

**ADDITIONAL EXPLANATORY NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR H1 2003**

The additional explanatory notes were prepared in accordance with the requirements of the Regulation of the Council of Ministers dated 16 October 2001 (Journal of Laws No. 139, item 1569) and the Regulation of the Council of Ministers dated 19 March 2002 amending the Regulation concerning current and periodic reports submitted by issuers of securities (Journal of Laws No. 31, item 28).

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

BRE BANK SA LOAN PORTFOLIO BY SECTOR
as at 30 June 2003

Sector (Polish Classification of Business)	Balance sheet exposure [PLN'000]	% share
Wholesale, retail and consignment trade *	1 673 999	16.9%
Real estate servicing	869 996	8.8%
Financial intermediation **	856 245	8.6%
Production of foodstuffs and beverages	604 307	6.1%
Manufacturing of other non-metal products	392 420	4.0%
Other business-related services	352 473	3.6%
Generation and supply of electricity, gas, heat and hot water	321 441	3.2%
Construction	296 007	3.0%
* excluding trade in vehicles and motorcycles		
** excluding insurance and pension funds		

The total exposure to these sectors represents 54.2% of the loan portfolio. According to the latest study by Instytut Badan nad Gospodarka Rynkowa (Institute of Market Economy Studies, Report No. 21, June 2003), the investment risk of these sectors (on a scale of 5 grades: LOW, MEDIUM, INCREASED, HIGH, VERY HIGH) was rated as follows:

- | | |
|---|-----------|
| 1. Wholesale, retail and consignment trade | Medium |
| 2. Real estate servicing | High |
| 3. Financial intermediation | Low |
| 4. Production of foodstuffs and beverages | Medium |
| 5. Manufacturing of other non-metal products | Increased |
| 6. Other business-related services | Low |
| 7. Generation and supply of electricity,
gas, heat and hot water | Low |
| 8. Construction | High |

1. Among the *Wholesale, retail and consignment trade clients* there are both large wholesalers, mainly multinationals, and a group of smaller clients, specialised in local wholesale trading. Poland is the only European country to have 16 large foreign retail chains. Despite weak business conditions in the sector, wholesale trade faces much lower risks than retail trade. The Bank rates the risk of the sector in the perspective of the coming years and the existing large market potential.
2. The Bank is mainly engaged in financing office space, warehouses and commercial *real estate*. It also has minor exposure in the segment of apartments and hotels. Risk is mitigated by financing transactions as separate projects through special-purpose vehicles, ensuring the Bank's extensive control of the project and its assets which also secure the exposure. The Bank performs detailed financial analyses of projects and picks those projects which are welcomed by the market, both successfully let out and turn-key projects.
3. Bank-owned leasing companies with a good financial standing account for the bulk of exposure to the *financial intermediation* sector.
4. *Production of foodstuffs and beverages* is among the most diversified sectors and includes many different food processing subsectors. The Bank is mostly involved in the financing of meat plants (many are owned by strong capital groups) and production of beverages (including alcoholic beverages).
5. The sector of *manufacturers of other non-metal products* includes companies of diverse production profiles.
6. The sector *other business-related services* includes companies offering tax, real estate finance, and legal consulting.
7. In financing projects in the *energy* sector, the Bank diversified risks and considers the conditions affecting sector risks. The Bank finances companies involved in generation and distribution of electricity and heat. They are well-established in the Polish market, have long-time customers or equity relations with acclaimed foreign companies.
8. The *construction* sector involves high risks due to the difficult situation of construction companies in Poland as the output of the sector declines and the profitability of business is falling or is negative. The Bank takes measures to diversify the risks of the portfolio by financing those companies/capital groups where restructuring is supported by strong Western investors.

Equity investment

The equity investment of BRE Bank SA per sector is as follows:

- Asset Management – 49.5% of total equity investment,
- Telecommunications, Media, Technologies (TMT) – 31.95% of total equity investment,
- Corporate Banking and Investment Banking – 8.4% of total equity investment.

Risk assessment of equity investment:

Investment in *asset management* companies (PTE Skarbiec-Emerytura SA, Skarbiec Asset Management Holding SA) is long-term investment closely connected with BRE Bank SA's strategy. The integration of asset management companies in SAMH and the merger of OFE Skarbiec Emerytura and OFE Ego helped the companies to win a stronger market position due to rationalisation of operating costs and leveraging synergies and thus to enhance the competitive advantage of the offer. The risk of the investment is mainly due to volatile

conditions in the Polish capital markets, uncertainty related to legislative and tax changes, and the overall economic outlook. On the other hand, then uncertainty of legislative developments concerning pension and investment funds is lessened as the drafting process is approaching completion.

Each asset management company has a relatively high market share in its segment. The market of asset management services is now one of the fastest growing sectors of the Polish economy. The outlook of further dynamic growth of the companies is closely linked to Poland's forthcoming EU accession, growing wealth of Polish citizens, and increasing propensity to save, and in a longer term, prospects of expansion into the markets of Central and Eastern Europe.

Investment in *TMT* (Telecommunications, Media, Technologies) companies is long-term investment of the Bank. This is due to the fact that the sector requires very high capital investment and a long period of return on investment (several years). The TMT market is now undergoing important change including restructuring. The process should improve the profitability and liquidity of the sector. The higher investment risk of the TMT sector offers higher expected profits. Divestment opportunities are largely dependent on the outlook of the sector in global markets and the sentiment in the Polish stock market.

Equity investment in companies involved in *corporate banking and investment banking* is connected with BRE Bank SA's long-term strategy of offering a comprehensive mix of financial services and products to corporate clients. The Bank's equity investments in companies operating in the market of leasing, factoring, and mortgage banking services are among profitable investments of the Bank. Each of the corporate banking line companies has a strong position in its market, especially the factors operating in Austria, Hungary, and the Czech Republic. The outlook of strong economic recovery in Poland should help to strengthen the market position of these companies in their local markets. The co-operation between BRE Bank subsidiaries operating in Poland and abroad (mainly the factors) helps to mitigate international risks. Considering the financial results achieved by individual companies and the outlook of their growth thanks to the offer of diversified financing products and growing needs of businesses, this activity belongs to the group of low investment risk.

Concentration of the Bank's exposure per company and capital group (balance sheet and off-balance sheet exposure):

Company

	[PLN'000]	% of total gross exposure
Client 1	1,798,237	7.3%
Client 2	1,531,324	6.2%
Client 3	748,125	3.0%
Client 4	583,892	2.4%
Client 5	535,105	2.2%
Client 6	337,421	1.4%
Client 7	335,530	1.4%
Client 8	263,584	1.1%
Client 9	251,890	1.0%

Client 10 248,993 1.0%

These items include total exposure to these clients, i.e., credit exposure and investment (in securities).

The first item is the Bank's exposure under held government bonds. The second item is mainly exposure in respect of guarantees of repayment of euronotes. Exposure to Client 3 consists mostly of shares in a subsidiary. Exposure to Client 4 is in held stocks and shares; it is rated *substandard*. Exposure 5 includes credit exposure, investment in securities, and credit risk related to derivatives; its risk is considered low. Exposure 6 is to the National Bank of Poland under T-bills and bonds. Exposure to Client 7 is credit exposure and exposure in derivative transactions; it is rated *regular*. Exposure 8 is mostly in shares of a subsidiary rated *watch*. Exposure 9 is credit exposure to a client rated *regular*. Exposure 10 is to Commerzbank AG mainly under derivative transactions and off-balance sheet commitments.

Capital Groups

	[PLN'000]	% of total gross exposure
Group 1	657,682	2.7%
Group 2	427,117	1.7%
Group 3	366,941	1.5%
Group 4	353,691	1.4%
Group 5	332,036	1.3%
Group 6	319,598	1.3%
Group 7	266,392	1.1%
Group 8	265,716	1.1%
Group 9	259,587	1.0%
Group10	252,135	1.0%

The items above represent total exposure to the Capital Groups, i.e., both credit exposure and investment (in securities), as well as off-balance sheet commitments (guarantees, letters of credit). Of total credit exposure (balance sheet and off-balance sheet) to those Capital Groups at PLN 3,500,895 thousand, 81.3% is rated regular, 7.7% is rated watch, 16.6% is rated sub-standard, and 2.1% is rated doubtful.

2. Deposits and Loans by Geographical Segment

Deposits accepted from and loans extended to non-financial clients by BRE Bank SA and other companies of the Capital Group as at 30 June 2003 were as follows:

Branch	Deposits (PLN'000)	Loans *) (PLN'000)
Warsaw	1,634,965	2,297,498
Lódz	399,751	614,974
Lublin	343,567	290,620
Olsztyn	181,699	276,999
Poznan	806,310	870,741
Kraków	327,192	338,117
Szczecin	249,066	365,773
Wroclaw	338,996	451,594
Gdansk	231,444	363,218
Katowice	698,224	543,694
Bydgoszcz	200,616	276,143
Retail Banking Line	2,540,868	490,294
Head Office	2,255,448	2,927,742
Total BRE:	10,208,146	10,107,407
BRE Leasing Sp. z o.o.	0	1,483,965
Rheinhyp-BRE Bank Hipoteczny SA	10,997	1,392,994
Intermarket Bank AG	119,403	515,764
Transfinance a.s.	54,516	337,622
Magyar Factor Rt	53,309	150,192
Tele –Tech Investment	0	67,167
Polfactor	12,651	23,663
DI BRE Banku	70,809	0
Other subsidiaries		545
Total subsidiaries:	321,685	3,971,912
Total Group:	10,529,831	14,079,319

*) Gross receivables from non-financial clients

In terms of the break-down of deposits by sector, it can be determined for some clients of the holding company. There is no sector break-down for natural persons and foreign clients; some deposit holders (who do not use other products of the Bank) are not assigned a sector.

Of this group of clients classified by sector, the largest share in deposits is that of *Wholesale and consignment trade* (16.4%), *Real estate servicing* (11.3%), *Post and telecommunications* (9.6%), *Construction* (6.3%), *Other business-related services* (5.7%), *Generation and supply of electricity and gas* (5.1%), *Production of foodstuffs and beverages* (4.7%), *Retail trade* (3.7%). The other deposit holders classified by sector belong to a diversified range of sectors.

3. Information about change in subsidies to foreign branches

BRE Bank SA has no foreign branches.

4. Information about financial instruments

FINANCIAL ASSETS DESIGNATED FOR TRADING						
	Debt securities	Other securities and other financial assets	Cash in hand, transactions with the central bank, debt securities eligible for discounting with NBP	Receivables in respect of securities purchased with a buy-back clause	Valuation of derivatives	Total
Balance at the beginning of the period						
a) increase (in respect of)						
- purchase						
- increase in value						
- fx differences						
- changed classification of securities						
- changed classification of sell-buy-back and buy-sell-back transactions						
- adjustment of value (discount, interest accrued and purchased)						
- opening balance of companies first consolidated						
- other increase						
b) decrease (in respect of)						
- sale						
- fx differences						
- decrease in value						
- changed classification of securities						
- other decrease						
Balance of financial assets designated for trading as at 30 June 2003						

FINANCIAL ASSETS AVAILABLE FOR SALE				
	Debt securities	Other securities and other financial assets	Stocks and shares in other companies	Total
Balance at the beginning of the period				
a) increase (in respect of)				
- purchase				
- increase in value				
- fx differences				
- changed classification of securities				
- changed classification of provisions				
- debt-to-equity conversion				
- capital increase				
- other increase				
b) decrease (in respect of)				
- sale				
- decrease in value				
- changed classification of securities				
- changed classification of provisions				
- fx differences				
- other decrease				
Balance of financial assets available for sale as at 30 June 2003				

The Capital Group has no assets kept to maturity.

The dates and volumes of future cash flows under balance sheet financial instruments are shown in tables presenting receivables and liabilities by maturity.

Securities designated for trading are purchased with the intention to keep and to achieve profits within 3 months.

Securities available for sale are those with a planned investment horizon of more than 3 months.

The accounting policies applicable to derivative financial instruments are described in the Introduction to the Financial Statements, Accounting Policies, Off-Balance Sheet Derivatives and Forward and Future Transactions.

The methodology and the assumptions applied in setting the fair value of financial assets and liabilities stated at fair value are described in Introduction to the Financial Statements, Accounting Policies.

Financial instruments acquired in the regulated market are entered in the books of account as follows:

- transactions closed in a session – at cost on the transaction date;
- package transactions (off session) – at cost on the date of payment.

The maximum credit risk at the balance sheet date is shown as the value of off-balance sheet receivables and liabilities determined in credit risk calculations of the Bank's capital adequacy. The credit risk of the Capital Group is mainly borne by the holding company given the scale of operations of BRE Bank SA compared to other companies of the Group. Risk-weighted off-balance sheet assets and liabilities were, at 30 June 2003, PLN 14,632,887 thousand at the holding company and PLN 1,400,709 thousand at RHEINHYP-BRE Bank Hipoteczny. The credit risk of other companies is immaterial to the Group.

Financial assets available for sale and designated for trading are valued according to the Group's accounting policies, i.e., at fair value or depreciated cost less write-downs for permanent diminution in value.

The valuation of some assets available for sale other than at fair value is based on the following grounds:

BRE Bank SA

- Unitra SA, PZU SA – there are no grounds (such as preliminary sale contracts, accepted offers, call options) to reasonably determine their fair value. The balance sheet value of the said companies at 30 June 2003 was PLN 136 thousand and PLN 73,988 thousand, respectively;
- SPV-Portfel 1 Sp. z o.o., El-Dystrybucja Sp. z o.o. – shares acquired in 2002, a small investment and a small stake in the company's share capital; the balance sheet value is PLN 135 thousand and PLN 66 thousand, respectively;
- Qumak-Sekom SA – shares acquired from BRE – Fundusz Kapitałowy Sp. z o.o. in December 2002, a small investment and a small stake in the company's share capital; the balance sheet value is PLN 223 thousand;
- ITI Holding SA shares – the value of the company is estimated based on the valuation of the sum of its parts close to the average selling price;
- Polish Pre-IPO Fund – permanent diminution in value estimated on the basis of a valuation according to the most recent net asset value per share held by the Bank; the balance sheet value is PLN 6,670 thousand;
- Poland Investment Fund – valuation according to the most recent net asset value per share held by the Bank; the balance sheet value is PLN 1,410 thousand;
- Prospekt Poland UK LP – permanent diminution in value estimated on the basis of a valuation according to the most recent net asset value per share held by the Bank;
- Krajowa Izba Rozliczeniowa SA, Biuro Informacji Kredytowej SA, KUKE SA, Centrum Zaufania i Certyfikacji CENTRAST SA, Gielda Papierów Wartościowych SA, CeTO SA, S.W.I.F.T. s.c. – their shareholders are mainly banks and other financial institutions. Valuation of this investment is at historical cost as there are no grounds to reasonably determine their fair value: their stocks are not listed, there are no preliminary sale contracts, accepted offers, call options, etc. No transactions in these assets are known and could serve as a basis for determining the fair value. The total balance sheet value of these stocks and shares is PLN 2,716 thousand and is immaterial compared to the Bank's investment portfolio (ca. 0.1%).

In the estimation of the Bank, the fair value of these investments is equal to their balance sheet value as at 30 June 2003.

As at 30 June 2003, the Bank held Elektrim SA stocks representing 20.3% of the equity and votes. Given existing agreements providing for the disposal of Elektrim stocks and setting a selling price greater than cost, Elektrim stocks are stated at cost in the balance sheet and additionally the forward contract is stated separately as another instrument.

There are no assets in the Capital Group where the fair value would be lower than the balance sheet value.

No companies of the Capital Group were not a party to agreements whereby financial assets would be converted into securities or buy-back contracts.

Effect of the valuation of securities available for sale at fair value on the revaluation reserve:

BRE Bank SA

Amount at the beginning of the period:	(PLN 1,650 thousand)
Adjustments	
a) increase/decrease in value	PLN 3,483 thousand
b) fx differences	PLN 9,357 thousand
c) deferred tax	(PLN 1,952 thousand)
Amount as at 30.06.2003	PLN 9,238 thousand

PLN 140 thousand of an increase in value of NIF shares sold in H1 2003 was taken off the revaluation reserve and moved to the income statement.

Skarbiec Asset Management Holding SA

The effect of the valuation of financial assets at fair value was PLN 2,037 thousand, of which PLN 1,716 thousand is recognised in the revaluation reserve and PLN 321 thousand in the income statement.

Significant sales of stocks/shares available for sale took place in 2003 at BRE Bank SA (income PLN 106,963 thousand, cost PLN 222,056 thousand).

In other companies covered by the consolidated financial statements, there was no sale or liquidation of assets available for sale.

The assets sold in 2003 included several investments stated at historical cost rather than fair value. The total balance sheet value of such stocks/shares sold by BRE Bank was PLN 939 thousand.

Other companies covered by the consolidated financial statements sold no financial assets stated otherwise than at fair value.

No financial assets stated at fair value were moved to assets stated at adjusted cost.

Apart from own receivables, write-offs for permanent diminution of financial assets rated as available for sale and not valued based on the equity method or stated at fair value in H1 2003 amounted to PLN 1,243 thousand, including PLN 196 thousand at BRE Bank SA and PLN 1,047 thousand at other companies covered by the consolidated financial statements.

Interest on realised and unrealised receivables in H1 2003:

BRE Bank SA

- realised interest on own receivables at PLN 348,750 thousand;
- realised interest on debt securities at PLN 126,973 thousand;
- unrealised interest on own receivables at PLN 79,932 thousand;
- unrealised interest on debt securities at PLN 41,678 thousand.

Other companies of the Group

- realised interest on own receivables at PLN 36,309 thousand, including RHEINHYP–BRE Bank Hipoteczny SA PLN 29,875 thousand, Polfactor SA PLN 3,862 thousand, BRE Leasing Sp. z o.o. PLN 2,568 thousand;

- realised interest on debt securities at PLN 1,506 thousand, all at Dom Inwestycyjny BRE Banku SA;
- unrealised interest on own receivables at PLN 5,513 thousand, including RHEINHYP–BRE Bank Hipoteczny SA PLN 3,700 thousand.

Realised and unrealised interest on liabilities in H1 2003:

BRE Bank SA

- realised interest on deposits at PLN 347,034 thousand;
- unrealised interest on deposits at PLN 63,479 thousand;
- realised interest on financial liabilities at PLN 9,222 thousand;
- unrealised interest on financial liabilities at PLN 1,172 thousand.

Other companies of the Group

- realised interest on deposits at PLN 525 thousand, all at Dom Inwestycyjny BRE Banku SA;
- realised interest on financial liabilities at PLN 46,889 thousand, including PLN 26,308 thousand on liabilities of BRE Leasing Sp. z o.o., PLN 18,059 thousand at BRE International Finance BV, and PLN 2,522 thousand at Polfactor SA;
- unrealised interest on financial liabilities at PLN 11,804 thousand, including PLN 5,722 thousand at BRE Leasing Sp. z o.o., PLN 3,647 thousand at BRE International Finance BV, and PLN 2,327 thousand at Tele-Tech Investment Sp. z o.o.

The due dates of interest on both receivables and liabilities are almost all less than 3 months. Unrealised interest on receivables of Tele-Tech Investment Sp. z o. o. at PLN 876 thousand falls due in more than 12 months; unrealised interest on its liabilities at PLN 1,451 thousand falls due in 3 – 12 months and at PLN 876 thousand in more than 12 months.

Notional value of derivative contracts

Liabilities under purchase/sale transactions include notional amounts of the following contracts:

* Spot and forward fx transactions (foreign currency and PLN to be released)	27,643,734
* Spot and forward fx transactions (foreign currency and PLN to be received)	27,742,772
Liabilities under sold securities	1,148,697
Liabilities under purchased securities	1,332,284
FRA transactions – sold	19,470,143
FRA transactions – purchased	22,731,529
Call fx options – purchased	4,680,434
Call interest rate options – purchased	389,660
Call stock exchange index options – purchased	2,326
Call fx options – sold	4,929,258
Call interest rate options – sold	546,872

Put fx options – purchased	4,151,954
Put interest rate options – purchased	394,872
Put stock exchange index options – purchased	26,914
Put fx options – sold	4,492,723
Put interest rate options – sold	389,660
Put stock exchange index options – sold	1,426
Other put options – sold	111,516
Put stock options – sold	752
Call warrants for stocks and stock indices – purchased	2,026
Call warrants for stocks and stock indices – sold	6,284
Put warrants for stocks and stock indices – purchased	211
Put warrants for stocks and stock indices – sold	1,343
Futures for bonds/stocks/stock exchange indices – sold	158,066
*Interest rate swaps – interest received	28,677,284
* Interest rate swaps – interest paid	28,685,356
Take-over of issues	155,000
Other	2,775
Total	177,875,871
Netting of swaps between BRE Bank SA and RHEINHYP-BRE Bank Hipoteczny SA	(8.836)
Swaps of RHEINHYP-BRE Banku Hipoteczny SA	215.723
Netting of swaps between BRE Leasing and BRE Bank SA	(218)

Total Capital Group **178.082.540**

* For spot and forward fx transactions and swap transactions, the amount of the contract was presented both as a receivable and as a liability.

Transactions in derivatives are an area of operating activities of BRE Bank SA. The Bank uses these instruments to manage the interest rate risk, the foreign exchange risk, and the market risk; they are also offered to the Bank's clients.

The accounting policies applied to financial instruments are described in the Introduction to the Financial Statements, Accounting Policies, Off-Balance Sheet Derivatives and Forward and Future Transactions.

Risk Controlling and Management System

The information on the risk controlling and management system is presented for these companies of the Capital Group where such risk is material to the Capital Group.

BRE Bank SA

Risk Controlling and Management System at BRE Bank SA

The Bank believes that an effective risk controlling and management system must rely on three co-ordinated elements:

- organisational structure – including the division of tasks and competences, with a clear assignment of risk controlling and management functions to organisational units;
- risk measurement and assessment methodologies – as a condition of adequate assessment of risks incurred by the Bank;
- IT support – necessary to timely provide relevant information on particular risks to which the Bank is exposed.

Organisational Structure

Risk controlling and management at BRE Bank SA is a process at three main levels:

- a) strategic decisions made by the Management Board of the Bank in the system of risk committees:
 - Capital, Assets, and Liabilities Management Committee mainly responsible for the approval of risk management policies concerning the Bank's overall risk appetite, allocation of capital to risk areas, and supervision of the achievement of financial results from the viewpoint of risks;
 - Financial Risk Committee whose main functions include the supervision of the Bank's compliance with regulatory requirements, the system of risk limits, approval of risk measurement methodologies, and regular monitoring of financial performance.

The work of the Management Board is supported by the Financial Risk Department and the Controlling and Management Information Department.

- b) strategic controlling by the risk line, i.e., the Financial Risk Department, the Credit Department, and the Credit Administration Department. In the risk line, the Financial Risk Department has special functions as it is responsible for development of the risk system, the strategic risk limits system, risk monitoring based on internal models, and external capital adequacy requirements.
- c) operational risk management – carried out by organisational units exposed to risks. Special functions are those of the Treasury Department specialised in the management of the Bank's interest rate risk and liquidity and the Financial Markets Department which manages the foreign exchange risk and is responsible for trading.

The main principle adopted in developing the risk controlling and management system is the separation of organisational units which control risks from business units exposed to risks, as reflected in the organisational structure of BRE Bank SA.

Risk Measurement Methodologies

BRE Bank SA uses state-of-the-art risk measurement methodologies for all types of risks. In the case of the market risk of the trading ledger, the Bank applies the Value-at-Risk (VaR) methodology, sensitivity tests, and stress testing. In the case of the interest rate risk of the banking ledger, in addition to the traditional methodology of interest gap, the Bank uses sensitivity tests, including the Earnings-at-Risk (EaR) method. The liquidity risk is monitored both based on external requirements (liquidity gap) and an internal model developed following an analysis of the Bank's specificity, the volatility of the deposit base,

concentration of financing and forecast change in individual items. The credit risk is measured using a wide range of portfolio analyses subject to further development: e.g., the Credit-Value-at-Risk (CVaR) methodology now in implementation.

Based on risk measurement, the Bank uses risk limits including strategic limits (VaR, position) and operational limits (sensitivity, loss).

IT Support

Effective practical application of the output of risk analyses and assessments requires adequate software supporting risk controlling and management. Controlling of the market risk of the trading portfolio is supported by the front-office system Kondor+ which is a support tool for the management of trading positions in operational units and the Bank's interest position, as well as a source of information about portfolios for the risk controlling system SAS/Risk Dimensions used as a risk calculation and monitoring tool for the trading ledger. The system is being expanded to comprise analyses of the interest rate risk of the banking ledger; it will replace the existing software by the end of the year. To better monitor capital adequacy, the Bank implemented software enabling daily automatic calculation of capital requirements and the solvency ratio. In the area of controlling of the liquidity risk, analytical and controlling applications are also being improved; they are being integrated with a system now under development based on SAS/Risk Dimensions.

BRE Leasing Sp. z o.o.

a) Foreign exchange risk

BRE Leasing Sp. z o.o. assumes fx and PLN liabilities, depending on the type of leasing contract executed with the client. FX risk is managed based on data supplied by the financial and accounting system by matching fx receivables (under leasing contracts) and liabilities (in respect of sources of financing).

b) Interest rate risk

BRE Leasing Sp. z o.o. executes leasing contracts with fixed and floating interest rates, and finances such contracts with sources of refinancing with fixed or floating interest rates, respectively. The terms of a leasing contract are set depending on information on available sources and terms of refinancing.

c) Pricing risk

Leasing contracts executed by BRE Leasing Sp. z o.o. take effect upon the entry into force of the sale/purchase contracts for leased assets which lay down the price of the leased assets. Leasing contract provide that should the purchase price change in the course of the delivery of leased assets (e.g., due to fx rate volatility), the price set in the leasing contract shall also change.

d) Credit risk

Credit agreements executed by BRE Leasing are assessed in terms of the credit risk by local branches which draft the agreements and by a special risk management unit at the head office. The company also uses internal limits of exposure to lessees depending on client rating and risks of the transaction. The client and the transaction are rated at a preparatory stage of the leasing contract in reports based on a rating system developed using proprietary expertise and the know-how of BRE Bank SA. Liabilities under leasing contracts are secured similarly to bank credits. Another security is the fact that the lessor holds the ownership right to the leased assets.

e) Liquidity risk

The company manages the liquidity risk by matching the maturity of receivables under leasing contracts and credit liabilities. In addition, the company has open sources of refinancing for period over 6 months.

f) Operating risk

The company manages the operating risk by way of regular reviews of threats in the operating business. A special function is that of the internal audit unit responsible for compliance with procedures and identification of threats arising in operations.

RHEINHYP-BRE Bank Hipoteczny SA

a) Foreign exchange risk

The bank does not have any significant fx gap as the Mortgage Bonds Law prohibits speculative transactions. The risk of an impact of fx rate volatility on financial performance is marginal and existing controlling and reporting procedures eliminate such risk.

b) Interest rate risk

The bank does not have any permanent maturity gap of assets and liabilities (i.e., interest rate gap). Should such a gap arise, the bank uses special hedging instruments. The interest rate risk is controlled by means of reports which fulfil the requirements of the banking supervision and the standards of German mortgage banking.

c) Pricing risk

Given the specialised profile of the bank's mortgage business, its pricing risk is limited to the volatility of the value of real estate used to secure the loans given by the bank. The risk is mitigated by way of procedures for the mortgage valuation of real estate.

d) Credit risk

The bank mitigates its credit risk by lending in compliance with internal procedures and a policy of credit decision-making and credit risks. The loan portfolio is of good quality (irregular loans at 3.2%).

e) Liquidity risk

The bank manages its liquidity risk based on implemented procedures for monitoring of and reporting on projected revenues and expenses and available cash. The sources of financing are diversified through co-operation with many partners and selection of diverse instruments to finance loans. The bank finances long-term assets mainly with long-term mortgage bonds while it raises short-term funds by issuing short-term bonds and accepting deposits in the interbank market. The bank has a contingency plan in the event of deterioration of its liquidity ratios.

f) Operating risk

The bank has internal procedures ensuring IT security and business continuity. The bank also had detailed internal audit procedures.

Accounting for hedging

BRE Bank SA keeps no accounting records of hedging instruments. In the Group, BRE Leasing Sp. z o.o. carries hedging instruments in the books of account.

The risk of volatility of interest rates under loan agreements is hedged with interest rate swaps (IRS). IRS are made with the same banks which extend loans bearing variable interest rates.

The instruments hedge (present and future) liabilities in respect of loans bearing variable interest rates. As a hedging instrument, IRS generate cash flows netting off any change in the cash flows of the hedged instrument (loan).

Change of the fair value of the derivative (IRS) is recognised under the revaluation reserve to the extent of effective hedging and in the income statement to the extent of ineffective hedging.

The company does not hedge against planned transactions or probable future liabilities.

Hedging instruments under the revaluation reserve:

As at 01.01.2003	Gross amount	(PLN 24,437 thousand)
	Deferred tax	PLN 6,598 thousand
	Net amount	(PLN 17,839 thousand)
- Write-off due to interest rate volatility in 2003		(PLN 9,939 thousand)
- Amounts recognised under revenue or expenses		PLN 2,142 thousand
- Change of deferred tax		PLN 2 thousand
Revaluation reserve as at 30.06 2003		
	Gross amount	(PLN 32,234 thousand)
	Deferred tax	PLN 8,703 thousand
	Net amount	(PLN 23,530 thousand)

5. Information about executed share subscriptions or ordinary share sale contracts

The companies of the Capital Group did not execute share subscription or ordinary share sale contracts.

6. Detailed information about assets used as security of own liabilities and third party liabilities

BRE Bank SA

As at 30 June 2003, Treasury bills at PLN 47,982 thousand (nominal value PLN 48,990 thousand) were deposited in a separate account with NBP as a collateral for the Deposit Guarantee Fund required by the Bank Guarantee Fund.

The Bank is fully capable of disposing of the said assets.

The other companies of the Group did not have assets used as security of own liabilities or third party liabilities to companies outside the Capital Group.

7. Information about sell-buy-back transactions not disclosed in the Balance Sheet

Receivables and liabilities under reverse repo and repo transactions are disclosed in the Balance Sheet. There were no sell-buy-back or buy-sell-back transactions recorded off balance sheet in H1 2003.

8. Contingent off-balance sheet commitments

Contingent commitments granted consist of financing commitments and guarantees. Financing commitments are credits granted but not used, liabilities under letters of credit issued and confirmed, and liabilities in factoring operations.

Guarantees granted include performance guarantees, guarantees of timely payments, customs guarantees, tender guarantees, advance repayment guarantees, loan repayment guarantees.

Detailed information on commitments granted is presented below.

9. Off-balance sheet items

Contingent commitments granted

BRE Bank SA

PLN'000

Contingent commitments granted by the Bank amounted to PLN 6,818,504 thousand, including:

	PLN'000
Commitments under credits granted but not used	4,132,631
<i>including irrevocable commitments</i>	3,461,034
Guarantees granted	2,685,873
Own and confirmed letters of credit	91,865

Provisions set up for off-balance sheet commitments amounted to PLN 8,557 thousand.

The financing commitments given by BRE Bank SA were adjusted (reduced) among others with PLN 41,735 thousand of commitments to Polfactor SA and PLN 17,236 thousand of commitments to BRE Leasing Sp. z o.o.

Guarantees granted by BRE Bank SA were adjusted (reduced) among others with the amount of the guarantee of redemption of euronotes issued to BRE International Finance B.V., a 100% subsidiary of BRE Bank SA (PLN 1,448,525 thousand, i.e., equivalent to PLN 325 million), and guarantees to the subsidiary Tele-Tech Investment (PLN 12,822 thousand).

Other companies of the Group

Of the other companies of the Group, the largest financing commitments (after consolidation adjustments) were given by RHEINHYP-BRE Bank Hipoteczny SA at PLN 281,034 thousand and Intermarket Bank AG at PLN 49,762 thousand; the largest guarantees were given by Polfactor SA at 39,640 thousand and Transfinance a.s. at PLN 18,879 thousand.

The contingent commitments of BRE Bank SA to subsidiaries as at 30 June 2003 are presented in the table below.

	PLN'000		
	Guarantees	Open credit lines	Total
Subsidiaries	1,494,552	94,557	1,589,109
incl. consolidated subsidiaries*)	1,464,902	94,117	1,559,019

*) The largest item at PLN 1,448,525 thousand (equivalent to EUR 325 million) is a guarantee of redemption of euronotes issued by order of BRE International Finance B.V., a 100% subsidiary of the Bank.

Issues Underwritten by the Bank, as at 30 June 2003

Issuer	Underwritten securities	Amount underwritten, PLN	Financial, organisational, and personal links	Liquidity of securities
BRE.locum Sp. z o.o.	Investment Bills	60 000 000	<ul style="list-style-type: none"> 3 Supervisory Board Members; BRE Bank SA holds 70% of shares and Tele-Tech Investment Sp. z o.o. holds 30% of shares in BRE.locum Sp. z o.o. 	Marketable
Polfactor SA	Investment Bills	30 000 000	<ul style="list-style-type: none"> BRE Bank SA and Intermarket Bank AG each hold 50% of shares in the company; 1 Supervisory Board Member 	Marketable
PKN ORLEN SA	Bonds	50 000 000	None	Marketable
WestLB Polska SA	Certificates of deposit	50 000 000	None	Marketable
Prokom Software SA	Bonds	80.000 000	None	Marketable

*) The table does not include agreements providing for one-off acquisition of securities which are still in force regarding other services, keeping registers of securities, etc.

No companies of the Group other than BRE Bank SA had underwriting commitments.

Contingent commitments of companies consolidated using acquisition accounting

BRE Bank SA

- On 23 May 2001, Art-B Export-Import, a company in liquidation, filed a procedural writ with the District Court in Warsaw, enumerating the losses incurred as a result of the transfer of US\$ 43.4 million to Israel as ordered by Art-B. The listed losses amount to PLN 20,262 thousand, ca. 1/10 of the amount set in the original claim. A proxy of Art-B confirmed this figure at the hearing on 22 August 2001; this means that even with a judgement against BRE Bank SA (which is very unlikely), the court will not adjudicate an amount higher than that set by Art-B Export-Import in liquidation. The next hearing at the District Court is scheduled for 6 October 2003. On request of the bank LEUMI LE ISRAEL, BRE Bank SA was invited to take part as a third party in litigation filed in Jerusalem by Art-B Export-Import in liquidation. The motion of the Israeli bank was based on BRE Bank SA's participation in the transfer of the challenged amount.

- A company of the Capital Group is a party to a dispute with a client. The court of the first instance adjudicated PLN 12,352 thousand plus interest to be paid to the plaintiff. The Bank's Management Board believes that the probability that the court of the second instance will accept the client's claim is very small.

Contingent commitments received

Contingent commitments received by the Capital Group were PLN 767,198 thousand as at 30 June 2003.

Commitments received by BRE Bank SA stood at PLN 476,865 thousand, including PLN 374,105 thousand in the collateral of granted loans and guarantees and PLN 102,760 thousand in received and not drawn loans from foreign banks.

Apart from BRE Bank SA, BRE Leasing Sp. z o.o. reported financing commitments received at PLN 133,710 thousand and RHEINHYP-BRE Bank Hipoteczny SA at PLN 10,000 thousand (after consolidation adjustments), while RHEINHYP-BRE Bank Hipoteczny SA reported guarantees received at PLN 87,039 thousand and Polfactor SA at 40,705 thousand.

10. Information about the proposed dividend pay-out if not approved

Not applicable to Group companies at 30 June 2003.

11. Liabilities under approved dividend pay-outs

No Group companies had liabilities under approved dividend pay-outs.

12. Liabilities to the state budget or local authorities in respect of ownership rights in buildings

BRE Bank SA

All liabilities of to the state budget in H1 2003 were fully paid. The liabilities were in respect of the right of perpetual usufruct of land with buildings and structures used by the Bank totalling PLN 1,425 thousand, mainly including real estate in Warsaw, Senatorska St. and Królewska St. (PLN 997 thousand), real estate acquired as collateral in Poznan (PLN 259 thousand), and real estate in Katowice housing the offices of the local branch of BRE Bank SA (PLN 64 thousand).

No other companies of the Capital Group had liabilities to the state budget or local authorities in respect of ownership rights in buildings.

13. Information on income, cost, and results of activities discontinued in the current year or planned to be discontinued in the following year

On 28 February 2003, the merger of Bank Czestochowa SA and BRE Bank SA was registered. The banks were merged under Art. 492.1.1 of the Code of Commercial Partnerships and Companies through the transfer of all assets of Bank Czestochowa SA to BRE Bank SA (acquiring bank) in return for BRE Bank SA stocks (50,214 stocks with a nominal value of PLN 200,856) allocated by BRE Bank SA to the minority shareholders of Bank Czestochowa SA in return for the shares of the bank

14. Cost of fixed assets under construction, started investment, and asset improvement

The companies covered by the consolidated financial statements incurred no cost of fixed assets under construction, started investment and asset improvement in H1 2003.

15. Capital expenditure incurred and planned for the next 12 months after the balance sheet date

The companies subject to consolidation incurred capital expenditure in non-financial assets at PLN 80,604 thousand in H1 2003, including PLN 68,980 thousand at BRE Bank SA; they plan to invest PLN 215,955 thousand in H2 2002, including PLN 203,202 thousand at BRE Bank SA. Capital expenditure for financial assets were PLN 57,001 thousand, including PLN 48,377 at BRE Bank SA and PLN 8,624 thousand at Tele-Tech. The Group plans to spend PLN 1,180 thousand on financial assets in H2 2003.

As yet there is no approved investment plan for 2004, so it is not possible to publish investments planned for the next 12 months, i.e., by the end of June 2004.

16.1. Material transactions with companies associated with BRE Bank SA

In H1 2003, the Bank gave loans worth PLN 104,600 thousand to associated companies.

The Bank's total balance sheet exposure to subordinated companies under granted loans was PLN 458,115 thousand at 30 June 2003, representing 2.5% of the total gross balance sheet exposure to the financial and non-financial sector.

With regard to subordinated companies, the Bank pursues lending policies based on market conditions.

The agreement providing for the purchase of Optimus IC SA stocks from Optimus SA was a significant agreement with an associated company. The transaction amounted to PLN 7,843 thousand.

16.2 Information about transactions with companies subject to acquisition accounting consolidation and equity method valuation [PLN'000]

No.	Company	Assets			Liabilities			Income Statement				Off Balance Sheet		
		Receivables	Interest on receivables	Total	Liabilities	Interest on liabilities	Total	Interest income	Interest cost	Commission income	Commission cost	Commitments given	Commitments received	Purchase/Si commitment
1	BRE Bank SA													
2	BRE Corporate Finance SA													
3	Dom Inwestycyjny BRE Bank SA													
4	AMBRESA Sp. z o.o.													
5	BRE International Finance B.V.													
6	PTE Skarbiec Emerytura SA													
7	Skarbiec Asset Management Holding SA													
8	ServicePoint Sp. z o.o.													
9	FAMCO SA													
10	BRELINVEST Sp. z o.o. Fly 1 Sp. kom.													
11	BRELINVEST Sp. z o.o. Fly 2 Sp. kom.													
12	AMBRESA Sp. z o.o. - BRELLA Sp. kom.													
13	Promes Sp. z o.o.													
14	BRE.locum Sp. z o.o.													
15	Intermarket Bank AG													
16	Billbird SA													
17	BRE Leasing Sp. z o.o.													
18	RHEINHYP -BRE Bank Hipoteczny SA													
19	TRANSFINANCE a.s													
20	Polfactor SA													
21	e-Card SA													
22	Xtrade SA													
23	Tele-Tech Investment Sp. z o.o.													
24	CERI Sp. z o.o.													
25	Magyar Factor													
26	Optimus SA													
1	Commerzbank AG													

17. Information on joint ventures not consolidated using the acquisition accounting or the equity method

The companies of the Group did not have any joint ventures in H1 2003.

18. Information about the income and cost of the Bank's brokerage business

The Bank does not carry out directly any brokerage business. Brokerage is a responsibility of the subsidiary Dom Inwestycyjny BRE Banku SA covered by the consolidated financial statements using acquisition accounting.

19. Information about irrecoverable receivables written off

In H1 2003, the Group wrote off irrecoverable receivables of PLN 8,152 thousand charged to provisions (including PLN 7,382 thousand at BRE Bank SA and PLN 770 thousand at BRE Leasing Sp. z o.o.) and PLN 1,240 thousand charged to costs (including PLN 889 thousand at BRE Leasing Sp. z o.o.).

20. Information about the cost of provisions for future liabilities to employees

BRE Bank SA

The cost of provisions set up for future liabilities to employees set up in H1 2003 was PLN 4,236 thousand.

Other companies of the Group

In the other companies of the Capital Group, provisions set up for holiday leaves were PLN 240 thousand, provisions for bonuses were PLN 1,927 thousand, provisions for jubilee awards were PLN 352 thousand, and provisions for severance pay to reduced employees were PLN 3,907 thousand.

21. Information about the cost of financing employee pension schemes

The Bank does not carry an employee pension scheme; it does carry group life insurance with investment funds whose cost was PLN 2,533 thousand in H1 2003.

In the other companies of the Group, the cost of financing employee pension schemes was PLN 6,719 thousand, including PLN 6,683 thousand at Intermarket Bank AG.

22. Information about the custodial business

BRE Bank SA carries out custodial operations for domestic and foreign securities and works with investment funds and pension funds. Dom Inwestycyjny BRE Banku SA offers custodial services and operates clients' securities accounts.

The other companies of the Capital Group have no custodial business.

23. Information about securitisation of assets

BRE Bank SA and the companies covered by the consolidated financial statements did not report any securitisation of assets in H1 2003.

24. Average headcount

The average headcount of the Capital Group was 3,480 persons, including 2,818 persons at BRE Bank SA.

Not all companies of the Group have data in respect of different professional groups.

25. Information about compensation and bonuses paid or due to the Management Board and Supervisory Board Members of the Issuer

In H1 2003 compensation amounted to:

BRE Bank SA Management Board	PLN 5,520 thousand
Supervisory Board	PLN 821 thousand

In addition, in this period, members of the Management Board of BRE Bank SA received PLN 108 thousand in respect of their participation in the management boards and supervisory boards of the Bank's subsidiaries and affiliates.

Members of the Management Board of BRE Bank SA acceded the BRE Bank SA managerial stock option programme and executed agreements with BRE Bank SA entitling them to a total of 133,000 options for BRE Bank shares in the new issue planned for 2003.

26. Information about outstanding cash advances, credits, loans and guarantees or other agreements providing for benefits to the Issuer, its subsidiaries and affiliates, including the terms of interest and repayment, given to Management Board and Supervisory Board Members

Outstanding debt of the Members of the Management Board of BRE Bank SA as at 30 June 2003:

Housing loans	PLN 835.3 thousand
Other loans	PLN 5,750.0 thousand
Guarantees	PLN 2.5 thousand

Members of the Bank's Management Board had no debt in respect of cash advances. The item Other loans refers to private banking credits granted in different currencies on market terms. As at 30 June 2003, Members of the Supervisory Board had no outstanding loans from the Bank.

Debt of the Bank's present and former employees (except Management Board Members) was PLN 13,001 thousand under housing loans and PLN 4,424 thousand under cash advances as at 30 June 2003.

Interest on housing loans amounts to 1% p.a.

Interest on cash advances granted by BRE Bank SA to its employees is calculated according to the floating bill of exchange rediscounting rate. Only ca. 1% of cash loans bear interest at a transfer rate plus a margin of 2%. All loans are repaid in monthly instalments.

Members of the Management Board and the Supervisory Board and their spouses, relatives and other linked persons did not have outstanding debt to subsidiaries and affiliates in respect of cash advances, guarantees or other agreements providing for benefits as at 30 June 2003.

27. Information on significant events of previous years disclosed in the consolidated financial statements 2002

There were no significant events of previous years in the Capital Group disclosed in the financial statements for H1 2003.

28. Information on significant post-balance sheet date events not disclosed in the financial statements

- The company BRE Finance France with a share capital of EUR 225,000 was registered in Levallois-Perret, France on 21 July 2003. The Bank took up shares representing 99.97% of the share capital and votes. This is a long-term investment of the Bank.
- BRE Bank SA sold a package of 8,211,092 Elektrim SA shares to Polsat Media on 22 July 2003.
- On 24 July 2003, BRE International Finance BV and BRE Finance France SA as issuers and BRE Bank SA as an guarantor signed a EUR 1.5 billion Euronote Issue Programme Agreement. The Agreement replaced the existing Euronote Issue Programme Agreement of 30 May 2001 reported by the Bank on 31 May 2001.
- On 8 August 2003, BRE Bank acquired discounted bonds of Optimus SA, an affiliate of BRE Bank SA, with a total nominal value of PLN 8,120 thousand. The cost of the bonds was PLN 7,953 thousand. The bonds are redeemable on 28 November 2003.
- On 27 August 2003, BRE Bank SA signed an agreement to sell shares in Jasan Sp. z o.o. to Jasan Nowy Sp. z o.o. The sold shares represent 71.5% of the share capital and votes of Jasan Sp. z o.o. The price for the sold shares is was equivalent to PLN 12,675 thousand, equal to the value in the Bank's books. The Bank had acquired the shares in Jasan Sp. z o.o. under a registered pledge agreement.
- Following the call by BRE Bank SA on International Trading and Investments Holdings SA (ITI Holdings) to sell 163,256 stocks of Optimus SA with its registered office in Nowy Sacz on the Warsaw Stock Exchange and in connection to the fact that ITI Holdings informed BRE Bank of the sale of 160,932 Optimus SA stocks closed on 28 August 2003, BRE Bank SA was relieved from the obligation to acquire 160,932 Optimus SA stocks from ITI Holdings, i.e., the vast majority of the remainder of the second package of Optimus SA stocks (the remainder of the second package included 163,256 Optimus SA stocks) as described by BRE Bank in its report dated 27 June 2003. Neither BRE Bank nor any of the companies associated with BRE Bank acquired the said packages. The parties closed the transaction under the Agreement dated 16 May 2001, as described by BRE Bank SA in its report dated 17 May 2001. BRE Bank SA expects that ITI Holdings will sell the remaining 2,324 Optimus SA stocks in the nearest future.
- In stock exchange transactions closed on 1 – 4 September 2003, BRE Bank SA sold 1,021,863 Optimus SA stocks representing 10.89% of the share capital and 1,021,863 votes in the company. After the said transactions, BRE Bank SA holds 1,657,114 Optimus SA stocks representing 17.66% of the share capital and 1,657,114 votes (17.66% of all votes) in the company. On 4 and 5 September 2003, BRE Bank sold 718,603 Optimus SA stocks (representing 7.66% of the share capital and 718,603 votes, i.e., 7.66% of all votes in the company) in stock exchange transactions closed on 9 and 10 September 2003. After these transactions, BRE Bank SA holds 938,511 Optimus SA stocks representing 10.0% of the share capital and 938,511 votes in the company (10.0% of all votes).
- On 17 September 2003, BRE Bank SA signed Annex 1 to the Consortium Agreement (Annex) executed by members of the consortium on 18 July 2003 in order to respond to an invitation to tender extended by the Polish State Railways (PKP) for the servicing and

underwriting of an issue of PLN 1.5 billion PKP bonds guaranteed by the Polish Treasury. The consortium includes BRE Bank SA, Bank Millennium SA, WestLB Bank Polska SA and ABN AMRO Bank (Polska) SA. Under the said Annex, the members of the consortium agreed to acquire bonds issued by PKP in 2003 – 2004 under the terms of the Annex; BRE Bank SA agreed to acquire PKP bonds with a total nominal value of PLN 550 million, including PLN 225 million of bonds in 2003.

- On 23 September 2003, BRE Bank SA and Tele-Tech Investment Sp. z o.o. (TTI), an affiliate of BRE Bank SA, executed an agreement providing for the sale to TTI of 1,601 shares (with a nominal value of PLN 500 per share) of BRE.locum Sp. z o.o. for PLN 9,684,536. The sold package of shares represents 20.01% of the share capital of BRE.locum and 1,601 votes in the company, i.e., 20.01% of all votes in BRE.locum Sp. z o.o. The value of the sold shares in the books of BRE Bank SA was PLN 9,684,536.

29. Information about significant events of the financial year causing material change in the structure of balance sheet items and the financial result

BRE Bank SA

The General Meeting of Shareholders of BRE Bank on 21 May 2003 adopted resolutions concerning the coverage of the loss of previous years at PLN 607,993 thousand with the reserves of the Bank. The amount includes a 2002 loss at PLN 379,221 thousand and a retained loss of previous years due to the effect of the amendment of accounting regulations in 2002 on the results of previous years (PLN 228,772 thousand).

The other companies of the Capital Group recorded no significant events of the financial year causing material change in the structure of the balance sheet items and the financial result.

30. Information about relations between the legal predecessor and the issuer and on the mode and scope of taking over assets and liabilities

Not applicable to BRE Bank SA.

31. The financial statements and comparable financial data, at least the main items of the balance sheet and the income statement, adjusted for inflation, with information about the source and method of application of the inflation rate, based on the period of the previous financial statements as the reference period, if in the past 3 years of the issuer's business cumulative average annual inflation was 100% or more.

In the past 3 years, cumulative average annual inflation was less than 100%.

32. List of changes between data disclosed in the financial statements and the comparable financial data and previously drafted and published financial statements

The main differences between data disclosed in the financial statements and previously published financial statements are discussed in the Introduction to the Financial Statements, Section 8, Comparability Adjustments. Differences between the quarterly consolidated financial statements for Q2 2003 published on 14 August 2003 and the semi-annual

consolidated financial statements are mainly due to the auditor's adjustments and did not affect the results of the Capital Group.

33. Changes to accounting principles (policies) and the methodology of drafting the financial statements compared to the previous financial year(s), their reasons, titles, and the impact of the financial effect on the financial standing, assets, liquidity, financial result, and profitability

BRE Bank SA

The Bank has recorded provisions for employee benefits based on actuarial valuation under IAS 19 as of January 2003.

The Bank has recognised commissions received/paid of over PLN 500 thousand pro rata to time throughout the lifetime of the relevant transaction as of 2003.

These changes do not have a significant impact on the financial standing and the financial results of the Bank and the Capital Group.

The other companies of the Capital Group did not change their accounting principles (policies) in 2003.

34. Adjustment of fundamental errors, their reasons, titles, and the impact of the financial effect on the financial standing, assets, liquidity, financial result, and profitability

No adjustments of fundamental errors were made in the companies covered by the consolidated financial statements in H1 2003.

35. On-going business concern

There is no uncertainty concerning on-going business of both the holding company and the other companies of the Capital Group.

36. Financial statements for the period of merger of companies

Not applicable to BRE Bank SA.

37. Balance sheet date of the consolidated financial statements and the balance sheet date of subordinated companies

The holding company and its subordinated companies draft financial statements at the same balance sheet date.

38. Conversion of financial statements of companies covered by the consolidated financial statements for the methodologies and policies adopted by the holding company

All companies covered by the consolidated financial statements used the same accounting and valuation policies as the holding company.

39. Exemptions from the consolidated financial statements under separate regulations

All significant financial subsidiaries and a special-purpose vehicle are covered by the consolidated financial statements (using acquisition accounting).

At 30 June 2003, BRE Bank SA held 34.5% of shares and votes of Pozmeat SA. Given that the Bank plans to sell the company in the nearest future, the company was not subject to equity method valuation under provisions of the Accountancy Act. In previous financial periods, the Bank made write-offs in respect of permanent diminution of Pozmeat SA shares.

As at 30 June 2003, the Bank held Elektrim SA stocks representing 20.3% of the equity and votes. Given existing agreements providing for the disposal of the entire package of Elektrim stocks under which some of the stocks were sold on 22 July 2003, Elektrim stocks are stated at cost in the balance sheet and additionally the forward contract is stated separately as another instrument.

40. Business Segments

The break-down by business segment is based on the internal organisation of the BRE Bank SA Capital Group. The business segments are identified on the basis of the businesses of the operating units of BRE Bank SA and the companies of the Capital Group.

The Capital Group is active in the following business segments:

1. Corporate Banking
2. Investment Banking
3. Strategic Investments (Asset Management)
4. Proprietary Investments
5. Retail Banking and Private Banking

The report by business segment was drawn up based on the same accounting and valuation principles (as presented in the Introduction to the Consolidated Financial Statements).

The assets and liabilities of each business segment and its revenue and expenses were identified on the basis of the Bank's internal management information system. Each business segment comprises the assets and liabilities under the responsibility of the units of the business segment, as well as the related revenue and expenses. The results of the business segments include all attributable revenue and expenses.

The business of each company of the Capital Group was fully assigned to one business segment (after consolidation adjustments).

The break-down by sector is the main and the only criterion.

Transfer prices between business segments are based on prevailing market rates adjusted for the Bank's margin. Transfer prices are based on the same policy for all the organisational units of the Bank; any differences are due to the fx structure and the maturities of relevant assets and liabilities.

Products and services offered by the business segments

Corporate Banking

BRE Bank SA

The Bank's corporate banking business targets both large corporates and SMEs as well as local governments.

The Bank offers standard services including loans (to finance business operations and investments), current accounts, term deposits, cards, and more sophisticated services including electronic distribution channels.

Foreign trade services are an important part of the corporate banking business. The Bank offers fx transactions, foreign transfers, cheques, collections, short-term loans, and a range of financial instruments including factoring, forfaiting, letters of credit, bank guarantees, etc. Clients are also offered instruments hedging against fx risk.

Rheinhyp BRE Bank Hipoteczny SA (Rheinhyp-BRE)

The core business of Rheinhyp-BRE Bank Hipoteczny is to give mortgage loans, to issue mortgage bonds and public mortgage bonds, and to purchase credit receivables from other banks. Rheinhyp-BRE offers its services through a network of local branches in Poland's major cities.

BRE Leasing Sp. z o.o.

The core business of the company is to lease plant, machinery, vehicles, land, and real estate. The company has a branch network in Poland's major cities.

Intermarket Group

Factoring services are offered in Poland and abroad by four subsidiaries of the Austrian Intermarket Group, each with a leading position in its local market: Intermarket Bank AG, Transfinance a.s. (Czech Republic), Magyar Factor Rt. (Hungary), and Polfactor SA (Poland).

The Intermarket Group mainly services clients in the following sectors: electronics, foodstuffs, furniture, sport gear, toys.

Investment Banking

BRE Bank SA

The investment banking business of the Bank is diversified as it covers money and capital market transactions, trading in derivatives, arranging debt issues, custodial services, transactions with financial institutions, and specialised finance.

- Financial market

The Bank is an active participant of money markets, trading both with clients and in the interbank market. It trades in securities including T-bills and bonds, NBP bills, deposits and placements, fx swaps. The Bank is an active player in the securities market where it trades in securities in the primary and the secondary market and in repo and reverse repo deals in the interbank market. The Bank offers financial instruments to manage interest rate risk, including FRA (forward rate agreement), IRS (interest rate swap), interest rate options, and CIRS (cross-currency interest rate swaps).

- Derivatives

The Bank issues European call and put warrants for stocks listed on the Warsaw Stock Exchange and for stock indices. The Bank recently introduced a new product: investment deposits which combine the benefits of term deposits and capital market investments.

- Issue and sale of debt securities

The Bank issues debt securities (bonds, bills, certificates of deposit) both single-handedly and in consortia with other banks.

- Custody

The Bank offers comprehensive services including safe-keeping of and trading in securities in Polish and foreign capital markets.

- Syndicated loans, specialised finance

The Bank is an active player in the market of syndications as an arranger and participant of syndicated loans. The Bank also finances projects single-handedly, mainly financing real estate lease-back deals, mergers and acquisitions.

- Transactions with financial institutions

In addition to nostro and loro accounts, co-operation with domestic and foreign financial institutions helps to raise loans in the international interbank market. The Bank has access to credit lines to finance imports and refinance investment loans for SMEs, mainly available from the European Investment Bank.

Dom Inwestycyjny BRE Banku SA

The company's core business is to provide retail and institutional clients with services related to trading in Polish and foreign markets in:

- securities, including stocks, bonds, convertible bonds, bonds with pre-emptive rights, in the primary market and in the secondary market;
- other rights;
- other financial instruments in the capital market, as set out by law and held permits.

BRE Corporate Finance SA

The core business of the company includes four main areas: mergers and acquisitions, privatisation, strategic consulting, and financial consulting including public issues of equities and private placements.

BRE International Finance BV

This is a special-purpose vehicle set up to raise funds for the Bank through issues of debt securities in international financial markets.

Strategic Investments (Asset Management)

BRE Bank SA

This business involves the management of a portfolio of Capital Group companies, including all strategic subsidiaries. The Bank's Strategic Subsidiaries Bureau is responsible for this function.

Powszechne Towarzystwo Emerytalne Skarbiec-Emerytura SA

The company manages and represents the open-end pension fund OFE Skarbiec-Emerytura.

Skarbiec Asset Management Holding SA (SAMH)

The company offers asset management services to its clients and other companies of the Capital Group. The holding comprises the following (100% owned) subsidiaries:

- Skarbiec TFI SA – development of investment funds, marketing new investment products, sales to corporate clients;
- Skarbiec Investment Management S.A – management of clients' securities portfolios. The company manages clients' portfolios and provides management services to the fund developed by Skarbiec TFI as well as consulting services to PTE Skarbiec-Emerytura;
- Skarbiec Serwis Finansowy Sp. z o.o. – distribution of TFI and OFE products among retail clients of the SAMH Group; promotion and marketing across the business line;
- BRE Agent Transferowy Sp. z o.o. – servicing clients of investment funds, accounting for companies and funds, administration, IT.

Proprietary Investments

The goal of the Bank's proprietary investment business is to earn revenue from capital gains. The proprietary investment portfolio includes direct holdings and indirect stakes (through special-purpose vehicles) offering high long-term returns. The long-term investment portfolio is managed by a special unit of the Bank as well as Tele-Tech Investment Sp. z o.o. which invests in securities, trades in receivables, manages controlled companies, and offers consulting services.

Retail Banking and Private Banking

Retail banking is the newest business of BRE Bank SA; it is also the fastest growing business in terms of the number of clients, the value of deposits, and the range of offered products.

- mBank

Established in late 2000, mBank offers electronic banking services and is an Internet-based bank. mBank operates through modern access channels including the Internet, fixed-line and mobile phones, WAP and SMS. Clients have easy access to their accounts through each channel and can make transactions and transfers and check their account balance. mBank offers two main products: the checking account eKONTO and the on-demand savings account eMax. mBank is expanding its product range with new products: the long-term deposit eMax Lokata, the fixed interest rate term deposit mLokata, the VISA internet card eKARTA. mBank offers special products to the youth: izzyBank is a current account with a VISA Electron card for teenagers. Microenterprises are offered the corporate account mBIZNES Konto. The bank also offers mPlan which combines loan and deposit functions. It has launched the web-based Investment Fund Supermarket where clients can buy shares in selected investment funds over the Internet. mBank also offers three types of credit cards.

-Multibank

Multibank is an Internet bank with a branch network. It targets clients with relatively high income, affluent individuals and the emerging middle class. Multibank's offer for retail clients (and entrepreneurs) and partnerships and companies under the civil law comprises checking and savings accounts, fx accounts, current accounts, term deposits, shares in investment funds, loans, credit and debit cards, direct debits.

- Private Banking

The private banking product offer includes traditional banking products (current accounts, deposits, cards, loans) and sophisticated money market instruments (Polish and foreign debt securities, fx products, derivatives, structured finance). The Bank offers diversified investment portfolios of products of BRE Bank, Skarbiec Investment Management, Skarbiec TFI and DI BRE Banku.

Financial data by business segment of the Capital Group are presented in the table in page 34. The data in the column "Consolidation adjustments" tie the financial data of each business segment to the relevant lines of the consolidated financial statements of the Group.

Reporting by BRE Bank Group Business Segment
01 January 2003 – 30 June 2003
[PLN'000]

PLN'000	Corporate Banking	Investment Banking	Strategic Investments Asset Management	Proprietary Investment	Retail Banking and Private Banking	Other, not assigned by segment	Consolidation adjustments	Total Group
Net interest income	124 000	59 706	34 481	12 883	27 066	4 542	0	157 066
sales to third party clients	130 773	37 429	34 345	10 558	27 956	4 542	0	146 442
sales to other segments	8 873	22 677	164	2 326	0	0	0	11 543
Net commission income	112 466	3 736	431	5 050	2 915	11 609	0	124 237
sales to third party clients	112 834	2 997	431	5 940	2 915	11 609	0	123 985
sales to other segments	368	739	0	110	0	0	0	352
Income from stocks and shares	922	0	2 521	7 362	0	0	4 406	6 309
Result on banking operations	259 616	134 183	31 943	39 112	32 909	6 071	7 161	432 787
Net other operating income and cost	3 826	4 733	41 524	2 400	438	18 626	-10 484	61 064
Segment's share in the profit/loss of subsidiaries subject to equity accounting valuation	2 664	0	-16 675	-9 802	0	0	21 008	-2 805
Gross profit/loss of the segment	70 627	88 596	68 943	93 274	67 785	28 273	4 663	97 248
Net profit/loss of the segment	51 005	64 504	50 068	64 412	49 435	23 055	2 198	55 175
Assets of the segment	12 024 987	12 852 434	1 443 065	1 303 538	2 572 705	1 734 647	2 840 348	29 091 029
Segment's investment in subsidiaries subject to equity accounting valuation	26 047	830	874 515	32 085	0	0	-800 034	133 443
Total assets	12 024 987	12 852 434	1 443 065	1 303 538	2 572 705	1 734 647	2 840 348	29 091 029
Liabilities of the segment	9 161 024	13 799 078	511 138	287 182	4 510 008	3 662 946	2 840 348	29 091 029
Total liabilities	9 161 024	13 799 078	511 138	287 182	4 510 008	3 662 946	2 840 348	29 091 029
Capex (cost of tangible and intangible fixed assets)	385 000	197 456	17 479	23 193	431 768	143 450	0	1 198 347
Depreciation	27 478	12 571	3 424	1 328	24 567	8 162	0	77 522
Other non-monetary costs	499 429	379 925	0	5 579	49 959	5 678	0	447 479

