets held for sale (Note 28)
Gross value of tangible fixed assets as at the beginning of the period: 01.01.2006	**2 732**	**369 694**	**365 824**	**77 188**	**216 593**	**1 032 031**	**1 855**
Increase (due to)	**189**	**1 125**	**59 080**	**48 556**	**29 697**	**138 647**	**14 249**
- purchase	77	365	18 345	46 622	4 904	70 313	3 650
- transfer from assets under construction	-	9	28 033	339	21 152	49 533	-
- included in consolidation for the first time	-	-	12 461	1 232	3 512	17 205	-
- other increases	112	751	241	363	129	1 596	10 599
Decrease (due to)	**(80)**	**(24 825)**	**(18 935)**	**(12 024)**	**(6 242)**	**(62 106)**	**(3 162)**
- sale	(75)	(23 795)	(767)	(8 574)	(1 306)	(34 517)	(1 110)
- liquidation	-	(310)	(9 984)	(862)	(3 344)	(14 500)	(2 052)
- other decreases	(5)	(720)	(8 184)	(2 588)	(1 592)	(13 089)	-
Gross value of tangible fixed assets as at the end of the period: 31.12.2006	**2 841**	**345 994**	**405 969**	**113 720**	**240 048**	**1 108 572**	**12 942**
Accumulated depreciation as at the beginning of the period: 01.01.2006	**(69)**	**(49 317)**	**(245 177)**	**(23 462)**	**(113 669)**	**(431 694)**	**(1 555)**
Depreciation for the period (due to)	**4**	**(5 359)**	**(39 338)**	**(10 873)**	**(17 941)**	**(73 507)**	**(5 740)**
- depreciation charge	-	(7 845)	(46 144)	(18 231)	(20 342)	(92 562)	(1 421)
- included in consolidation for the first time	-	-	(9 555)	(218)	(2 299)	(12 072)	-
- other increases	-	(3)	(179)	(130)	(14)	(326)	(6 889)
- sale	-	1 979	771	6 070	1 286	10 106	862
- liquidation	-	301	9 624	358	2 266	12 549	1 708
- other decreases	4	209	6 145	1 278	1 162	8 798	-
Accumulated depreciation as at the end of the period: 31.12.2006	**(65)**	**(54 676)**	**(284 515)**	**(34 335)**	**(131 610)**	**(505 201)**	**(7 295)**
Impairment losses as at the beginning of the period: 01.01.2006	**(104)**	**(71 712)**	**(1 566)**	**(289)**	**(1 196)**	**(74 867)**	**-**
- increase	-	(192)	-	-	-	(192)	(97)
- decrease	-	12 223	97	-	1 033	13 353	-
Impairment losses as at the end of the period: 31.12.2006	**(104)**	**(59 681)**	**(1 469)**	**(289)**	**(163)**	**(61 706)**	**(97)**
Net value of tangible fixed assets as at the end of the period: 31.12.2006	**2 672**	**231 637**	**119 985**	**79 096**	**108 275**	**541 665**	**5 550**

Movements in tangible fixed assets from 1 January 2005 to 31 December 2005	Land	Buildings	Equipment	Vehicles	Other tangible fixed assets	Total	Assets held for sale (Note 28)
Gross value of tangible fixed assets as at the beginning of the period: 01.01.2005	**1 692**	**355 603**	**344 931**	**48 405**	**198 272**	**948 903**	**-**
Increase (due to)	**1 080**	**14 382**	**48 931**	**41 193**	**41 618**	**147 204**	**1 855**
- purchase	1 080	11 110	25 865	41 003	5 557	84 615	-
- transfer from assets under construction	-	2 476	20 808	-	36 061	59 345	-
- assets held for sale	-	-	-	-	-	-	1 855
- other increases	-	796	2 258	190	-	3 244	-
Decrease (due to)	**(40)**	**(291)**	**(28 038)**	**(12 410)**	**(23 297)**	**(64 076)**	**-**
- sale	-	-	(14 535)	(10 456)	(768)	(25 759)	-
- liquidation	-	-	(10 920)	(1 372)	(16 626)	(28 918)	-
- assets held for sale	-	-	(1 356)	(354)	(145)	(1 855)	-
- other decreases	(40)	(291)	(1 227)	(228)	(5 758)	(7 544)	-
Gross value of tangible fixed assets as at the end of the period: 31.12.2005	**2 732**	**369 694**	**365 824**	**77 188**	**216 593**	**1 032 031**	**1 855**
Accumulated depreciation as at the beginning of the period: 01.01.2005	**(73)**	**(41 845)**	**(223 091)**	**(18 610)**	**(107 197)**	**(390 816)**	**-**
Depreciation for the period (due to)	**4**	**(7 472)**	**(22 086)**	**(4 852)**	**(6 472)**	**(40 878)**	**(1 555)**
- depreciation charge	-	(7 393)	(36 398)	(12 575)	(24 353)	(80 719)	-
- depreciation charges-discontinued operations	-	(66)	(856)	(379)	(103)	(1 404)	(115)
- other increases	-	(31)	(91)	(87)	(25)	(234)	(1 440)
- sale	-	-	2 915	7 236	677	10 828	-
- liquidation	-	-	9 861	640	12 419	22 920	-
- assets held for sale	-	-	1 286	132	137	1 555	-
- other decreases	4	18	1 197	181	4 776	6 176	-
Accumulated depreciation as at the end of the period: 31.12.2005	**(69)**	**(49 317)**	**(245 177)**	**(23 462)**	**(113 669)**	**(431 694)**	**(1 555)**
Impairment losses as at the beginning of the period: 01.01.2005	**(104)**	**(67 202)**	**(12 748)**	**(204)**	**(1 196)**	**(81 454)**	**-**
- increase	-	(4 517)	(405)	(96)	-	(5 018)	-
- decrease	-	7	11 587	11	-	11 605	-
Impairment losses as at the end of the period: 31.12.2005	**(104)**	**(71 712)**	**(1 566)**	**(289)**	**(1 196)**	**(74 867)**	**-**
Net value of tangible fixed assets as at the end of the period: 31.12.2005	**2 559**	**248 665**	**119 081**	**53 437**	**101 728**	**525 470**	**300**

The 2005 write-offs for impairment relate mainly to the Bank's real estate property.

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

27. Other Assets

	31.12.2006	31.12.2005
Assets taken over and held for resale	**1 328**	**14**
- other	1 328	14
Other, including:	**593 312**	**555 423**
- debtors	203 135	220 880
- receivables from income tax	2 577	24 231
- interbank balances	932	945
- other accruals	88 672	86 766
- accrued income	16 080	7 968
- inventories	196 800	143 680
- other	85 116	70 953
Total other assets	**594 640**	**555 437**

28. Non-current Assets Held for Sale and Discontinued Operations

According to the rules described under the point 2.16 of Explanatory notes to the consolidated financial statements the Bank classified shares of PTE Skarbiec-Emerytura SA ("PTE") and Skarbiec Asset Management Holding SA ("SAMH") as non-current assets held for sale and discontinued operations.

On 8th January 2007 in relation to the agreement of 25th September 2006 on sale of shares of Skarbiec Asset Management Holding SA for the Polish Enterprise Fund V, L.P. ("PEF V") BRE Bank sold 72 582 shares of SAMH of face value PLN 1 000 each.

The Bank sold aforementioned shares for a total amount of PLN 155 000 000. Price for shares was paid on 8th January 2007. Ownership of those shares was transferred to PEF V on 8th January 2007. At 31 December 2006 signing conditional sale agreement of SAMH shares did not result in a transfer a control of the company to the investor. As a result, risks and rewards of shares of the company retained in the Bank.

Aforementioned shares account for 53.93% of share capital of SAMH, authorising to exercise 72 582 votes on the general assembly of SAMH, what constitutes 53.93% of total number of votes at general assembly of SAMH. Remaining 46.07% of shares are owned by SAMH.

The value of sold shares of SAMH in Bank's accounts is PLN 51 033 223.50. After the transaction the Bank does not possess any shares of SAMH.

Bank supports its strategy and plans concerning the operations of pension business of PTE Skarbiec-Emerytura SA, that from the point of view of BRE Bank, is not considered as core business. BRE Bank will consider the possibility of taking other actions in this regard, other than consolidation. In the period between December 2006 and the date of annual financial statements publication, the Bank received draft purchase offers of PTE from potential investors, which are the subject of analysis.

Relating to the mentioned above, the requirements of IFRS 5, which specifies the criteria to be classified as held for sale assets, have been met for PTE and SAMH.

The activity of PTE and SAMH was presented in the business segment reporting in the "Asset Management" segment (Note 5).

Below are presented financial data concerning non-current assets held for sale and discontinued operations as at December 31, 2006 and December 31, 2005

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Financial data concerning balance sheet positions connected with non-current assets held for sale and discontinued operations as at December 31, 2006 and December 31, 2005

	31.12.2006	31.12.2005
Assets held for sale, including:		
Cash and balances with Central Bank	3	-
Loans and advances to banks	10 550	4 342
Trading securities	6 548	-
Investment securities	63 055	35 250
- available for sale	10 642	-
- held to maturity	52 413	35 250
Intangible assets (including goodwill)	250 625	240 215
Tangible fixed assets	5 550	300
Deferred income tax assets	7 268	7 719
Other assets	41 595	29 523
Total assets held for sale	**385 194**	**317 349**

	31.12.2006	31.12.2005
Libilities held for sale, including:		
Other liabilities	23 288	5 815
Provisions	1 713	1 024
Total liabilities held for sale	**25 001**	**6 839**

Acquired by PTE and SAMH available for sale investment securities in amount of PLN 1 046 thousand were valued through the revaluation reserve.

Financial data concerning profit and loss positions connected with non-current assets held for sale and discontinued operations for the years ended on December 31, 2006 and December 31, 2005

	Year ended 31 December	
	2 006	**2 005**
Interest income	3 631	2 051
Interest expense	(65)	(12)
Net interest income	**3 566**	**2 039**
Fee and commission income	140 530	84 508
Fee and commission expense	(39 808)	(29 098)
Net fee and commission income	**100 722**	**55 410**
Net trading income, including:	695	874
Foreign exchange result	-	(10)
Other trading income	695	884
Gains less losses from investment securities	212	1 092
Other operating income	152	1 179
Overhead costs	(44 281)	(31 898)
Amortization and depreciation	(1 718)	(1 909)
Other operating expenses	(17 469)	(36 397)
Operating profit	**41 879**	**(9 610)**
Profit before income tax from discontinued operations	**41 879**	**(9 610)**
Income tax expense	(5 734)	(4 887)
Net profit (loss) from discontinued operations including minority interest	**36 145**	**(14 497)**
Net profit (loss) from discontinued operations including minority interest	-	-
Net profit (loss) from discontinued operations	**36 145**	**(14 497)**

Financial data concerning cash-flow positions connected with non-current assets held for sale and discontinued operations for the years ended on December 31, 2006 and December 31, 2005

	Year ended 31 December 2006	2005
Cash flow from operating activities	(27 927)	(12 028)
Cash flows from investing activities	(3 491)	(1 234)

Earnings per share for 12 months - discontinued operations

Basic:	**31.12.2006**	**31.12.2005**
Net profit (loss) from discontinued operations attributable to the Company's equity holders (for 12 months)	36 145	(14 497)
Weighted average number of ordinary shares	29 344 158	28 780 011
Net basic profit (loss) per share (in PLN per share)	**1.23**	**(0.50)**
Diluted:		
Net profit (loss) from discontinued operations attributable to shareholders (for 12 months)	36 145	(14 497)
Net profit (loss) applied for calculation of diluted earnings per share (in thousand PLN)	36 145	(14 497)
Weighted average number of ordinary shares	29 344 158	28 780 011
Adjustments for:		
- stock options for employees	174 097	98 162
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 518 255	28 878 173
Diluted earnings per share (in PLN per share)	**1.22**	**(0.50)**

29. Amounts due to Other Banks

	31.12.2006	**31.12.2005**
Payables to be settled	3 352	4 639
Current accounts	429 113	317 809
Term deposits	1 108 579	967 307
Loans and advances received	6 275 827	2 920 540
Repo / sell buy back transactions	124 225	15 080
Liabilities in respect of cash collaterals	31 290	31 374
Amounts due to other banks	**7 972 386**	**4 256 749**

Term deposits accepted from other banks are fixed interest rate deposits. One term deposit with variable rate maturing on 6 July 2007 is one exception.

30. Amounts due to Customers

	31.12.2006	**31.12.2005**
Corporate customers:	**15 077 796**	**12 599 809**
Current accounts	8 059 411	6 804 971
Term deposits	3 829 410	3 608 745
Loans and advances received	237 026	325 615
Repo transactions	2 520 539	1 478 535
Other liabilities:	431 410	381 943
- liabilities in respect of cash collaterals	244 499	280 184

- other	186 911	101 759
Individual customers:	**9 435 881**	**7 587 453**
Current accounts	6 454 500	4 571 173
Term deposits	2 894 063	2 942 765
Other liabilities:	87 318	73 515
- liabilities in respect of cash collaterals	86 702	73 188
- other	616	327
Public sector customers:	**156 179**	**162 140**
Current accounts	26 999	36 171
Term deposits	86 310	60 186
Loans and advances received	1 685	65 778
Other liabilities:	41 185	5
- other	41 185	5
Total amounts due to customers	**24 669 856**	**20 349 402**

31. Debt Securities in Issue

As at 31 December 2006

Debt securities in issue by cathegory	Nominal value	Contractual interest rate	Guarantees/collaterals	Redemption date
Long-term issues				
- Deposit certificates (in PLN)	3 000	4.67%	no collateral	27-08-08
- Deposit certificates (in PLN)	5 000	4.86%	no collateral	01-10-08
- Deposit certificates (in PLN)	10 000	4.72%	no collateral	13-10-08
- Deposit certificates (in PLN)	8 000	7.75%	no collateral	06-05-09
- Bonds (in PLN)	11 200	4.71%	no collateral	22-09-08
- Bonds (in PLN)	34 000	4.69%	no collateral	16-10-09
- Bonds (in PLN)	20 000	4.61%	no collateral	16-10-09
- Bonds (in PLN)	75 000	4.59%	no collateral	01-12-09
- Bonds (in PLN)	15 000	4.51%	no collateral	26-01-09
- Bonds (in PLN)	59 300	5.25%	letter of comfort CB	23-07-08
- Mortgage bonds (in EUR)	25 000	4.34%	mortgage bond register	20-05-09
- Mortgage bonds (in USD)	5 300	6.08%	mortgage bond register	20-05-08
- Mortgage bonds (in PLN)	200 000	5.04%	mortgage bond register	10-04-08
- Mortgage bonds (in EUR)	5 900	4.49%	mortgage bond register	20-05-09
- Mortgage bonds (in PLN)	200 000	4.93%	mortgage bond register	10-10-08
- Mortgage bonds (in EUR)	20 000	4.49%	mortgage bond register	20-05-09
- Mortgage bonds (in USD)	25 000	5.99%	mortgage bond register	20-05-09
- Mortgage bonds (in PLN)	100 000	4.74%	mortgage bond register	12-04-10
- Mortgage bonds (in USD)	10 000	5.64%	mortgage bond register	22-11-10
- Bonds (in EUR)	225 000	EURIBOR 3m + 0.20%	deposit	18-10-07
- Bonds (in EUR)	200 000	EURIBOR 3m + 0.20%	deposit	27-06-08
- Bonds (in USD)	7 410	step up coupon (3.25%, 3.75%, 4.25%, 4.75%, 5.25%)	deposit	09-12-09
Short-term issues				
- Bonds (in PLN)	220 700	average return - 4.33%	letter of comfort CB	01/2007-07/2007
- Bonds (in PLN)	454 900	average return - 4.21%	no collateral	01/2007-04/2007
Debt securities in issue (carrying value in PLN '000)				**3 389 559**

As at 31 December 2005

Debt securities in issue by cathegory	Nominal value	Contractual interest rate	Guarantees/collaterals	Redemption date
Long-term issues				
- Deposit certificates (in PLN)	3 000	6.91%	no collateral	29-01-10
- Deposit certificates (in PLN)	3 000	5.90%	no collateral	14-08-06
- Deposit certificates (in PLN)	8 000	5.87%	no collateral	21-08-06
- Deposit certificates (in PLN)	3 000	5.91%	no collateral	27-08-08
- Deposit certificates (in PLN)	5 000	6.32%	no collateral	01-10-08
- Deposit certificates (in PLN)	10 000	5.94%	no collateral	13-10-06
- Deposit certificates (in PLN)	10 000	6.34%	no collateral	13-10-08
- Deposit certificates (in PLN)	20 000	6.73%	no collateral	12-04-06
- Deposit certificates (in PLN)	15 000	7.75%	no collateral	06-05-09
- Bonds (in PLN)	11 200	6.50%	no collateral	22-09-08
- Bonds (in PLN)	5 000	6.05%	no collateral	22-09-06
- Bonds (in EUR)	200 000	EURIBOR 3m + 0.35%	deposit	03-11-06
- Bonds (in EUR)	225 000	EURIBOR 3m + 0.20%	deposit	18-10-07
- Bonds (in EUR)	200 000	EURIBOR 3m + 0.20%	deposit	27-06-08
- Bonds (in USD)	10 000	step up coupon (3.25%, 3.75%, 4.25%, 4.75%, 5.25%)	deposit	09-12-09
- Bonds (in PLN)	170 500	average return - 5.71%	letter of comfort	04/2007-07/2008
Short-term issues				
- Bonds (in PLN)	62 500	average return - 4.75%	letter of comfort	01/2006
Debt securities in issue (carrying value in PLN '000)				**2 731 157**

Movement in Debt Securities in Issue

	31.12.2006	31.12.2005
As at the beginning of the period	**2 731 157**	**3 103 322**
Increase (due to):	7 652 669	1 473 644
- issuance	6 416 775	1 421 250
- valuation at amortization cost	135 963	52 394
- other *	1 099 931	-
Decrease (due to):	6 994 267	1 845 809
- redemption	6 840 559	1 728 826
- valuation at amortization cost	115 598	26 390
- foreign exchange differences	38 110	90 593
Debt securities in issue at the end of the period	**3 389 559**	**2 731 157**

* consolidation for the first time - including an opening balance of BRE Bank Hipoteczny.

32. Subordinated liabilities

Subordinated liabilities	Nominal value	Currency	Interest rate (%)	Redemption date	As at the end of the period (in PLN '000)
As at 31 December 2006					
- Commerzbank AG	200 000	EUR	3M EURIBOR+1.3%	27.03.2012	775 751
- Commerzbank AG	50 000	EUR	3M EURIBOR+1.3%	26.09.2012	193 656
- Commerzbank AG	100 000	EUR	3M EURIBOR+2.5%	not defined	386 992
- Commerzbank AG	80 000	CHF	3M LIBOR+1.4%	not defined	190 955
					1 547 354

Subordinated liabilities	Nominal value	Currency	Interest rate (%)	Redemption date	As at the end of the period (in PLN '000)
As at 31 December 2005					
- AT BRE COM LTD	200 000	EUR	3M EURIBOR+1.3%	27.03.2012	779 028
- AT BRE COM LTD	50 000	EUR	3M EURIBOR+1.3%	26.09.2012	194 507
- AT BRE COM LTD	100 000	EUR	3M EURIBOR+2.5%	not defined	388 993
					1 362 528

In the year 2006 likewise in 2005, the Group did not note any delays in repayments of principal or interest instalments and was not in default of any other contractual provisions related to its subordinated liabilities.

Subordinated liabilities include the amount of issued subordinated debt securities with an indefinite maturity term. The funds raised through the issue used to change the structure of BRE Bank's equity by increasing the share of supplementary capital. The Bank obtained the approvals of the Financial Supervision Commission (in 2005 - Banking Supervision Commission) for the inclusion of the funds obtained from the said issue of bonds into the Bank's supplementary capital. The whole 2005 issue was acquired by AT BRE COM LTD a subsidiary of Commerzbank AG. In 2006 Commerzbank AG took over the issue from AT BRE COM LTD and acquired the 2006 issue.

In the year 2006 likewise in 2005, the Group did not note any delays in repayments of principal or interest instalments and was not in default of any other contractual provisions related to its subordinated liabilities.

Movement in Subordinated Liabilities

	31.12.2006	31.12.2005
As at the beginning of the period	**1 362 528**	**1 020 144**
Increase (due to:)	320 486	444 412
- subordinated loan raised	190 160	385 980
- interest on subordinated loan	67 097	58 432
- foreign exchange differences	1 417	-

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- other	61 812*	-
Decrease (due to):	(135 660)	(102 028)
- capital repayment	(63 230)	-
- interest repayment	(62 920)	(47 207)
- foreign exchange differences	(9 510)	(54 821)
Subordinated liabilities as at the end of the period	**1 547 354**	**1 362 528**

* consolidation for the first time - including an opening balance of BRE Bank Hipoteczny.

33. Other Liabilities

	31.12.2006	31.12.2005
Special Fund	**25 970**	**23 821**
- Social Benefits Funds	25 970	23 821
Other liabilities	**733 829**	**539 086**
- tax liabilities	9 550	6 562
- interbank settlements	112 429	66 415
- creditors	219 668	167 593
- accrued expenses	101 490	67 966
- deferred income	137 930	105 779
- provisions for pension dismissals	9 873	8 687
- provisions for holiday equivalents	5 461	5 506
- provisions for other employee benefits	108 518	81 587
- other	28 910	28 991
Total special funds and other liabilities	**759 799**	**562 907**

34. Provisions

	31.12.2006	31.12.2005
For off-balance sheet contingent liabilities	53 370	63 920
For legal proceedings	7 460	7 926
Other	9 338	14 289
Total other provisions	**70 168**	**86 135**

The estimated cash flow due to created provisions for legal proceedings will realize within the period 1 year-2 years.

Movement in the provisions

	31.12.2006	31.12.2005
As at the beginning of the period (by type)	**86 135**	**91 497**
For off-balance sheet contingent liabilities	63 920	55 696
For legal proceedings	7 926	10 292
Other	14 289	25 509
Increase (due to)	**32 956**	**39 441**
- increase of provisions	31 760	39 282
- foreign exchange differences	1 196	-
- other	-	159
Decrease (due to)	**(48 923)**	**(44 803)**
- charge-offs	(6 883)	(1 656)
- release of provisions	(37 355)	(31 779)
- foreign exchange differences	(33)	(520)
- utilization	(2 200)	(463)
- reclassification to other balance sheet positions	(2 452)	(10 385)
As at the end of the period (by type)	**70 168**	**86 135**
For off-balance sheet contingent liabilities	53 370	63 920
For legal proceedings	7 460	7 926

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Other	9 338	14 289

The above movements in provisions include changes for off-balance sheet contingent liabilities in the 2006: created - PLN 17 585 thousand , released - PLN 29 331 thousand (2005: created - PLN 23 161 thousand, released - PLN 12 937 thousand).

Allowance for Losses on off-balance sheet contingent liabilities

	31.12.2006	31.12.2005
Off-balance sheet contingent liabilities classified as "non-default"		
Off-balance sheet contingent liabilities	13 160 138	9 524 999
Provisions for exposures analysed according to portfolio approach	(47 387)	(53 525)
Net off-balance sheet contingent liabilities	**13 112 751**	**9 471 474**
Off-balance sheet contingent liabilities classified as "default"		
Off-balance sheet contingent liabilities	66 473	71 729
Provisions for exposures analysed individually	(5 983)	(10 395)
Net off-balance sheet contingent liabilities	**60 490**	**61 334**

35. Assets and provisions for deferred Income Tax

Assets and provisions for deferred income tax are calculated for all temporary differences in accordance with the balance sheet method, using an effective income tax rate, which will be in the year of arising of the tax liability (19% in 2005 and 2006).

Below are presented changes in assets and provisions for deferred income tax:

	31.12.2006	31.12.2005
As at the beginning of the period	**116 887**	**90 028**
Deferred income tax included in the financial result of the period	(44 177)	21 871
Deferred income tax included in equity	(169)	17 908
including:		
- valuation of securities available for sale	(19)	599
- valuation of cash flow hedge financial assets	(150)	-
- changes in valuation due to first-time adoption of IFRS	-	17 309
Other changes	(4 893)	(1 086)
Deferred income related to tax of asset held for sale	(2 848)	(11 834)
As at the end of the period	**64 800**	**116 887**
Interest payable on bank deposits	4 721	1 474
Interest payable on customer deposits	10 985	7 598
Valuation of derivatives and futures	24 900	10 955
Valuation of financial instruments at fair value through profit or loss and held for trading	455	864
Valuation of financial instruments available for sale	1 468	5 910
Provisions for impairment of loans and off-balance sheet exposures	60 474	76 990
Provisions for pensions, holiday equivalents, jubilee and other bonuses	23 038	16 484
Other provisions	518	842
Accruals and prepayments	19 884	14 313
Impairment of shares	5 844	4 284
Tax loss to be settled in future periods	-	12 957
Other negative temporary differences	79 326	66 398
Interest receivable on loans and advances granted to banks	(4 071)	(6 265)
Interest receivable on loans granted to customers	(16 590)	(10 773)
Valuation of derivatives and futures	(46 041)	-

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Valuation of financial instruments at fair value through profit or loss and held for trading	(3 358)	(12 490)
Valuation of financial instruments available for sale	(17 618)	(2 631)
Investment tax relief	(31 146)	(30 775)
Difference between the amortization and depreciation for tax and accounting purposes	(33 011)	(21 629)
Other positive temporary differences	(14 978)	(17 619)
Total net deferred income tax assets	**65 112**	**117 048**
Total net deferred income tax liabilities	**(312)**	**(161)**

	31.12.2006	**31.12.2005**
Deferred income tax included in the profit and loss account		
Interest	3 742	(7 957)
Provisions for impairment of loans and guarantees determined individually	(16 546)	(1 527)
Valuation of derivatives and futures	(32 440)	1 228
Valuation of financial instruments at fair value through profit or loss and held for trading	8 664	(8 297)
Valuation of financial instruments available for sale	(16 672)	3 819
Investment tax relief	(371)	5 599
Tax losses carried forward	(12 755)	(34 885)
Provisions for pensions, holiday equivalents, jubilee and other bonuses	5 925	11 400
Other provisions	(449)	(619)
Accruals and prepayments	6 093	11 755
Impairment of shares	4 158	1 686
Difference between the amortization and depreciation for tax and accounting purposes	(11 326)	(5 110)
Other temporary differences	17 800	44 779
Total deferred income tax included in the profit and loss account (Note 15)	**(44 177)**	**21 871**

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

As at December 31, 2006 there were no tax losses from previous years which would be included in the deferred tax assets calculation (in December 31, 2005 tax losses were included from previous years in amount PLN 68 195 thousand).

36. Contingent Liabilities and Commitments

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

As at 31 December 2006, BRE Bank was not involved in any proceedings before a court, arbitration body, or public administration authority concerning liabilities of the Bank or its subsidiaries which value would be equal to or greater than 10% of the Group's equity. The total value of claims concerning liabilities of the Bank or its subsidiaries in all proceedings before a court, an arbitration body or a public administration authority underway at 31 December 2006 was PLN 325 575 thousand, equal to 13.84% of the issuer's equity. Below is a report on major proceedings concerning contingent liabilities of the Bank or its subsidiaries.

1. Lawsuit initiated by ART-B Sp. z o.o. Eksport – Import in Katowice ("ART-B") under liquidation, against BRE Bank

   Claim was filed on 30 August 1994. On 26 July 2004 the Court of the first instance adopted a decision in favour of the Bank. Pursuant to the decision, the original claims for PLN 99.1 million plus statutory interest accrued since 1991 were dismissed by the Court as in the course of the proceedings the claimant withdrew the claims and presented a new calculation of losses and a new factual basis of the claims. The claims for PLN 17.4 million raised in the course of the proceedings were dismissed due to limitation and lack of sufficient evidence. On 4 July 2005, the Appeal Court in Warsaw dismissed the entire appeal of the claimant. The amount of claim in the proceedings of the second instance was PLN 17.4 mln. The claimant filed the last resort appeal for the ruling of the Court of Appeal. The Highest Court on the May 17, 2006 issued the verdict, according to which the claims of ART-B in the amount of PLN 3 697 thousand was sent back for further recognition to the Court of Appeal and the claims above that amount were dismissed. The verdict dated November 8, 2006 the Court of Appeal in Warsaw dismessed the ART.-B's appeal in all respect, in a part, in which the appeal was reversed for further recogniction by the Supreme Court. This verdict has the force of law. The claimant is entitled to file the last resort appeal to the Supreme Court.

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Proceedings for the claims were also opened against BRE Bank SA in the Court of Jerusalem, Israel, and the value of the dispute is USD 43.4 million (PLN 126.3 million according to the average exchange rate of the National Bank of Poland on 31 December 2006). In these proceedings, BRE Bank SA assists the main defendant, Bank Leumi Le Israel. BRE Bank SA's liability is under recourse, and depends on whether the court grants ART-B's claims against Bank Leumi. Only then will the court consider Bank Leumi's claims against BRE Bank SA. The Israeli proceedings are still at the pre-trial stage (prior to the first hearing). Bank Leumi and ART-B have come to an agreement concerning arbitration. For reasons of procedure, BRE Bank SA has joined the process, which does not imply its acceptance of the claims or readiness to make a settlement. The probability of dismissal of the claims against BRE Bank SA by the court in Israel has increased considerably in connection with the decision of the Polish court in favour of BRE Bank SA.

2. Lawsuit brought by the Official Receiver of bankrupt Zakłady Mięsne POZMEAT SA with registered office in Poznań ("Pozmeat") against BRE Bank and Tele-Tech Investment Sp. z o.o. ("TTI")

   The receiver of bankrupt Zakłady Mięsne POZMEAT with registered office in Poznań ("POZMEAT") brought the case against BRE Bank SA ("Bank") and Tele-Tech Investment Sp. z o.o. ("TTI") to court on 29 July 2005. The value of the dispute amounted to PLN 100 000 000. The purpose was to cancel Pozmeat's agreements to sell Garbary shares to TTI and then to the Bank. The dispute focuses on determination of the value of the right to perpetual usufruct of land and related buildings, representing the only assets of Garbary Sp. z o.o. on the date of sale of Pozmeat's interest in Garbary Sp. z o.o. (19 July 2001). In the opinion of the Bank's legal counsellors in charge, there is a basis to assume that the accusation is illegitimate.

3. Lawsuit brought by Bank BPH SA ("BPH") against Garbary

   Bank BPH SA brought the case to court on 17 February 2005. The value of the dispute was estimated at PLN 42 853 892.10. The purpose was to recognize actions related to the creation of Garbary Sp. z o.o. and the contribution in kind as ineffective. The dispute focuses on determination of the value of the right to perpetual usufruct of land and related buildings that Zakłady Mięsne POZMEAT with registered office in Poznań contributed in kind to Garbary Sp. z o.o. as payment for Pozmeat's share in the PLN 100 000 000 share capital of Garbary. On June 6, 2006 the District Court in Poznań issued the verdict according to which the claims were dismissed in their entirety. The claimant filed an appeal against that verdict. On 6 February 2007 the Court of Appeal in Poznań dismissed the claimant's appeal in all respects. This verdict has the force of law. The claimant is entitled to file the last resort appeal to the Supreme Court.

4. Lawsuit against Dom Inwestycyjny BRE Banku SA ("DI BRE") by the Katarzyna and Leonard Praśniewski

   On 31 January 2001, Katarzyna and Leonard Praśniewski filed claims for compensation against Dom Inwestycyjny BRE Banku SA (DI BRE) before the District Court of Warsaw. The value of the dispute is PLN 13.9 million. In 2003, the court of the first instance granted the plaintiffs' claims of PLN 13.9 million from DI BRE. Following an appeal filed by DI BRE, the court of the second instance in its decision of 29 April 2004 changed the original decision and dismissed the claims. The plaintiffs filed cassation against the decision of the court of the second instance. On 15 April 2005, the Supreme Court revoked the decision of the Appeal Court in Warsaw and referred the case back to the Appeal Court. On 29 December 2005 Appeal Court in Warsaw set aside point 1 of the sentence of District Court in Warsaw dated 17 June 2003 and it adjudged to L. Praśniewski the amount of PLN 1 245 091 with statutory interest beginning from 6 November 2000 and the amount of PLN 202 689.92 with statutory interest beginning from 6 November 2000 to Katarzyna Praśniewska-Steggles. The other matters included in the judgement will be examined once again by the District Court in Warsaw. The District Court will also decide about the costs of the trial. The value of claim to recognize was transmit to the District Court in Warsaw is in amount of PLN 12 494 361.08.

According to the Bank and its legal counsel, the sentence of the Appeal Court does not have any influence on the current risk estimation. Taking into account the amount adjudged to plaintiffs by the Appeal Court, the legal risk posed by the case is estimated at not more than PLN 1 million.

As at 31 December 2006, the BRE Bank Group was not involved in any proceedings before a court, arbitration body, or public administration authority concerning receivables of the issuer or its subsidiaries whose value would be equal to or greater than 10% of the issuer's equity. The total value of claims concerning receivables of the issuer or its subsidiaries in all proceedings before a court, an arbitration body or a public administration authority underway at 31 December 2006 was PLN 261 919 thousand equal to 11.13% of the issuer's equity.

Below is presented data concerning the biggest receivables of the issuer:

	CLIENT'S NAME	**Disputed matter**	**Value of the dispute in PLN at 31.12.2006**	**Type of proceedings**	**Proceedings opened on**
1.	Stocznia Szczecińska PORTA	Loan	53 709 871.39	Bankruptcy	2002-07-29

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	Holding SA w upadłości				
2.	Kama Foods SA	Loan	32 919 115.34	Bankruptcy	2003-06-05
3.	HELLENA SA	Loan	13 839 947.10	Bankruptcy	2005-07-06

Contingent commitments of DI BRE due to Investor Compensation Scheme

DI BRE forecasts that in connection with declaring bankruptcy by brokerage house Warszawska Grupa Inwestycyjna (WGI) the amount due to Investor Compensation Scheme (KSR) for claims of WGI's clients might increase. Owing to the lack of possibility to estimate amount of claims of WGI's clients and the fact, that National Depository for Securities (KDPW) did not announce the information on possible payments to Investor Compensation Scheme, DI BRE did not create the provision. The provision will be created when KDPW confirms the necessity of additional payments to KSR.
The tax authorities have not carried out any full-scope tax audits at the Bank or its subsidiaries in 2006 or 2005.
The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Group's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

Contingent liabilities and commitments

The following table presents the value of the Group’s contingent liabilities and commitments as at 31 December 2006 and 31 December 2005:

	31.12.2006	31.12.2005
Contingent laibilities and commitments granted and received	**14 289 797**	**10 709 364**
Liabilities and commitments granted	**13 226 611**	**9 596 728**
- financing	10 957 503	7 769 140
- guarantees	2 269 108	1 827 588
Liabilities and commitments received	**1 063 186**	**1 112 636**
- financing	117 865	552 679
- guarantees	945 321	559 957
Liabilities arising from purchase/sale operations	**541 501 749**	**394 123 899**
Other liabilities	**1 028 367**	**278 663**
Total contingent liabilities and commitments	**556 819 913**	**405 111 926**

Contingent Liabilities Granted

The following table presents the value of the Group liabilities granted:

	31.12.2006	31.12.2005
Liabilities granted:	**13 226 611**	**9 596 728**
a) bankers acceptances	-	41 412
b) guarantees and standby letters of credit	2 227 973	1 803 683
c) documentary and commercial letters of credit	304 262	275 667
d) commitments to extend credit:	10 510 576	7 437 368
- original term to maturity of one year or less	5 237 540	5 218 345
- original term to maturity of more than one year	5 273 036	2 219 023
e) other	183 800	38 598

PLN 873 164 thousand of commitments made by BRE Bank Hipoteczny and PLN 285 795 thousand of commitments made by Polfactor had the largest effect on the amount of financial liabilities of other Group Companies (following elimination of mutual transactions).

In the process of consolidation, BRE Bank SA's guarantee commitments were adjusted (reduced), among other items, by PLN 1 657 350 thousand Eurobond redemption guarantee issued to the order of BRE Finance France SA, BRE Bank SA's subsidiary. Other material adjustments amounted to PLN 84 949 thousand concerning guarantees for subsidiaries: Skarbiec Asset Management Holding SA - PLN 60 417 thousand and BRE.locum - PLN 23 000 thousand.

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As at 31 December 2006, the list of issues covered by the guarantee of assumption by BRE Bank SA was as follows:

	Issuer	Type of guaranteed securities	Amount of guaratee in PLN	Financial, organizational and personal relationships	Marketability
1	BORYSZEW S.A.	Bonds	35 000 000	1 Supervisory Board member	Marketable
2	Prokom Software S.A.	Bonds	100 000 000	none	Marketable
3	Polski Koncern Energetyczny S.A.	Bonds	217 000 000	none	Marketable
4	ECHO Investment S.A.	Bonds	35 000 000	none	Marketable
5	Polimex Mostostal Siedlce S.A.	Bonds	32 500 000	none	Marketable
6	SPIN S.A.	Bonds	15 000 000	none	Marketable
7	J.W. Construction	Bonds	25 000 000	none	Marketable
8	PKN Orlen S.A.	Bonds	50 000 000	none	Marketable

The foregoing list does not include agreements for one-time underwriting of securities, which are still valid in terms of administrative activities, keeping a register of subscribers and performing other responsibilities with respect to the securities.

No other member of the Group except BRE Bank SA issued any guarantee commitments.

Contingent Liabilities Received

As at 31 December 2006, the Group had PLN 1 063 186 thousand worth of contingent commitments received.

BRE Bank SA received PLN 816 512 thousand worth of commitments, including PLN 815 861 thousand worth of guarantees securing credits and guarantees issued and PLN 651 thousand worth of unused credits granted by foreign banks.

In addition to BRE Bank SA, BRE Leasing received PLN 195 862 thousand and Transfinance PLN 27 163 thousand worth of commitments from entities other than the Group member Companies.

Pledged Assets

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

	31.12.2006	31.12.2005
Pledged assets, including:	**2 702 180**	**1 516 212**
- Trading securities	2 644 764	1 493 725
- Investment securities	57 416	22 487
Liabilities arising from pledged assets, including:	**2 683 309**	**1 515 640**
- Sell-buy back transactions	2 644 764	1 493 725
- Funds guaranteed under BGF	38 545	21 915

Operating Lease Liabilities

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

	31.12.2006	31.12.2005
Operating lease commitments	**247 305**	**278 663**
- up to 1 year	20 600	23 066
- up to 5 years	82 223	90 629
- 5 years and over 5 years	144 482	164 968

The above operating lease liabilities in full concern the lease of buildings.

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37. Registered share capital

The total number of ordinary shares as at 31 December 2006 was 29 516 035 shares (vs. 28 983 972 as at 31 December 2005) with PLN 4 nominal value each (PLN 4 in 2005). All issued shares were fully paid.

REGISTERED SHARE CAPITAL								
Series / issue	Share type	Type of privilege	Type of limitation	Number of shares	Series / issue value	Paid up	Registered on	Dividend right since
11/12/1986	ordinary bearer	-	-	9 970 000	39 880 000	fully paid up in cash	23-12-86	01-01-89
11/12/1986	ordinary registered	-	-	30 000	120 000	fully paid up in cash	23-12-86	01-01-89
20/10/1993	ordinary bearer	-	-	2 500 000	10 000 000	fully paid up in cash	04-03-94	01-01-94
18/10/1994	ordinary bearer	-	-	2 000 000	8 000 000	fully paid up in cash	17-02-95	01-01-95
28/05/1997	ordinary bearer	-	-	4 500 000	18 000 000	fully paid up in cash	10-10-97	10-10-97
27/05/1998	ordinary bearer	-	-	3 800 000	15 200 000	fully paid up in cash	20-08-98	01-01-99
24/05/2000	ordinary bearer	-	-	170 500	682 000	fully paid up in cash	15-09-00	01-01-01
21/04/2004	ordinary bearer	-	-	5 742 625	22 970 500	fully paid up in cash	30-06-04	01-01-04
21/05/2003	ordinary bearer	-	-	2 355	9 420	fully paid up in cash	05-07-05*	01-01-05
21/05/2003	ordinary bearer	-	-	11 400	45 600	fully paid up in cash	05-07-05*	01-01-05
21/05/2003	ordinary bearer	-	-	37 164	148 656	fully paid up in cash	11-08-05*	01-01-05
21/05/2003	ordinary bearer	-	-	44 194	176 776	fully paid up in cash	09-09-05*	01-01-05
21/05/2003	ordinary bearer	-	-	60 670	242 680	fully paid up in cash	18-10-05*	01-01-05
21/05/2003	ordinary bearer	-	-	13 520	54 080	fully paid up in cash	12-10-05*	01-01-05
21/05/2003	ordinary bearer	-	-	4 815	19 260	fully paid up in cash	14-11-05*	01-01-05
21/05/2003	ordinary bearer	-	-	28 580	114 320	fully paid up in cash	14-11-05*	01-01-05
21/05/2003	ordinary bearer	-	-	53 399	213 596	fully paid up in cash	08-12-05*	01-01-05
21/05/2003	ordinary bearer	-	-	14 750	59 000	fully paid up in cash	08-12-05*	01-01-05
21/05/2003	ordinary bearer	-	-	53 320	213 280	fully paid up in cash	10-01-06*	10-01-06*
21/05/2003	ordinary bearer	-	-	3 040	12 160	fully paid up in cash	10-01-06*	10-01-06*
21/05/2003	ordinary bearer	-	-	46 230	184 920	fully paid up in cash	08-02-06*	08-02-06*
21/05/2003	ordinary bearer	-	-	19 700	78 800	fully paid up in cash	08-02-06*	08-02-06*
21/05/2003	ordinary bearer	-	-	92 015	368 060	fully paid up in cash	09-03-06*	09-03-06*
21/05/2003	ordinary bearer	-	-	19 159	76 636	fully paid up in cash	09-03-06*	09-03-06*
21/05/2003	ordinary bearer	-	-	8 357	33 428	fully paid up in cash	11-04-06*	11-04-06*
21/05/2003	ordinary bearer	-	-	800	3 200	fully paid up in cash	11-04-06*	11-04-06*
21/05/2003	ordinary bearer	-	-	108 194	432 776	fully paid up in cash	16-05-06*	16-05-06*
21/05/2003	ordinary bearer	-	-	20 541	82 164	fully paid up in cash	16-05-06*	16-05-06*
21/05/2003	ordinary bearer	-	-	17 000	68 000	fully paid up in cash	09-06-06*	09-06-06*
21/05/2003	ordinary bearer	-	-	2 619	10 476	fully paid up in cash	09-06-06*	09-06-06*
21/05/2003	ordinary bearer	-	-	33 007	132 028	fully paid up in cash	10-07-06*	10-07-06*
21/05/2003	ordinary bearer	-	-	2 730	10 920	fully paid up in cash	10-07-06*	10-07-06*
21/05/2003	ordinary bearer	-	-	48 122	192 488	fully paid up in cash	09-08-06*	09-08-06*
21/05/2003	ordinary bearer	-	-	700	2 800	fully paid up in cash	12-09-06*	12-09-06*
22/05/2003	ordinary bearer	-	-	3 430	13 720	fully paid up in cash	11-10-06*	11-10-06*
23/05/2003	ordinary bearer	-	-	38 094	152 376	fully paid up in cash	10-11-06*	10-11-06*
24/05/2003	ordinary bearer	-	-	15 005	60 020	fully paid up in cash	08-12-06*	08-12-06*
Total number of shares				**29 516 035**				
Total registered share capital					**118 064 140**			
Nominal value per share			4					

* date of registration of shares in National Securities Deposit (KDPW S.A.)

Commerzbank Auslandsbanken Holding AG is a shareholder holding over 5% of the share capital and votes at the General Meeting. As at 31 December 2006 Commerzbank Auslandsbanken Holding AG held 70.20% of the share capital and votes at the General Meeting of BRE Bank SA (as at 31 December 2005 - 71.49%).

The increase of registered share capital in 2006 results from the issue of shares connected with exercise of share options program. The detailed information concerning the share options program has been described in the Note 40.

38. Share premium

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

The increase of share premium in 2006 results from the issue of shares connected with exercise of share options program. The detailed information concerning the share options program has been described in the Note 40.

<u>Hyperinflationary restatements of the equity</u>

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

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

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The Management Board has carried out an analysis to estimate the value of such adjustment, which would result in a growth of the share capital and growth of the share premium as well as in a corresponding decrease in the retained earnings by PLN 107 219 thousand.

Because the effect of the restatement:

- Represents 4.23% of the owners' equity of the Group and 7.16% of share capital;
- Consists of re-allocation of funds between various items of the owners' equity, which has no effect on the equity as a whole;
- Has no material effect on the presented financial data, both as a whole and on line items;

The Management Board of the Bank believes that such restatement will have no material effect on the accuracy and fairness of the presentation of the Bank's financial position as at, and for the period ended 31 December 2006.

Hyperinflationary adjustments will also have no material effect for the period ended 31 December 2005 (the effect of the restatement will represent 5.27% of the owners' equity of the Group and 7.5% of share capital).

39. Revaluation reserve

The following table presents movements in revaluation reserve:

	31.12.2006	31.12.2005
Translation reserve		
As at the beginning of the period	(1 923)	2 793
Exchange differences	602	(4 716)
As at the end of the period	**(1 321)**	**(1 923)**
Revaluation reserve - available for sale securities		
As at the beginning of the period	(731)	1 712
Net gains / (losses) from changes in fair value	10 148	2 823
Net losses transferred to net profit on disposal and impairment	(2 967)	(5 865)
Deferred income tax	(19)	599
As at the end of the period	**6 431**	**(731)**
Revaluation reserve - valuation of cash flow hedges		
Currency swap		
As at the beginning of the period	(321)	(2 937)
Movements in reporting period	(75)	-
Deferred income tax	(75)	-
Transfer to profit and loss account	396	3 230
Deferred income tax	-	(614)
As at the end of the period	**-**	**(321)**
Other capital and reserves	**5 110**	**(2 975)**

The net loss in total amount of PLN 2 967 thousand representing the balance of increases/decreases of securities (bonds, treasury notes and stocks) sold in the 2006 was charged off the revaluation capital and recognized in the Profit and Loss Account (2005: PLN net loss 5 865 thousand).

40. Retained earnings

Retained earnings include: supplementary capital, other reserved capital, general risk fund, profit (loss) from the previous year and profit (loss) for the current year.

Other supplementary capital, other reserve capital and general risk fund are created from profit for the current year and their aim is described in the Statute or in different law paragraphs.

	31.12.2006	31.12.2005

Other supplementary capital	9 451	-
Other reserved capital	20 899	(4 304)
General risk fund	558 000	558 000
Profit (loss) from the previous year	19 102	(186 868)
Profit (loss) for the current year	421 258	247 543
Total retained earnings	**1 028 710**	**614 371**

According to the Polish legislation, each bank is required to allocate 8% of its net profit to a statutory undistributable reserve capital until the capital reaches 1/3rd of the share capital.
In addition, the Group transfers some of its net profit to the general risk fund to cover unexpected risks and future losses. The general risk fund can be distributed only on consent of stockholders at a general meeting.

Share options

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

In 2006 the Bank operated two motivational programs related to share options.

Under the first program (started in May 2000, changed in May 2003) members of the Bank's Management were granted 479 500 options that could have been exercised until 30 June 2006. Options gave the right to receive 479 500 additional shares issued. The Program expired on 30 June 2006. 358 123 shares were acquired under the Programme in January-June 2006 (including 33 007 shares registered after H1 2006, on July 10th.) 477 007 shares were acquired in 2005 and 2006 under the Programme.

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

	31.12.2006	31.12.2005
As at the beginning of the period	**360 616**	**479 500**
Granted	-	-
Realized	358 123	118 884
Expired	2 493	-
As at the end of the period	**-**	**360 616**
exercisable at the end of period	-	360 616

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

471 300 share options of PLN 96.16 issue price each, were granted on 15 October 2003 and they expire on 1 July 2008. A further 21 700 options were granted on 31 July 2004. The options were fair-valued as at both these dates. The program stipulates that employees will assume 500 000 options (175 000 options for the Management Board and 325 000 options for other employees). As at 1 July 2005, a further 7 000 options were granted.

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

The following table presents the changes in other reserved capital concerning the employee stock options program:

	31.12.2006	31.12.2005
As at the beginning of the period	**12 967**	**15 340**
- value of services provided	2 212	4 536
- proceeds from shares issued	(7 904)	(6 909)
As at the end of the period	**7 275**	**12 967**

The following table presents changes in the number of issued share options under the second option program:

	31.12.2006	31.12.2005
As at the beginning of the period	**348 037**	**493 000**
Granted	-	7 000
Realized	173 940	151 963

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Expired	-	-
As at the end of the period	**174 097**	**348 037**
exercisable at the end of period	71 489	142 821

802 910 shares related to both employee options programs were issued until 31 December 2006.

Share options outstanding at the end of year 2006 were 174 097 under the second share options program and share options exercisable were 71 489 at 31 December 2006. The outstanding share options shall be exercisable at 1 July 2007 under the condition of the employment.

Options exercised in 2006 resulted in 532 063 shares (2005: 270 847 shares) being issued at a weighted average price of PLN 184.82 each (2005: PLN 151.33 each) under the first share options program and PLN 234.47 each (2005: PLN 143.48 each) under the second share options program at the exercise date.

The fair value of options granted on 15 October 2003, determined using the Black-Scholes valuation model, amounted to PLN 45.57 per option. The fair value of options granted on 31 July 2004, established using the same model, amounted to PLN 40.15 per option. Conditions of the program had an important effect on the choice of the valuation model. The variability of BRE Bank SA's shares is calculated by applying a standard deviation estimator to a sample of 252 quotations (one year retrospectively) and an interest rate based on zero coupon rates capitalized on a continuous basis, as required by the Black-Scholes model, determined on the basis of the structure of interest rates in effect on the valuation date.

41. Dividend per Share

The Management Board of BRE Bank SA decided to present the XX Ordinary General Meeting with a motion concerning non-payment of dividend for 2006 to the shareholders. The Management Board's motion concerning non-payment of dividend for 2006 to the shareholders and the respective motion concerning distribution of profit for 2006 will be presented to the Supervisory Board.

The General Meeting of Shareholders of BRE Bank SA on 15 March 2006 adopted the resolution not to pay any dividend for the year 2005.

42. Cash and Cash Equivalents

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

	31.12.2006	**31.12.2005**
Cash and balances with Central Bank (Note 17)*	3 716 610	1 778 457
Debt securities eligible for rediscounting at the Central Bank	26 725	37 464
Loans and advances to banks (Note 19)*	1 763 376	3 233 731
Trading securities (Note 20)	3 576 135	3 113 768
Total cash and cash equivalents	**9 082 846**	**8 163 420**

*Cash and balances with Central Bank and Loans and advances to banks include current amounts of PTE and SAMH which have been presented in the balance sheet position: „Non-current assets held for sale and discontiued operations" (Note 28).

43. Transactions with Related Entities

BRE Bank SA is a parent entity of BRE Bank SA Group and Commerzbank AG is the ultimate parent of the Group. The direct parent entity of BRE Bank SA is Commerzbank Auslandsbanken Holding AG which is in 100% controlled by Commerzbank AG.

All transactions with related entities exceeding the equivalent of EUR 500 000 were typical and routine transactions concluded on market terms, and their nature, terms and conditions resulted from the current operating activities conducted by the Bank. Transactions concluded with related entities as a part of regular operating activities include loans, deposits and foreign currency transactions.

- On 13 April 2006 BRE Leasing made four transactions of finance lease with PLL LOT related to four airplanes Embraer ERJ 175 using as intermediary the subsidiary BREL-COM Sp. z o.o. The total amount of transaction was above USD 103 million. 35% of the value of transaction is financed by Commerzbank AG. The agreement is for 12 years.
- On 27 April 2006, pursuant to the agreement signed on 21 April 2006 between the Bank and Commerzbank AG the Bank obtained a loan in the amount of CHF 250 000 000 (PLN 616 750 000 in accordance with the

average exchange rate of the National Bank of Poland of 21 April 2006) earmarked for satisfying the Bank's general financial needs. The loan is granted for two years and one day, and the interest is 0.15% p.a. above LIBOR.

- On 6 June 2006, pursuant to the agreement signed on 29 May 2006 between the Bank and Commerzbank AG the Bank obtained a loan in the amount of CHF 250 000 000 (PLN 628 125 000 in accordance with the average exchange rate of the National Bank of Poland of 29 May 2006) allocated for satisfaction of the Bank's general financial needs. The loan is granted for two years and one day, the interest rate is 0.15% p.a. above LIBOR.
- On 2 November 2006, pursuant to the agreement signed on 25 October 2006 between the BRE Bank and Commerzbank AG the Bank obtained a loan in the amount of CHF 500 000 000 (PLN 1 222 100 000 at the NBP average rate of 25 October 2006) for general financing requirements of the Bank.
  The loan is granted for the term of two years and one day, the interest rate is LIBOR plus 0.15% p.a.
- On December 20, 2006 the BRE Bank issued a bond amounting to CHF 80 000 000 without maturity, the interest rate is 3M LIBOR plus 1.4%. The issue has been placed in full to Commerzbank AG.

Moreover in Q4 2006 transactions between BRE Bank and Skarbiec Asset Management Holding SA ("SAMH") have taken place, concerning sale by the Bank to SAMH their own shares and purchase by the Bank from SAMH shares of BRE Wealth Management SA (to December 28, 2006 - Skarbiec Investment Management SA. Both transactions have been described below.

- On 4 October 2006, the Bank concluded with Skarbiec Asset Management Holding S.A. ("SAMH"), whose basic capital wholly belongs to the Bank, the sale contract by the Bank to SAMH of 62 000 SAMH shares of nominal value PLN 1 000 each.

  The aforementioned shares constitute 46.07% of SAMH basic capital and authorise to the execution of 62 000 votes on the SAMH general meeting, which constituted 46.07% of the overall number of votes on the SAMH general meeting.

  SAMH acquired the shares in order to redemption them.

  The Bank sold the aforementioned shares at their nominal value for the aggregate sum of PLN 62 000 000. The payment for the SAMH shares of PLN 55 000 000 was effected on 29 December 2006. The remaining part of the shares price amounting to PLN 7 000 000 will be paid by March 30, 2007.

  The rights to these shares were transfered to SAMH on October 4, 2006.

  The value of the SAMH shares sold, in Bank ledgers amounted to PLN 43 592 900 and their value in SAMH ledgers amounts to PLN 62 000 000. The transaction did not have an influence on consolidated net profit.

  As at 31 December 2006 The Bank owned 72 582 SAMH shares, which constituted 53.93% of SAMH initial capital and authorised to the execution of 72 582 votes on SAMH general meeting, which constituted 53.93% of the overall number of votes on the SAMH general meeting.

  The sale of SAMH shares by the Bank in order to redeem them is an element of the implementation of the SAMH Shares Sale Agreement, concluded on 25 September 2006 between the Bank and the Polish Enterprise Fund V, L.P..

- On 27 December 2006, BRE Bank SA ("Bank") acquired under a shares sale agreement 22 415 shares of Skarbiec Investment Management SA ("SIM") with the nominal value of PLN 100 per share from its subsidiary Skarbiec Asset Management Holding SA ("SAMH").
  The said shares represent 100% of the share capital of SIM and give 22 415 votes at SIM's General Meeting, equivalent to 100% of all votes at SIM's General Meeting.

  SAMH sold the said shares for PLN 12 000 000. The sold SIM shares were stated in SAMH's books at PLN 18 857 502.20 and are stated in the Bank's books at 12 000 000. The Bank financed the acquisition of the said shares with its own funds.

  SAMH held no more SIM shares following the transaction. The Bank held directly no SIM shares prior to the transaction.

  The Bank considers the investment in SIM shares to be a long-term investment. SAMH considered the investment in SIM shares to be a long-term investment.

  On December 29, 2006 SIM changed it's name to BRE Wealth Management SA.

The values of transactions with related entities, i.e. balance sheet balances and related expenses and income as at 31 December 2006 were as follows:

Numerical data concerning transactions with affilaited entities (in thousand PLN) - 31 December 2006

No.	Company's name	Balance sheet		Profit and loss account				Off balance sheet		
		Receivables	Liabilities	Interest income	Interest expense	Commission income	Commission expense	Commitments granted	Commitments received	Purchase/Sale commitments
	Subsidiaries									
1	BRE Bank SA	940 030	2 101 385	35 123	(88 135)	18 079	(2 586)	1 989 283	0	1 884 928
2	BRE Corporate Finance SA	0	0	0	0	0	0	0	2 000	0
3	Dom Inwestycyjny BRE Bank SA	353 052	3 016	10 809	0	2 586	(9 264)	0	70 000	0
4	BRE Bank Hipoteczny SA	23 113	201 874	0	(4 947)	0	0	0	17 775	1 884 928
5	PTE Skarbiec Emerytura SA	10 250	0	0	0	0	0	0	0	0
6	Skarbiec Asset Management Holding SA	16 353	7 797	0	0	0	(8 710)	0	60 417	0
7	BRE Wealth Management SA (before Skarbiec Investment Management SA)	4 056	0	0	0	0	0	0	0	0
8	BRE Leasing Sp. z o.o.	18 832	249 460	0	(8 838)	0	0	0	1 532	0
9	Polfactor S.A.	0	242 538	0	(9 358)	0	0	0	151 993	0
10	Intermarket Bank AG	0	107 274	0	(3 014)	0	0	0	0	0
11	Centrum Rozliczeń i Informacji CERI Sp. z o.o.	9 244	0	0	0	0	0	0	0	0
12	BRE Finance France SA	1 655 717	0	76 998	0	0	0	0	1 657 350	0
13	Garbary Sp. z o.o.	0	0	0	0	0	0	0	0	0
14	BRE.locum Sp. z o.o.	2 375	56 730	0	(2 302)	0	0	0	23 000	0
15	ServicePoint Sp. z o.o.	822	0	4	0	0	(3)	0	0	0
16	FAMCO SA	3 850	0	144	0	0	(4)	0	0	0
17	BRELINVEST Sp. z o.o. Fly 2 Sp. komandytowa	19	0	6	0	0	(1)	0	0	0
18	BRELIM Sp. z o.o.	13	0	0	(49)	0	(1)	0	0	0
19	BREL-MAR Sp. z o.o.	3	0	0	0	0	(1)	0	0	0
20	BREL-RES Sp. z o.o.	205	16 253	121	(2 528)	0	(27)	0	0	0
21	AMBRESA Sp. z o.o.	866	0	2	0	0	(2)	0	0	0
22	EMFINANSE Sp. z o.o.	11	6 385	2	(88)	0	(57)	0	5 216	0
23	BRE Ubezpieczenia Sp. z o.o.	2 516	0	47	0	0	(2)	0	0	0
24	Tele-Tech Investment Sp. z o.o.	0	48 703	0	(3 997)	0	0	0	0	0
	Associated									
1	Xtrade SA	88	0	2	(2)	0	(7)	0	0	0
	Commerzbank AG Group	536 360	6 274 002	13 036	(128 374)	0	0	197 869	204 986	0

Numerical data concerning transactions with affilaited entities (in thousand PLN) - 31 December 2006

No.	Company's name	Balance sheet		Profit and loss account				Off balance sheet		
		Receivables	Liabilities	Interest income	Interest expense	Commission income	Commission expense	Commitments granted	Commitments received	Purchase/Sale commitments
	Subsidiaries									
1	BRE Bank SA	940 030	2 101 385	35 123	(88 135)	18 079	(2 586)	1 989 283	0	1 884 928
2	BRE Corporate Finance SA	0	0	0	0	0	0	0	2 000	0
3	Dom Inwestycyjny BRE Bank SA	353 052	3 016	10 809	0	2 586	(9 264)	0	70 000	0
4	BRE Bank Hipoteczny SA	23 113	201 874	0	(4 947)	0	0	0	17 775	1 884 928
5	PTE Skarbiec Emerytura SA	10 250	0	0	0	0	0	0	0	0
6	Skarbiec Asset Management Holding SA	16 353	7 797	0	0	0	(8 710)	0	60 417	0
7	Skarbiec Wealth Management SA (before Skarbiec Investment Management SA)	4 056	0	0	0	0	0	0	0	0
8	BRE Leasing Sp. z o.o.	18 832	249 460	0	(8 838)	0	0	0	1 532	0
9	Polfactor S.A.	0	242 538	0	(9 358)	0	0	0	151 993	0
10	Intermarket Bank AG	0	107 274	0	(3 014)	0	0	0	0	0
11	Centrum Rozliczeń i Informacji CERI Sp. z o.o.	9 244	0	0	0	0	0	0	0	0
12	BRE Finance France SA	1 655 717	0	76 998	0	0	0	0	1 657 350	0
13	Garbary Sp. z o.o.	0	0	0	0	0	0	0	0	0
14	BRE.locum Sp. z o.o.	2 375	56 730	0	(2 302)	0	0	0	23 000	0
15	ServicePoint Sp. z o.o.	822	0	4	0	0	(3)	0	0	0
16	FAMCO SA	3 850	0	144	0	0	(4)	0	0	0
17	BRELINVEST Sp. z o.o. Fly 2 Sp. komandytowa	19	0	6	0	0	(1)	0	0	0
18	BRELIM Sp. z o.o.	13	0	0	(49)	0	(1)	0	0	0
19	BREL-MAR Sp. z o.o.	3	0	0	0	0	(1)	0	0	0
20	BREL-RES Sp. z o.o.	205	16 253	121	(2 528)	0	(27)	0	0	0
21	AMBRESA Sp. z o.o.	866	0	2	0	0	(2)	0	0	0
22	EMFINANSE Sp. z o.o.	11	6 385	2	(88)	0	(57)	0	5 216	0
23	BRE Ubezpieczenia Sp. z o.o.	2 516	0	47	0	0	(2)	0	0	0
24	Tele-Tech Investment Sp. z o.o.	0	48 703	0	(3 997)	0	0	0	0	0
	Associated									
1	Xtrade SA	88	0	2	(2)	0	(7)	0	0	0
	Commerzbank AG Group	536 360	6 274 002	13 036	(128 374)	0	0	197 869	204 986	0

The table below presents the amounts of transactions between the Bank and the Management of the Bank and key management of the Group.

(in PLN '000)	Directors and key management personel of Bank		Directors and key management personel in other entities of the Group	
As at the end of the period	**31.12.2006**	**31.12.2005**	**31.12.2006**	**31.12.2005**
Loans outstanding	2 977	1 279	5 075	505
Deposits received	13 771	2 709	237	108
Interest expense on deposits	(150)	(56)	(4)	(4)
Fee and commission income	115	12	75	4
Directors and key management compensation	19 113	10 843	32 655	21 748

No provisions were created in connection with credits granted to related entities (none in 2005).

Management Board Compensation

Management Board of BRE Bank consists of six following persons:

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

Information on Board members remuneration paid and due as at 31 December 2006 is presented below. There are Board members that were the members at the end of 2006:

	Remuneration paid in 2006 (in PLN)		
	Basic salary	**Other benefits**	**Bonus for 2005**
1. Sławomir Lachowski	1 200 000	73 073	2 346 000
2. Jerzy Jóźkowiak	738 000	52 339	1 266 285
3. Bernd Loewen	700 265	279 019	1 304 230
4. Rainer Ottenstein*	700 265	837 242	1 356 157
5. Wiesław Thor	736 084	53 751	1 381 290
6. Janusz Wojtas	738 000	27 921	979 695
Total	**4 812 614**	**1 323 345**	**8 633 657**

* In case of Mr. Rainer Ottenstein, the remuneration paid out in 2006 includes the amount of PLN 547 760, resulting from the obligation of BRE Bank towards Mr. Ottenstein arising upon his appointment to the Management Board of BRE Bank to pay him additional single pecuniary benefit corresponding to potential future benefit that could be acquired by Mr. Ottenstein in relation to his participation in the Long Term Performance Plan for selected members of Commerzbank Group staff.

Information on Board members remuneration paid and due as at 31 December 2005 is presented below. There are Board members that were the members at the end of 2005:

	Remuneration paid in 2005 (in PLN)	
	Basic salary	**Other benefits**
1. Sławomir Lachowski	1 200 000	69 559
2. Jerzy Jóźkowiak	685 535	46 966
3. Bernd Loewen	759 597	235 756
4. Rainer Ottenstein	779 523	292 555
5. Wiesław Thor	735 357	53 111
6. Janusz Wojtas	550 571	1 451
Total	**4 710 583**	**699 398**

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Information on Board members remuneration paid and due as at 31 December 2005 is presented below. There are Board members that ceased to be the members in 2005:

	Remuneration paid in 2005 (in PLN)	
	Basic salary	**Other benefits**
1. Anton Burghardt*	277 500	1 865 413
2. Krzysztof Kokot	121 800	10 780
Total	**399 300**	**1 876 193**

* Other benefits include severance pay

The total compensation of members of the Management Board consist of: salary, bonuses, termination of agreement payment, prohibition of competitiveness payment, insurance costs and accommodation costs.

In accordance with BRE Bank's remunaration system in force, the members of Management Board are bonus eligible. The bonus for the year 2006 will be paid out in 2007. The decision concerning the level of this bonus will be taken by the Executive Committee of the Supervisory Board on March 16, 2007.

Additionally, in 2006 the members of the Bank's Management Board received in aggregate PLN 271 904 thousand as a compensation for their role as members of the management boards and supervisory boards of the Bank's related companies (in 2005: PLN 162 697 thousand).

The total amount of remuneration received in 2006 by Bank's Management Board members was PLN 15 041 520 (2005: PLN 7 848 172).

Supervisory Board Compensation

The present composition of the Supervisory Board is as follows:

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

Information on Supervisory members remuneration paid as at 31 December 2006 and 2005 is presented below:

	Remuneration paid in 2006 (in PLN)	**Remuneration paid in 2005 (in PLN)**
1. Maciej Leśny	315 000	315 000
2. Martin Blessing	234 000	214 500
3. Michael Schmid	198 000	198 000
4. Jan Szomburg	231 000	222 750
5. Krzysztof Szwarc	198 000	198 000
6. Nicholas Teller	231 000	229 000
7. Achim Kassow *	41 250	-
8. Gromosław Czempiński	132 000	132 000
9. Teresa Mokrysz	132 000	132 000
10. Renate Kreummer**	182 000	222 750
Total	**1 894 250**	**1 864 000**

* Mr. Achim Kassow is a Supervisory Board Member from October 17, 2006
** On 13 October 2006 Ms. Renate Kreummer proffered a resignation as member in the Supervisory Board of BRE Bank SA

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44. Acquisitions and Disposals

Acquisitions

On 2 January 2006 BRE Bank SA bought from Atlas Vermögensverwaltungs GmbH – a subsidiary of Commerzbank AG – 1 350 000 shares in BRE Bank Hipoteczny SA ("BBH"). Nominal value of each share amounts to PLN 100. Shares of BBH were purchased for PLN 174 540 000 and constitute 100% of share capital and give the right to execute 100% of votes during the shareholder meetings of BBH. The investment has a long-term character.

In April 2006 BBH increased its registered share capital by issue of 400 000 shares. The issue was in whole covered by BRE Bank. After this transaction the Bank holds 1 750 000 shares of BBH.

Detailed information concerning fair value of purchased assets and liabilities :

Cash and balances with Central Bank	477
Loans and advances to banks	97 979
Trading securities	15 342
Derivative financial instruments	6 651
Loans and advances to customers	2 026 904
Investment securities	1 772
Intangible assets, including recognized according to IFRS 3	11 913
Tangible fixed assets	5 133
Deferred income tax assets	5 705
Other assets	12 538
Amounts due to other banks	449 969
Derivative financial instruments and other trading liabilities	9 778
Amounts due to customers	134 468
Debt securities in issue	1 331 118
Subordinated liabilities	61 811
Other liabilities	16 511
Provisions	6 219
Total purchase consideration paid (discharged by cash)	174 540
Cost of aquisition	174 540
Less: Cash and cash equivalents in subsidiary acquired	(102 281)
Cash outflow acquisition	72 259

Below is presented the profit and loss account of BRE Bank Hipoteczny SA for the period from the date of acquisition to 31 December 2006

Profit and loss account of BRE Bank Hipoteczny	**For the period from 2 January to 3 December 2006**
Net interest income	56 064
Net fee and commission income	6 107
Net trading income	11 546
Other operating income	1 338
Impairment losses on loans and advances	1 166
Overhead costs	(29 822)
Amortization and depreciation	(1 993)
Other operating expenses	(4 163)
Operating profit	**40 243**
Profit before income tax	**40 243**
Income tax expense	(9 854)
Net profit (loss)	**30 389**

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45. Information about the registered audit company

The registered audit company with whom BRE Bank SA signed the agreement is PricewaterhouseCoopers Sp. z o.o. (PwC). The agreement to conduct an audit of stand alone financial statements of BRE Bank SA and consolidated financial statements of BRE Bank SA Group was signed as at July 17, 2006

The total amount of PwC remuneration related to the audit and review of stand alone financial statements and consolidated financial statements of BRE Bank SA was PLN 2 334 thousand in 2006 (2005: PLN 3 129 thousand).

The total amount of PwC remuneration related to consulting services for BRE Bank SA was PLN 892 thousand in 2006 (2005: PLN 1 762 thousand).

46. Capital Adequacy Ratio

The calculation of the Group capital adequacy ratio is made on the following basis:

- Banking Act dated at 29 September 1997 (Dz.U. from the year 2002 No 72, pos. 665, with amendments),
- Resolution no 4/2004 of Banking Supervision Commission (KNB) dated at 8 September 2004 (Dz. Urz. NBP from the year 2004 No 15 pos. 25),
- Resolution no 5/2004 of Banking Supervision Commission (KNB) dated at 8 September 2004 (Dz. Urz. NBP from the year 2004 No 15 pos. 26),
- Resolution no 6/2004 of Banking Supervision Commission (KNB) dated at 8 September 2004 (Dz. Urz. NBP from the year 2004 No 15 pos. 27).

Consolidated capital adequacy ratio of the Group amounted to 10.39% as at 31 December 2006. Due to significant trading activity full calculation of the capital charges is being made. Total capital charge of the Group amounted to PLN 2 290 618 thousand as at 31 December 2006 including PLN 2 193 508 thousand of credit capital charge (31 December 2005 respectively: 1 645 897 and 1 559 142).

Capital adequacy	**31.12.2006**	**31.12.2005**
Own funds:		
- Share capital	118 064	115 936
- Capital surplus fund	1 378 882	1 169 211
- Reserve fund	607 452	553 696
- Revaluation reserve	5 110	(2 975)
- Prior period unabsorbed loss	-	(48 172)
- Investments and participations in financial institutions	14 689	7 350
- Additional increase	91 433	73 231
- Additional decrease	221 259	236 018
- Intangible assets	410 477	410 577
- Subordinated loans and bonds	1 420 817	1 076 027
I. Total own funds	**2 975 333**	**2 283 009**
Risk weighted balance-sheet assets:	-	-
- 20% risk assets	682 529	997 552
- 50% risk assets	853 452	291 991
- 100% risk assets	22 182 567	15 149 456
II. Total risk weighted balance-sheet liabilities:	**23 718 548**	**16 438 999**
- 20% risk off-balance sheet liabilities	38 821	24 310
- 50% risk off-balance sheet liabilities	2 798 590	1 779 037
- 100% risk off-balance sheet liabilities	740 306	1 183 930
- 1,5% - 10% risk off-balance sheet liabilities	122 591	62 999
III. Total risk weighted off-balance sheet liabilities:	**3 700 308**	**3 050 276**
IV. Total risk weighted assets	**27 418 856**	**19 489 275**
V. Credit risk (IV * 8%)	**2 193 508**	**1 559 142**
VI. Foreign exchange risk	**9 423**	**11 857**
VII. Specific risk for equity instruments	**747**	**2 751**
VIII. Specific risk for debt instruments	**6 042**	**12 789**
IX. General interest rate risk	**63 841**	**40 464**
X. Counterparty risk	**14 316**	**18 894**
XI. Commodities risk	**2 741**	**-**
XII. Total capital charge	**2 290 618**	**1 645 897**
XIII. Capital adequacy ratio (%)	**10.39%**	**11.10%**

47. Events after the Balance Sheet Date

- On 8th January 2007 in relation to the agreement of 25th September 2006 on sale of shares of Skarbiec Asset Management Holding SA ("SAMH") for the Polish Enterprise Fund V, L.P. ("PEF V") BRE Bank sold 72 582 shares of SAMH of face value PLN 1 000 each.

  The Bank sold aforementioned shares for a total amount of PLN 155 000 000. Price for shares was paid on 8th January 2007. Ownership of those shares was transferred to PEF V on 8th January 2007.

  Aforementioned shares account for 53.93% of share capital of SAMH, authorising to exercise 72 582 votes on the general assembly of SAMH, which constitutes 53.93% of total number of the votes at the general assembly of SAMH. The remaining 46.07% of shares are owned by SAMH.

  The value of sold shares of SAMH in Bank's accounts is PLN 51 033 223.50. After the transaction the Bank does not possess any shares of SAMH.

  There are no connections, apart from the agreement on sale of shares of SAMH of 25th September 2006, between the Bank or persons managing or supervising the Bank, and PEF V.

  Total impact of the transaction on consolidated gross result (including costs of this transaction) of BRE Bank Group in 2007, was PLN 89.0 million.

- On 8 January 2007 the District Court in Warsaw made the registration of the newly established BRE Ubezpieczenia Towarzystwo Ubezpieczeń SA company ("the Company"). The Bank is the founder of the Company.

  In this connection on 8 January 2007 the Bank took up 12 941 177 shares of the Company with the nominal value of PLN 1 (one) each and issue price of PLN 1.65 each, and set up the organizational fund of the Company in the amount of PLN 5 000 000.

  The acquired shares constitute 100% of the Company share capital and give the right to exercise the voting rights from 12 941 177 votes at the Company's General Shareholders Meeting, which constitutes 100% of the total number of votes at the Company's General Shareholders Meeting.

  The shares were taken up at their issue price for the total amount of PLN 21 352 942.05. The value of the acquired shares of the Company together with the payment to the organizational fund of the Company amounts to PLN 26 352 942.05 in the Bank's books. The acquisition of shares was financed from the Bank's own funds.

- On 31st January 2007 the Bank sold to Mr Ireneusz Słowik 20 380 shares in BRELIM Sp. z o.o., of face value PLN 500 each.

  The foregoing shares constitute 100% of the share capital of BRELIM Sp. z o.o., authorising to exercise 20 380 votes in shareholders' assembly of BRELIM Sp. z o.o., that account for 100% of total votes in shareholders' assembly of BRELIM Sp. z o.o.

  The value of foregoing shares in Bank's accounts amounted to PLN 10 190 000.00. The shares were sold for total amount of PLN 10 600 000.00. After the transaction, Bank does not hold any shares in BRELIM Sp. z o.o.

  There are no connections between Bank and purchaser of foregoing shares.