BRE BANK SA

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BRE Bank SA Group

IFRS Consolidated Financial Statements for the 1st half of 2007

Contents

Selected financial data

The selected financial data are supplementary information to these consolidated financial statements of BRE Bank SA Group for the first half of 2007.

SELECTED FINANCIAL DATA FOR THE GROUP		in'000 PLN (functional currency)		in EUR '000	
		1st half of 2007 from 2007-01-01 to 2007-06-30	1st half of 2006 from 2006-01-01 to 2006-06-30	1st half of 2007 from 2007-01-01 to 2007-06-30	1st half of 2006 from 2006-01-01 to 2006-06-30
I.	Interest income	**1 040 598**	**790 813**	**270 384**	**202 762**
II.	Fee and commission income	**408 010**	**327 354**	**106 015**	**83 933**
III.	Net trading income	**258 282**	**196 099**	**67 111**	**50 279**
IV.	Operating profit	**530 605**	**249 231**	**137 870**	**63 902**
V.	Profit before income tax	**530 605**	**249 119**	**137 870**	**63 873**
VI.	Net profit attributable to minority interest	**15 753**	**14 091**	**4 093**	**3 613**
VII.	Net profit	**403 866**	**180 399**	**104 938**	**46 254**
VIII.	Cash flows from operating activities	**(2 074 402)**	**(1 689 868)**	**(539 002)**	**(433 277)**
IX.	Cash flows from investing activities	**40 231**	**(230 379)**	**10 453**	**(59 069)**
X.	Cash flows from financing activities	**776 149**	**782 178**	**201 670**	**200 548**
XI.	Net increase / decrease in cash and cash equivalents	**(1 258 022)**	**(1 138 069)**	**(326 878)**	**(291 798)**
XII.	Total assets	**48 933 628**	**38 761 258**	**12 994 218**	**9 586 303**
XIII.	Amounts due to the Central Bank	**-**	**2 146**	**-**	**531**
XIV.	Amounts due to other banks	**8 988 762**	**6 617 174**	**2 386 946**	**1 636 537**
XV.	Amounts due to customers	**29 305 716**	**21 781 894**	**7 782 069**	**5 387 024**
XVI.	Capital and reserves attributable to the Company's equity holders	**3 023 655**	**2 248 904**	**802 925**	**556 191**
XVII.	Minority interest	**97 216**	**75 539**	**25 815**	**18 682**
XVIII.	Share capital	**118 256**	**117 500**	**31 403**	**29 060**
XIX.	Number of shares	**29 564 034**	**29 374 947**	**29 564 034**	**29 374 947**
XX.	Book value per share (in PLN/EUR per share)	**102.27**	**76.56**	**27.16**	**18.93**
XXI.	Diluted book value per share (in PLN/EUR per share)	**101.84**	**76.06**	**27.04**	**18.81**
XXII.	Capital adequacy ratio	**10.44**	**10.39**	**10.44**	**10.39**
XXIII.	Earnings per 1 ordinary share (in PLN/EUR per share) (for 6 months)	**11.16**	**5.62**	**2.90**	**1.44**
XXIV.	Diluted earnings per 1 ordinary share (in PLN/EUR per share) (for 6 months)	**11.12**	**5.58**	**2.89**	**1.43**
XXV.	Earnings per 1 ordinary share (in PLN/EUR per share)	**-**	**-**	**-**	**-**

In above selected financial data continued and discontinued operations are presented together in positions from I to VII

The following exchange rates were used in translating selected financial data into euro:

- for balance sheet items – an exchange rate announced by the National Bank of Poland as at 30 June 2007 - 3.7658 and an exchange rate announced by the National Bank of Poland as at 30 June 2006 – 4.0434.
- for profit and loss account items – an exchange rate calculated as the arithmetic mean of exchange rates announced by the National Bank of Poland as at the end of each month of the first half 2007 and 2006, 3.8486 and 3.9002 respectively.

IFRS Consolidated Financial Statements for the 1st half 2007 PLN (000's)

Consolidated Income Statement

	Note	from 01.01.2007 to 30.06.2007	from 01.01.2006 to 30.06.2006
Continued operations			
Interest income	6	1 039 001	789 588
Interest expense	6	(570 071)	(458 315)
Net interest income		**468 930**	**331 273**
Fee and commission income	7	386 075	265 187
Fee and commission expense	7	(96 587)	(81 188)
Net fee and commission income		**289 488**	**183 999**
Dividend income	8	2 159	5 024
Net trading income, including:	9	*258 282*	*196 104*
Foreign exchange result		*208 443*	*184 690*
Other trading income		*49 839*	*11 414*
Gains less losses from investment securities	23	7 161	10 201
Other operating income	10	76 928	146 917
Impairment losses on loans and advances	14	(5 866)	(32 792)
Overhead costs	11	(521 919)	(416 808)
Amortization and depreciation	25, 26	(88 344)	(80 420)
Other operating expenses	12	(50 413)	(112 896)
Operating profit		**436 406**	**230 602**
Share of profit of associates	24	-	(112)
Profit before income tax from continued operations		**436 406**	**230 490**
Income tax expense	15	(90 949)	(52 155)
Net profit from continued operations including minority interest		**345 457**	**178 335**
Discontinued operations	28		
Profit before income tax from discontinued operations		**94 199**	**18 629**
Income tax expense		(20 037)	(2 474)
Net profit from discontinued operations including minority interest		**74 162**	**16 155**
Net profit from continued and discontinued operations including minority interest, of which:		**419 619**	**194 490**
Net profit attributable to minority interest		15 753	14 091
Net profit		**403 866**	**180 399**
Net profit from continued operations attributable to the Bank's equity holders		**329 704**	**164 244**
Weighted average number of ordinary shares		**29 535 896**	**29 220 150**
Earnings per 1 ordinary share (in PLN per share)	16	**11.16**	**5.62**
Weighted average number of ordinary shares for diluted earnings		**29 661 994**	**29 412 575**
Diluted earnings per 1 ordinary share (in PLN per share)	16	**11.12**	**5.58**

Notes presented on pages 10 – 91 constitute an integral part of these Consolidated Financial Statements.

IFRS Consolidated Financial Statements for the 1st half 2007 PLN (000's)

Consolidated Balance Sheet

	Note	30.06.2007	31.12.2006	30.06.2006
ASSETS				
Cash and balances with Central Bank	17	2 562 731	3 716 607	1 137 810
Debt securities eligible for rediscounting at the Central Bank	18	34 005	26 725	25 161
Loans and advances to banks	19	2 362 298	2 844 124	3 649 387
Trading assets	20	3 847 054	3 516 149	3 244 158
Derivative financial instruments	21	1 611 801	1 413 065	1 782 352
Loans and advances to customers	22	29 019 502	23 044 694	21 726 944
Investment securities	23	3 990 997	3 055 516	2 860 147
- Available for sale		3 990 997	3 055 516	2 860 147
Non-current assets held for sale	28	324 106	385 194	317 021
Pledged assets	20, 23,36	3 319 230	2 702 180	2 470 060
Investments in associates	24	4 004	5 356	5 640
Intangible assets	25	372 955	381 111	412 319
Tangible fixed assets	26	591 243	580 108	561 382
Deferred income tax assets	35	84 988	65 112	94 861
Other assets	27	808 714	594 640	474 016
Total assets		**48 933 628**	**42 330 581**	**38 761 258**
EQUITY AND LIABILITIES				
Amounts due to the Central Bank		-	-	2 146
Amounts due to other banks	29	8 988 762	7 972 386	6 617 174
Derivative financial instruments and other trading liabilities	21	1 559 834	1 253 900	1 554 866
Amounts due to customers	30	29 305 716	24 669 856	21 781 894
Debt securities in issue	31	3 503 245	3 389 559	4 388 645
Subordinated liabilities	32	1 473 771	1 547 354	1 494 224
Other liabilities	33	792 828	759 799	497 806
Current income tax liabilities		85 805	20 047	10 115
Deferred income tax liabilities	35	26 152	312	207
Provisions	34	66 326	70 168	83 227
Liabilities held for sale	28	10 318	25 001	6 511
Total liabilities		**45 812 757**	**39 708 382**	**36 436 815**
Equity				
Capital and reserves attributable to the Bank's equity holders		**3 023 655**	**2 530 766**	**2 248 904**
Share capital:		**1 503 744**	**1 496 946**	**1 477 157**
- Registered share capital	39	118 256	118 064	117 500
- Share premium	40	1 385 488	1 378 882	1 359 657
Other reserves	41	**88 869**	**5 110**	**(19 912)**
Retained earnings:	42	**1 431 042**	**1 028 710**	**791 659**
- Profit from the previous years		1 027 176	607 452	611 260
- Profit for the current year		403 866	421 258	180 399
Minority interest		**97 216**	**91 433**	**75 539**
Total equity		**3 120 871**	**2 622 199**	**2 324 443**
Total equity and liabilities		**48 933 628**	**42 330 581**	**38 761 258**
Capital adequacy ratio	48	**10.44**	**10.39**	**10.39**
Book value		**3 023 655**	**2 530 766**	**2 248 904**
Number of shares		**29 564 034**	**29 516 035**	**29 374 947**
Book value per share (in PLN)		**102.27**	**85.74**	**76.56**
Diluted number of shares		**29 690 132**	**29 690 132**	**29 567 372**
Diluted book value per share (in PLN)		**101.84**	**85.24**	**76.06**

Notes presented on pages 10 – 91 constitute an integral part of these Consolidated Financial Statements.

IFRS Consolidated Financial Statements for the 1st half 2007 PLN (000’s)

Consolidated statement of changes in equity

Changes in consolidated equity from 1 January 2007 to 30 June 2007	**Note**	**Share capital**		**Other reserves**	**Retained earnings**					**Minority interest**	**Total equity**
		Registered share capital	**Share premium**		**Other supplementary capital**	**Other reserve capital**	**General risk fund**	**Profit from the previous years**	**Profit for the current year**		
Equity as at 1 January 2007		**118 064**	**1 378 882**	**5 110**	**9 451**	**20 899**	**558 000**	**440 360**	**-**	**91 433**	**2 622 199**
- reclassification to book value through profit and loss account		-	-	-	-	-	-	-	-	-	-
- changes to accounting policies		-	-	-	-	-	-	-	-	-	-
- adjustment of errors		-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2007		**118 064**	**1 378 882**	**5 110**	**9 451**	**20 899**	**558 000**	**440 360**	**-**	**91 433**	**2 622 199**
Net change in investments available for sale, net of tax	41	-	-	86 601	-	-	-	-	-	-	86 601
Currency translation differences	41	-	-	(2 842)	-	-	-	-	-	(1 194)	(4 036)
Net profit/(loss) not recognised in the income statement		**-**	**-**	**83 759**	**-**	**-**	**-**	**-**	**-**	**(1 194)**	**82 565**
Net profit	42	-	-	-	-	-	-	-	403 866	15 753	**419 619**
Total profit recognised in current year		**-**	**-**	**83 759**	**-**	**-**	**-**	**-**	**403 866**	**14 559**	**502 184**
Dividends paid		-	-	-	-	-	-	-	-	(6 359)	(6 359)
Transfer to reserve capital		-	-	-	-	7 733	-	(8 481)	-	-	(748)
Transfer to supplementary capital		-	-	-	312 803	-	1 110	(313 165)	-	-	748
Issue of shares	39, 40	192	4 424	-	-	-	-	-	-	-	4 616
Additional shareholder payments		-	-	-	-	-	-	-	-	(2 417)	(2 417)
Stock option program for employees	42	-	2 182	-	-	(1 534)	-	-	-	-	648
- value of services provided by the employees		-	-	-	-	648	-	-	-	-	648
- settlement of exercised options		-	2 182	-	-	(2 182)	-	-	-	-	-
Equity as at 30 June 2007		**118 256**	**1 385 488**	**88 869**	**322 254**	**27 098**	**559 110**	**118 714**	**403 866**	**97 216**	**3 120 871**

Changes in consolidated equity from 1 January 2006 to 31 December 2006	**Note**	**Share capital**		**Other reserves**	**Retained earnings**					**Minority interest**	**Total equity**
		Registered share capital	**Share premium**		**Other supplementary capital**	**Other reserve capital**	**General risk fund**	**Profit from the previous years**	**Profit 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	41	-	-	7 162	-	-	-	-	-	-	7 162
Net change in cash flow hedges, net of tax	41	-	-	321	-	-	-	-	-	320	641
a) increase		-	-	321	-	-	-	-	-	320	641
Currency translation differences	41	-	-	602	-	-	-	-	-	231	833
Net profit not recognised in the income statement		**-**	**-**	**8 085**	**-**	**-**	**-**	**-**	**-**	**551**	**8 636**
Net profit	42	-	-	-	-	-	-	-	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 reserve capital		-	-	-	-	31 362	-	(31 362)	-	-	-
Transfer to supplementary capital		-	-	-	9 295	-	-	(9 295)	-	-	-
Issue of shares	39, 40	2 128	63 231	-	-	-	-	-	-	-	65 359
Additional shareholder payments		-	-	-	-	-	-	-	-	(1 494)	(1 494)
Change in the scope of consolidation		-	-	-	-	-	-	(918)	-	-	(918)
Other changes		-	(160)	-	156	(467)	-	2	-	(26)	(495)
Stock option program for employees	42	-	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**

Notes presented on pages 10 – 91 constitute an integral part of these Consolidated Financial Statements.

IFRS Consolidated Financial Statements for the 1st half 2007 PLN (000’s)

Changes in consolidated equity from 1 January 2006 to 30 June 2006	Note	Share capital		Other reserves	Retained earnings					Minority interest	Total equity
		Registered share capital	Share premium		Other supplementary capital	Other reserve capital	General risk fund	Profit from the previous years	Profit 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	41	-	-	(20 885)	-	-	-	-	-	-	(20 885)
Net change in cash flow hedges, net of tax	41	-	-	313	-	-	-	-	-	312	625
a) increase		-	-	313	-	-	-	-	-	312	625
Currency translation differences	41	-	-	3 635	-	-	-	-	-	1 635	5 270
Net profit/(loss) not recognised in the income statement		**-**	**-**	**(16 937)**	**-**	**-**	**-**	**-**	**-**	**1 947**	**(14 990)**
Net profit	42	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**180 399**	**14 091**	**194 490**
Total profit recognised in current year		**-**	**-**	**(16 937)**	**-**	**-**	**-**	**-**	**180 399**	**16 038**	**179 500**
Dividends paid		-	-	-	-	-	-	-	-	(6 029)	(6 029)
Transfer to reserve capital		-	-	-	-	33 079	-	(33 079)	-	-	-
Transfer to supplementary capital		-	-	-	8 614	-	-	(8 614)	-	-	-
Issue of shares	39, 40	1 564	48 920	-	-	-	-	-	-	-	50 484
Additional shareholder payments		-	-	-	-	-	-	-	-	(1 493)	(1 493)
Change in the scope of consolidation		-	-	-	-	-	-	(918)	-	(6 208)	(7 126)
Other changes		-	(160)	-	156	(467)	-	2	-	-	(469)
Stock option program for employees	42	-	2 990	-	-	(1 884)	-	-	-	-	1 106
- value of services provided by the employees		-	-	-	-	1 106	-	-	-	-	1 106
- settlement of exercised options		-	2 990	-	-	(2 990)	-	-	-	-	-
Equity as at 30 June 2006		**117 500**	**1 359 657**	**(19 912)**	**8 770**	**26 424**	**558 000**	**18 066**	**180 399**	**75 539**	**2 324 443**

Notes presented on pages 10 – 91 constitute an integral part of these Consolidated Financial Statements.

IFRS Consolidated Financial Statements for the 1st half 2007 PLN (000's)

Consolidated Cash Flow Statement

	Note	From 01.01.2007 to 30.06.2007	From 01.01.2006 to 30.06.2006
A. Cash flow from operating activities - indirect method		**(2 074 402)**	**(1 689 868)**
Profit before income tax		**530 605**	**249 119**
Adjustments:		***(2 605 007)***	***(1 938 987)***
Income taxes paid (negative amount)		(46 779)	10 185
Amortisation		88 543	81 287
Foreign exchange gains (losses)		(75 789)	90 435
Gains (losses) on investing activities		(86 011)	(6 362)
Impairment of financial assets		-	1 308
Dividends received		(1 252)	(550)
Interest paid		522 475	511 459
Change in loans and advances to banks		(2 106)	(207 490)
Change in trading securities		(571 190)	1 309 448
Change in derivative financial instruments		(198 736)	(521 095)
Change in loans and advances to customers		(5 974 808)	(4 324 336)
Change in investment securities		(890 457)	(1 717 336)
Change in other assets		(159 990)	64 718
Change in amounts due to other banks		289 960	1 557 845
Change in financial instruments and other trading liabilities		305 934	283 776
Change in amounts due to customers		4 265 987	692 400
Change in debt securities in issue		(82 764)	313 424
Change in provisions		(10 539)	(8 916)
Change in other liabilities		22 515	(69 187)
Net cash from operating activities		**(2 074 402)**	**(1 689 868)**
B.Cash flows from investing activities		**40 231**	**(230 379)**
Investing activity inflows		**169 863**	**18 868**
Disposal of shares in associates		-	10 944
Disposal of shares in subsidiaries, net of cash disposed		165 305	2 596
Proceeds from sale of intangible assets and tangible fixed assets		3 306	3 690
Other investing inflows		1 252	1 638
Investing activity outflows		**129 632**	**249 247**
Acquisition of associates		-	38
Acquisition of subsidiaries, net of cash acquired		29 053	144 775
Purchase of intangible assets and tangible fixed assets		70 088	62 957
Other investing outflows		30 491	41 477
Net cash used in investing activities		**40 231**	**(230 379)**
C. Cash flows from financing activities		**776 149**	**782 178**
Financing activity inflows		**4 855 572**	**5 027 876**
Proceeds from loans and advances from other banks		942 633	1 725 671
Proceeds from other loans and advances		-	140 431
Issue of debt securities		2 931 394	3 111 290
Increase of subordinated liabilities		968 440	-
Issue of ordinary shares		4 616	50 484
Other financing inflows		8 489	-
Financing activity outflows		**4 079 423**	**4 245 698**
Repayments of loans and advances from other banks		213 235	1 211 580
Repayments of other loans and advances		9 833	24 910
Redemption of debt securities		2 743 433	2 867 307
Decrease of subordinated liabilities		967 075	-
Dividends and other payments to shareholders		9 243	5 273
Other financing outflows		136 604	136 628
Net cash from financing activities		**776 149**	**782 178**
Net increase / decrease in cash and cash equivalents (A+B+C)		**(1 258 022)**	**(1 138 069)**
(Decrease)/increase in cash and cash equivalents in respect of foreign exchange gains and losses		(5 985)	15 001
Cash and cash equivalents at the beginning of the reporting period		9 082 846	8 163 420
Cash and cash equivalents at the end of the reporting period	44	**7 818 839**	**7 040 352**

Notes presented on pages 10 – 91 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 debtors, 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 on the Warsaw Stock Exchange.

As at 30 June 2007, 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, institutional and retail banking (including private banking) throughout the whole country and operates trade and investment activity.

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

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

The average employment in the 1st half of 2007 was: in BRE Bank SA 4 187 persons and in the Group 5 624 persons (1st half of 2006: BRE Bank 3 699, Group 4 965).

The business activities of the Group are conducted in the following business segments, presented in detail in the Note 5.

<u>Corporates and Markets, including:</u>

Corporates and Institutions

- **BRE Bank Hipoteczny SA,** subsidiary

The core business of BRE Bank Hipoteczny SA is to grant mortgage credits to finance commercial real estate, 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.

- **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 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 shares.

- **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.

- **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 first of all offers its services the fast moving consumer goods sector, the metal sector, and building materials and food sector. .

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 shares 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.

- **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 shares and Intermarket Bank AG holds the remaining 50%.

Trading and Investments

- **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

- **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.

- **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.

<u>Retail Banking (including private banking)</u>

- **BRE Wealth Management SA**, subsidiary

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.

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

The public limited company was registered in August 2005. The scope of its business consists of advisory and broking services, and sale of bank products and bank - insurance products. At present emFinanse acts as financial advisor offering cash credits, credits on car, mortgage loans and insurance products. Soon the company is going to sell participation units of TFI. The head office of emFinanse Sp. z o.o. is located at Łódź and the business of it embraces whole Poland. The branches of emFinanse are located in the biggest towns of Poland. Irrespective of its own branches the public limited company acts through its net of agents and twinning posts.

<u>Asset Management (discontinued operations Note 28)</u>

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

The Company has been 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.

<u>Remaining business</u>

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

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

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

BRE.locum is a property developer. It invests in real estate (primarily residential buildings), manages property and provides consulting services. As its core business, the Company develops and assesses investment projects; arranges for, supervises and prepares building designs; supervises and performs construction 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.

Other information concerning companies of the Group

As at June 30, 2007 PTE Skarbiec-Emerytura SA met the 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 have been presented in the Balance Sheet as separate positions "The non-current assets held for sale" and "Liabilities held for sale".

IFRS Consolidated Financial Statements for the 1st half 2007 PLN (000's)

From the Group point of view, the core business of PTE Skarbiec-Emerytura SA i.e. managing an open pension fund meets the criteria of discontinued operations. So, according to IFRS 5 the result of PTE Skarbiec-Emerytura SA was presented in the consolidated income statement as profit from discontinued operations.

As at 31 December 2006 and 30 June 2006 the profit from discontinued operations included the result of Skarbiec Asset Management Holding SA (SAMH). The Bank sold the SAMH shares on January 08, 2007. As at 30 June 2007 the profit from discontinued operations included the result of the Group on sale of SAMH shares in amount of PLN 89 458 thousand.

Additionally, the Group applied IFRS 5 retrospectively and made adjustments in the profit and loss account for the period from January 01 to June 30, 2006 in respect to separating continued and discontinued operations.

The detailed data concerning discontinued operations was presented in the Note 28 of this half year report.

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

Company	**Share of voting rights (direct and indirect)**	**Consolidation method**
BRE Bank Hipoteczny SA	100%	full
BRE Corporate Finance SA	100%	full
BRE Wealth Management SA	100%	full
Centrum Rozliczeń i Informacji CERI Sp. z o.o.	100%	full
Dom Inwestycyjny BRE Banku SA	100%	full
emFinanse Sp. z o.o.	100%	full
Garbary Sp. z o.o.	100%	full
PTE - Skarbiec Emerytura S.A.	100%	full
Tele-Tech Investment Sp. z o.o.	100%	full
BRE Finance France SA	99.98%	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

In the first half of 2007, the Bank has covered emFinanse Sp. z o.o. within the framework of consolidation. In prior periods the company was not consolidated due to its immateriality.

The Management Board approved these Consolidated Financial Statements for issue on September 10, 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 6 month period ended 30 June 2007.

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.

Since 1 January 2007 the BRE Bank Group has applied the provisions of International Financial Reporting Standard 7, Financial Instruments: Disclosures, which has been binding as from that date and the amended provisions of International Accounting Standard 1. Since 1 January 2007 the BRE Bank Group has applied where neccessary the provisions of International Financial Reporting Standard 7 in the preparation of quarterly financial statements which include disclosure requirements of International Accounting Standard 34. All disclosures in accordance with IFRS 7 was presented in these half year consolidated financial statements.

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 2.15).

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 2.15).

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 carried 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, 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 receivables is recognised using the interest used to discount the future cash flows for the purpose of measuring impairment loss.

The calculation of the effective interest rate takes account of the cash flows resulting from only those embedded derivatives which are strictly linked to the underlying contract.

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.

Financial assets valued at fair value

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 designates the entire hybrid (combined) contract as a financial asset or financial liability at fair value through the Profit and Loss Account 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 also designates 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.

Assets and liabilities classified to this category, are valued at fair value upon initial recognition.

Interest income/expense on financial assets designated at fair value, except for derivatives the recognition of which is discussed in Note 2.12, is recognized in net interest income. The valuation and result on disposal of financial assets designated at fair value are recognized in net trading income.

The Group did not designate any assets/liabilities at fair value through the Profit and Loss Account.

<u>Loans and Receivables</u>

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.

<u>Held to Maturity Investments</u>

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.

In all reporting periods presented in these financial statements, the only assets held to maturity occur in PTE and they are recognised in the Balance Sheet, under the item "Non-current assets held for sale".

<u>Available for Sale Investments</u>

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. Gains and losses from sale of available for sale investments are presented in gains and losses from investments securities.

Standardized purchases and sales of financial assets at fair value through the Profit and Loss Account, held to maturity and available for sale are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognized at fair value plus transaction costs, except for financial assets at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and where the Group has transferred substantially all risks 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, 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.

If the application of valuation techniques does not ensure obtaining a reliable fair value of investments in equity instruments not quoted on an active market (or derivatives related to such instruments), they are stated at cost.

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 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.

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

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

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

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

For the purpose of calculation of the amount to be provisioned against balance sheet exposures analysed collectively, the probability of default (PD) method has been applied. 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.

Assets Measured at Fair Value

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 resulting from higher credit risk 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.

Renegotiated agreements

The Group considers renegotiations on contractual terms of loans and advances as evidence of impairment unless the renegotiation was not due to the situation of debtor but had been carried out on normal business terms. In such case the Group makes an assessment whether the impairment should be recognised on either individual or group basis.

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.

Securities sold with a repurchase clause (repos) 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.

As a result of concluding sell buy back transactions, the Bank transfers financial assets in such a way that they do not qualify for derecognition. Thus, the Bank retains substantially all risks and rewards of ownership of the financial assets.

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.

In accordance with IAS 39 AG 30 (g), there is no need to separate the prepayment option from the host debt instrument for the needs of consolidated financial statements, because the option's exercise price is approximately equal on each exercise date to the amortised cost of the host debt instrument. If the value of prepayment option would not be closely linked to the underlying debt instrument, the option would be measured and recognised in the consolidated financial statements of the Group.

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:

a) At the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instruments effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.
b) The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship.
c) For cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss.
d) The effectiveness of the hedge can be reliably measured, ie the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured.
e) The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

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.

<u>Fair Value Hedges</u>

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.

<u>Cash Flow Hedges</u>

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.

<u>Derivative Instruments Not Fulfilling the Criteria of Hedge Accounting</u>

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
e) Commodity swaps

Interest rate risk instruments:

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

Foreign exchange risk instruments:

a) Currency forwards, fx swap, fx forward,
b) Currency Interest Rate Swap (CIRS),
c) Currency options

2.13. Gains and losses on initial recognition

The best evidence of fair value at initial recognition is the transaction price (i.e. the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

The transaction for which the fair value is determined using valuation model (where inputs are both observable and non-observable data) and the transaction price differ, the initially recognition is at the transaction price. The Group assumes that the transaction price is the best indicator of fair value, although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value, commonly referred to as 'day one profit and loss', is not recognised immediately in profit and loss.

The timing of recognition of deferred day one profit and loss is determined individually. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement. The financial instrument is subsequently measured at fair value, adjusted for the deferred day one profit and loss. Subsequent changes in fair value are recognised immediately in the income statement without reversal of deferred day one profits and losses.

2.14. 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.

2.15. 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 Group classified by basic reporting business segments.

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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 Group, which are likely to generate economic benefits in excess of such costs expected to be gained over a period exceeding one year, are recognised as intangible assets.
Direct costs comprise personnel expenses attached to the development of 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. Amortization rates are adjusted to the period of economic utilization. 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.

2.16. 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 vehicles	5-10 years,
- Transport vehicles	5 years,
- Information technology hardware	3.33-5 years,
- Investments in the third party's (leased) fixed assets	10-40 years or the period of the lease contract,
- Offiice equipment, furniture	5-10 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.

2.17. 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 asset 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.
Disposal group which is to be backed out of the usage may also be classified as discontinued operation.

2.18. 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 unused 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.

2.19. Assets repossessed for debt

Assets repossessed for debt at their initial recognition are measured at their fair values. In the case when the fair value of acquired assets is higher than the debt amount, the difference constitutes a liability toward the debtor. At subsequent measurement the initial amount is tested for impairment.

2.20. 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".

2.21. Leasing

BRE Bank SA Group as a Lessor

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

BRE Bank SA Group as a Lessee

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

2.22. 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.

2.23. 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 it is not necessary to recognize the change in fair value of the share-based payment over the term of the program.

2.24. 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 financial instruments,
- valuation of cash flow hedge financial assets,
- currency translation differences resulting from valuation of structural items.

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.

2.25. 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.

Changes in fair value of monetary items available for sale cover foreign exchange differences arising from valuation at amortised cost, which are recognised in the Income Statement, and foreign exchange differences relating to other changes in carrying amount, which are recognised under revaluation reserve.

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 six 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 Balance Sheet date.

2.26. 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.

2.27. Standards, Interpretations and Amendments to Published Standards

Changes in the published Standards and Interpretations that came into force from 1 January 2007:

- IFRS 7, Financial Instruments: Disclosures, binding from 1 January 2007
- IAS 1, Presentation of Financial Statements - changes related to presentation of information on equity, binding from 1 January 2007
- IFRIC 7, Application of restatements in IAS 29 Financial Reporting in Hyperinflationary Economies, binding in the periods starting after 1 March 2006
- IFRIC 8, Scope of IFRS 2, binding for the annual periods starting after 1 May 2006
- IFRIC 9, Reassessment of Embedded Derivatives, binding for the annual periods starting after 1 June 2006
- IFRIC 10, Interim Financial Reporting and Impairment, binding for the annual periods starting after 1 November 2006

IFRS 7 introduced new requirements concerning disclosures on financial instruments and replaced the currently applied provisions of IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions and some requirements of IAS 32, Financial Instruments: Disclosure and Presentation.

The introduction of IFRS 7 resulted in changes mainly in the following areas: disclosures concerning risks from the point of view of risk managers, extended quantity disclosures concerning risks, introducing a sensitivity analysis, extended disclosures concerning the Group's financial position and results.

Published Standards and Interpretations which have been issued but are not yet binding and have not been adopted early:

- IFRIC 11, IFRS 2: Group and Treasury Share Transactions, binding for the annual periods starting after 1 March 2007
- IFRIC 12, Service Concession Agreements, binding for the annual periods starting after 1 January 2008
- IFRIC 13, Customer Loyalty Programmes, binding for the annual periods starting after 1 July 2008
- IFRIC 14 – IAS 19, The Limit on the Defined Benefit Assets, Minimum Funding Requirements and their Interaction, binding for the annual periods starting after 1 January 2008
- IFRS 8, Operating Segments, binding for the annual periods starting after 1 January 2009

IFRICs 11, 12, 13, 14 and IFRS 8 were not adopted by the European Union.

The Group believes that the application of these standards and interpretations will not have a significant effect on the financial statements in the period of their first application.

2.28. Comparative Data

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

In connection with separate presentation of discontinued operations, the Group has made adjustments to profit and loss account for the first half of 2006 by breaking down continued and discontinued operations.

None of the presentation adjustments described below had influence on the net profit and equity presented in comparative data as at 30 June 2006.

The influence of the breakdown by continued and discontinued operations on comparative data in the consolidated financial statements as at 30 June 2006 is presented in the table below.

IFRS Consolidated Financial Statements for the 1st half 2007 PLN (000's)

	Period from 01.01.2006 to 30.06.2006 (before adjustments)	Restatement	Period from 01.01.2006 to 30.06.2006 (after adjustments)
Continued operations			
Interest income	790 813	(1 225)	789 588
Interest expense	(458 318)	3	(458 315)
Net interest income	**332 495**	**(1 222)**	**331 273**
Fee and commission income	327 354	(62 167)	265 187
Fee and commission expense	(98 168)	16 980	(81 188)
Net fee and commission income	**229 186**	**(45 187)**	**183 999**
Dividend income	5 024	-	5 024
Net trading income, including:	196 099	5	196 104
Foreign exchange result	*184 689*	*1*	*184 690*
Other trading income	*11 410*	*4*	*11 414*
Gains less losses from investment securities	10 584	(383)	10 201
Other operating income	147 034	(117)	146 917
Impairment losses on loans and advances	(32 792)	-	(32 792)
Overhead costs	(436 449)	19 641	(416 808)
Amortization and depreciation	(81 287)	867	(80 420)
Other operating expenses	(120 663)	7 767	(112 896)
Operating profit	**249 231**	**(18 629)**	**230 602**
Share of profit of associates	(112)	-	(112)
Profit before income tax from continued operations	**249 119**	**(18 629)**	**230 490**
Income tax expense	(54 629)	2 474	(52 155)
Net profit from continued operations including minority interest	**194 490**	**(16 155)**	**178 335**
Discontinued operations			
Profit before income tax from discontinued operations	**-**	**(18 629)**	**18 629**
Income tax expense	-	2 474	(2 474)
Net profit from discontinued operations including minority interest	**-**	**(16 155)**	**16 155**
Net profit from continued and discontinued operations including minority interest, of which:	**194 490**	**-**	**194 490**
Net profit attributable to minority interest	14 091	-	14 091
Net profit	**180 399**	**-**	**180 399**

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

The Group did not use hedge accounting in the reporting periods.

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.

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.

3.2.1 Collateral

Derivative Instruments

The Group controls net open derivatives, i.e., the difference between purchase and sale contracts, both in terms of amount and maturity. The amount exposed to credit risk is limited at any time 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 nominal value used to express the volume of the existing instruments. The level of exposure to this credit risk, together with potential risk 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 collateral. Typically, the Group does not require collateral for credit risk related to such instruments. The exception is a situation when the Group requires deposits as collateral 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 limit the credsit risk. 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.

Collateral on securities resulting from buy sell back transactions

The Bank accepts collateral in the form of securities in connection with the buy sell back transactions concluded. Depending on the agreement such collateral may be sold or repledged. The total market value of such collateral as at 30 June 2007 was PLN 488 139 thousand (PLN 379 732 thousand as at 30 June 2006).

Collateral accepted by BRE Bank

In making a decision about granting a credit risk bearing product, the Bank strives to obtain the highest possible quality collateral that would be adequate to the risk. The quality of the proposed tangible collateral is assessed according to its liquidity and market value, and the quality of collateral in form of guarantees is assessed according to the financial situation of the guarantor. Moreover, the impact of collateral on the impairment of the loan portfolio is a significant factor in the assessment of the collateral's quality. The quality of the accepted collateral is correlated to the amount of the product bearing credit risk and the level of risk related to granting such a product.

The most frequently applied collateral includes:

a) monetary deposit;
b) guarantee deposit of cash blocked in BRE Bank SA;
c) cession of receivables (cession of rights);
d) mortgage on real estate;
e) registered pledge;
f) transfer of ownership to collateral;
g) bills of exchange – including blank bills of exchange with declaration on the bill of exchange;
h) a letter of comfort issued by a Company whose reliability and fairness is known on the international financial markets.

In the case of personal collateral (e.g. pledge, guarantee), the situation and reliability of the entity issuing such security at the Bank's disposal is evaluated.

In the case of tangible collateral the following principles for assessing their value are applied:
The value of fixed assets set up as collateral is determined on the basis of a valuation survey prepared by an expert surveyor. The valuation survey submitted at the Bank is verified by a team of specialists situated in the Loan Department who verify the correctness of the market value assumptions and assesses the liquidity of the collateral from the Bank's point of view. The following factors are taken into account in the verification process:

a) for collateral on real estate:
  - Type of real estate (industrial, housing, commercial)
  - Legal status
  - Designation in the local land development plan
  - Technical description of buildings and structures
  - Description of land
  - Situation on the local market
  - Other price-making factors

b) for collateral on plant and machinery:
  - General application and function in the technological process / possibilities of alternative use
  - Technical description and parameters
  - Exploitation and maintenance conditions
  - Availability of similar plant and machinery
  - Current market situation
  - Forecast demand trends for specific machinery in connection with the situation in the industrial sectors applying such machinery

c) for collateral on inventories:
  - Formal and legal requirements related to specific products (e.g. a security certificate "CE" for electrical equipment, permit of UDT (the Office of Technical Inspection) for appliances which operate under pressure, etc.)
  - Saleability
  - Warehousing conditions required (e.g. for paper materials, sensitive to humidity, precise materials sensitive to pollution, etc.)
  - Security and insurance of both the warehouse and the goods stored therein.

Collateral accepted by the BRE Bank Group companies

The BRE Bank SA Group companies accept various forms of legal collateral of credit risk-bearing products. Their list depends on the specific nature of activities and the products offered. A blank bill of exchange plays the role of universal collateral, which makes potential recovery of debt more efficient.

BRE Bank Hipoteczny applies mortgage on the financed real estate as the basic collateral. Additional collateral may include bill of exchange or civil surety by the lending company's owners, or pledge on shares of the lender's company. Loan insurance in an insurance company approved by the bank may be accepted for a period necessary to effectively set up collateral.

BRE Leasing applies types of collateral that are the most similar to those of BRE Bank. It accepts both standard personal security – bill of exchange and civil surety, letters of comfort, guarantees and tangible collateral – ordinary and capped mortgage, registered liens, transfer of ownership of collateral, transfer of receivables and cession of receivables and rights to an insurance policy and deposits. Moreover, conditional taking over of debt is a frequently accepted security – in the case of this security, it is possible to accept the evaluation of risk related to the conditional lender.
BRE Leasing also accepts declarations of voluntary submission to execution.

Factoring companies only accept highly liquid collateral. Apart from own blank bills of exchange, these are mainly bill of exchange surety of the owners of the customer's company, cession of receivables from bank accounts (mainly those maintained by BRE Bank), insurance of receivables, cession of rights from insurance policies in respect of receivables, concluded by customers. In the case of providing services to several companies belonging to one group, a customary form of collateral is a power of attorney to perform cross-settlement of agreements concluded with the particular companies.

3.2.2 Rating system description

Rating system of BRE Bank
Current rating methodology (RC-POL) consists of two elements:

- Customer rating (PD-rating) – which describes the probability of lack of loan repayment (PD – probability of default)
- Credit rating (EL-rating) – which describes expected loss (EL, ang. Expected Loss) and takes into consideration either customer risk (PD) and transaction risk (LGD, Loss Given Default – loss resulting from the lack of loan repayment). EL can be described as PD*LGD. EL indicator is used mainly on the making decision stage.

Rating provides absolute measure of credit risk both in percentage scale (PD % and EL %) and also in the scale from 1.0 to 6.5 (PD-rating, EL-rating).

PD rating calculation includes seven steps:

1) Financial analysis of annual report – based on discrimination function in logistic regression of nine financial indicators and corresponding to its default/non-default status of the client in one-year-long period;
2) Financial analysis of following interim figures:
   - assessment of evaluation of trends, essential for rating,
   - increase of PD as an effect of delay of data updating;
3) Assessment of timeliness of presenting financial statements;
4) Analysis of qualitative risks:
   - analysis of quality factors including among others macroeconomics, business risk, management quality, value added activities, accounting policies, etc;
5) Warning indicators:
   - 29 warning indicators:
     - 14 warning ndicators got out of financial analysis or qualitative analysis of risk (answers),
     - 15 direct warning indicators,
   - 3 criteria for assigning the lowest intermediate rating,
   - other 3 steps which have influence on rating;
6) Level of integration of debtor's group:
   - applying PD of parent entity,
   - diverse procedure according to PD of parent entity
7) Overruling:
   - manual change of PD by one category is possible.

Credit rating based on expected loss (EL) is created by combining customer risk and transactional risk, which results from the value of exposure (EAD, Exposure At Default) and the character and coverage of collateral for transactions carried out with the client (LGD).

EAD represents actual balance sheet exposure increased by expected level of off-balance sheet items to be converted to balance sheet items at the date of default

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LGD is described as % of EAD is a function of executed value of collateral and depends on the type and the value of the collateral, the type of transaction and recovery ratio from other than collateral sources (which depends on the client type).

Rating system generates the probability of lack of loan repayment directly in the form of PD ratio, expressed in percentage on the continous scale. Classes of rating are calculated on the basis of procedures of dividing PD into groups based on geometric stepladder.

Bank internal ratings scale and mapping of external ratings

Sub-portfolio	1				2			3		4			5			6	7		8	
Rating PD	1.0 - 1.2	1,4	1,6	1,8	2	2,2	2.4 - 2.6	2,8	3	3.2 - 3.4	3,6	3,8	4	4.2 - 4.6	4,8	5	5.2 - 5.4	5.6 - 5.8	No rating	6.1 - 6.5
S&P	AAA	AA+	AA, AA-	A+, A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B+	B	B-	B-	CCC+	CCC bis CC-	n/a	C, D-I, D-II
	Investment Grade								Non-Investment Grade											Default

The rating system is based on Commerzbank solution for mid-cap clients (RC-GER). The major part of methodology was developed by Risk Controlling in Frankfurt as well as relevant IT solution. Mapping the internal rating scale to external ratings is based on the PD statistics.

The BRE Bank customization was focused on:

- Conversion and reconciliation of financial standards
- Calibration to internal Polish default data set (PD)
- Minor adjustments in PD-rating methodology (impact of interim figures)
- Parametrisation of collateral value haircuts (LGD assessment)
- Development of own interfaces to ensure communication with other bank systems, etc.

Method of calculating of portfolio privision for loans and advances to corporates, based on rating system

Provision portfolio is formed on credit portfolio of the customers not classified to default category. The portfolio is divided into 8 subportfolios for corporates based on range of ratings as disclosed in the table above.

Subportfolios are homogeneous groups having similar credit risk outlines. Amount of provisions is a sum of incurred losses on calculated subportfolios resulting from arisen economic events which haven't been identified by Bank at the provisions calculation date.

Probability of default for each subportfolio is arithmetical mean of 12 last empirical frequency of default cases in the subportfolio calculated on the basis of portfolio as at the end of the month. 6-month-period was established as the average period between the loss event occurrence and its identification by the Bank (loss identification period "LIP"). Therefore, the Bank performed calculation on the basis of default observation of 6 months.

The value of incurred loss is calculated based on current engagement multiplied by LGD (parameter describing the Loss resulting from the lack of loan repayment), calculated by rating model RC-POL on the stage of estimating EL-rating.

All BRE Bank SA Group's Companies which operations are taken with credit risk, before concluding the agreement and upon its monitoring process estimate the risk using rating systems. The systems are different for different types of operations, with the exception of all factoring companies which use the same solution, moreover lease contracts and mortgage loans are concluded on the basis of individual systems. The common feature is two-stage methodology - on the first stage customer rating is assigned and on the second stage – rating of transaction/portfolio is established. Both above-mentioned ratings create credit risk rating. Both quantitative indicators and qualitative features with the most significant impact on credit risk are tested. The impact on particular risk categories is decomposed depending on the character of the operation (client/transaction).

Rating systems that are used by the Group's Companies were created either on the basis of BRE Bank's systems or by an application of experts' estimates.

3.2.3 Measurement of impairment

The Bank measures impairment of loan exposures in accordance with the International Accounting Standards 37 and 39. The intranet application IMPAIRMENT is a tool used to calculate impairment losses for impaired exposures granted to corporate customers and banks. The classification of customers to default portfolio and calculation of impairment write-off is as follows:

a) case by case approach - identifying impairment indications, and if they exist, classifying a customer to a default category;
b) assessing estimated future cash flows (repayments) both from collateral and from repayments by a customer;
c) calculating impairment losses taking into account the future amount of estimated discounted cash flows using the effective interest rate;
d) booking of impairment losses (specific provisions).

If there are no impairment indicators for a specified customer, a provision for Incurred But Not Identified Losses (IBNI) is calculated based on the probability of default.

The group companies have their own models for estimating impairment of financial assets. All the models meet the requirements specified above.

The table below shows the percentage of the Group's on- and off-balance sheet items relating to loans and advances and the coverage of the exposure to impairment provision for each of the Group's internal rating categories (description of rating model is given above).

PD/Rating	30.06.2007		31.12.2006		30.06.2006	
	Exposure (%)	Covered with provision (%)	Exposure (%)	Covered with provision (%)	Exposure (%)	Covered with provision (%)
1	30.80%	0.01%	30.64%	0.01%	29.64%	0.01%
2	11.66%	0.25%	9.80%	0.51%	17.70%	0.34%
3	13.04%	0.32%	13.40%	0.22%	10.84%	0.14%
4	25.64%	0.49%	23.41%	0.53%	19.70%	0.59%
5	6.54%	1.08%	7.31%	1.27%	8.97%	1.75%
6	0.43%	1.14%	0.69%	1.73%	1.03%	2.81%
7	0.25%	0.50%	0.24%	1.01%	0.21%	1.91%
8	5.26%	0.55%	7.33%	0.39%	3.95%	0.85%
other *)	4.09%	2.29%	4.31%	0.00%	4.72%	0.00%
Default category	2.29%	72.20%	2.86%	68.56%	3.26%	72.02%
Total	**100.00%**	**2.05%**	**100.00%**	**2.41%**	**100.00%**	**2.90%**

*) position 'other' concerns these entities that do not use the same system as BRE Bank SA

3.2.4 Maximum exposure to credit risk – before taking account of the adopted collateral

in '000	30.06.2007	31.12.2006	30.06.2006
Credit rist exposures relating to on-balance sheet assets:			
Debt securities eligible for rediscounting at the Central Bank	34 005	26 725	25 161
Loans and advances to banks	2 362 298	2 844 124	3 649 387
Loans nad advances to customers	29 019 502	23 044 694	21 726 944
Loans to individuals:	10 371 456	8 015 295	5 814 877
– current accounts	917 861	697 872	581 815
– term loans, including:	9 453 595	7 317 423	5 233 062
housing and mortgage loans	8 863 152	6 836 303	4 798 265
Loans to corporate clients:	17 456 488	14 284 384	13 898 624
– current accounts	2 927 690	2 207 636	2 047 037
– term loans:	12 467 065	10 325 196	9 961 592
corporate & institutional enterprises	2 415 258	2 224 325	2 513 647
medium & small enterprises	10 051 807	8 100 871	7 447 945
– Revers repo / buy sell back transactions	333 875	40 436	248 055
– Other	1 727 858	1 711 116	1 641 940
Loans and advances to public sector	942 735	429 349	1 790 741
Other receivables	248 823	315 666	222 702
Trading assets			
– Debt securities	3 841 140	3 503 912	3 229 175
Derivative financial instruments	1 611 801	1 413 065	1 782 352
Investment securities			
– Debt securities	3 553 779	2 785 486	2 602 467
Pledged assets	3 319 230	2 702 180	2 470 060
Other assets	808 714	594 640	474 016
Total exposures relating to on-balance sheet assets	**44 550 469**	**36 914 826**	**35 959 562**

Credit rist exposures relating to off-balance sheet items:			
Loan commitments and other financial liabilities	11 203 452	11 309 450	8 493 077
Guarantees, banker's acceptences, documentary and commercial letters of credit	2 506 919	2 532 235	2 221 752
Total exposures relating to off-balance sheet items	**13 710 371**	**13 841 685**	**10 714 829**
Total on-balance sheet assets and off-balance sheet items	**58 260 840**	**50 756 511**	**46 674 391**

The above table shows the maximum exposure to credit risk as at 30 June 2007, 31 December 2006 and 30 June 2006, without taking account of any collateral held or credit enhancements attached. Balance sheet exposures set out above are based on net carrying amounts.

As shown above, 70.44% of the total maximum balance sheet exposure is derived from loans and advances to banks and customers (31 December 2006 and 30 June 2006 respectively: 70.13% and 70.57); 7.98% represents investments in debt securities (31 December 2006 and 30 June 2006 respectively: 7.54% and 7.24%.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk of the Group resulting from both its loan and advances portfolio and debt securities based on the following:

- 41.59% of loans and advances portfolio is categorized in the top two grades of the internal rating system (31 December 2006 and 30 June 2006 respectively: 39.92% and 47.28%);
- 93.61% of the loans and advances portfolio are considered to be neither past due nor impaired (31 December 2006 and 30 June 2006 respectively: 92.23% and 92.75%);
- an improvement in the credit quality of loans and advances has resulted in a lower impairment charge in the income statement, showing a 82.1% decrease in the first half of 2007 comparing with the first half of 2006;
- 71% of the investments in debt securities got at least A- credit rating.

3.2.5 Loans and advances to customers and banks

Overdue exposures are exposures of loans and advances to customers and banks of which at least one product is past due for one or more days.

Loans and advances to customers	30.06.2007		31.12.2006		30.06.2006	
	exposure in '000	share / cover	exposure in '000	share / cover	exposure in '000	share / cover
Neither past due nor impaired	27 946 426	93.61%	22 025 493	92.23%	20 980 995	92.75%
Past due but not impaired	935 802	3.13%	835 622	3.50%	572 236	2.53%
Impaired	970 759	3.25%	1 020 661	4.27%	1 067 377	4.72%
Total, gross	**29 852 987**	**100.00%**	**23 881 776**	**100.00%**	**22 620 608**	**100.00%**
Less impairment (including IBNI provision)	(833 485)	2.79%	(837 082)	3.51%	(893 664)	3.95%
Total, net	**29 019 502**	**97.21%**	**23 044 694**	**96.49%**	**21 726 944**	**96.05%**

The table below shows amounts due from banks:

Loans and advances to banks	30.06.2007		31.12.2006		30.06.2006	
	exposure in '000	share / cover	exposure in '000	share / cover	exposure in '000	share / cover
Neither past due nor impaired	2 365 561	100.00%	2 848 702	100.00%	3 654 599	100.00%
Past due but not impaired	-	0.00%	-	0.00%	-	0.00%
Impaired	-	0.00%	-	0.00%	-	0.00%
Total, gross	**2 365 561**	**100.00%**	**2 848 702**	**100.00%**	**3 654 599**	**100.00%**
Less impairment (including IBNI provision)	(3 263)	0.14%	(4 578)	0.16%	(5 212)	0.14%
Total, net	**2 362 298**	**99.86%**	**2 844 124**	**99.84%**	**3 649 387**	**99.86%**

The total impairment provision for loans and advances is PLN 836 748 thousand (as at 31 December 2006 and 30 June 2006 respectively: PLN 841 660 thousand and PLN 898 876 thousand) of which PLN 721 415 thousand (as at 31 December 2006 and 30 June 2006 respectively: PLN 730 096 thousand and PLN 788 270 thousand) represents the individually impaired loans and the remaining amount of PLN 115 333 thousand represents the portfolio provision (as at 31 December 2006 and 30 June 2006 respectively: PLN 111 564 thousand and PLN 110 606 thousand). Further information of the impairment allowance for loans and advances to banks and to customers is provided in Notes 19 and 22.

In the first half of 2007, the amount of loans and advances granted to the Group's customers increased by 26% as a result of the expansion on lending business market, i.e. loans to retail customers and loans to large corporate enterprises. For the purpose of minimizing potential increase of exposure to credit risk, the Group focused on large corporate enterprises and retail customers, providing sufficient collateral.

Loans and advances neither past due nor impaired

Loans and advances neither past due nor impaired (30 June 2007, in '000)	Individual			Corporate entities					Public sector	Other receivables	Total - Loans nad advances to customers	Loans and advances to banks
PD/Rating	Current accounts	Term loans	including: housing and mortgage loans	Current accounts	Term loans: corporate & institutional enterprises	Term loans: medium & small enterprises	Revers repo / buy sell back transactions	Other				
1	366 081	8 586 664	8 525 620	74 082	12 776	478 697	-	-	914 827	-	**10 433 127**	**2 272 177**
2	227 417	216 183	-	479 165	418 805	1 561 627	-	-	148	-	**2 903 345**	**-**
3	-	79 229	79 229	780 344	613 826	1 389 040	-	-	11 615	-	**2 874 054**	**-**
4	-	15 869	-	992 016	928 556	4 479 373	-	363 761	2 526	-	**6 782 101**	**-**
5	-	-	-	402 381	127 990	1 246 646	-	-	10 233	-	**1 787 250**	**-**
6	-	-	-	20 217	59 672	64 626	-	-	-	-	**144 515**	**-**
7	-	-	-	25 321	3 364	53 101	-	-	-	-	**81 786**	**-**
8	285 460	289 029	61 452	114 543	87 607	205 766	333 875	-	2 182	248 824	**1 567 286**	**-**
other *)	-	-	-	-	-	34 885	-	1 338 078	-	-	**1 372 963**	**93 384**
Default category	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Total	**878 958**	**9 186 974**	**8 666 301**	**2 888 069**	**2 252 596**	**9 513 761**	**333 875**	**1 701 839**	**941 531**	**248 824**	**27 946 427**	**2 365 561**

Loans and advances neither past due nor impaired (31 December 2006, in '000)	Individual			Corporate entities					Public sector	Other receivables	Total - Loans nad advances to customers	Loans and advances to banks
PD/Rating	Current accounts	Term loans	including: housing and mortgage loans	Current accounts	Term loans: corporate & institutional enterprises	Term loans: medium & small enterprises	Revers repo / buy sell back transactions	Other				
1	520 631	6 590 085	6 532 068	268 722	74	278 779	-	-	397 984	-	**8 056 275**	**2 794 414**
2	-	37 565	-	273 221	436 135	1 190 903	-	-	444	-	**1 938 268**	**-**
3	-	200 297	94 430	504 542	375 668	1 455 020	-	-	15 048	-	**2 550 575**	**-**
4	-	-	-	653 803	880 555	3 324 947	-	286 969	13 316	-	**5 159 590**	**-**
5	-	-	-	249 912	267 043	1 109 772	-	-	-	-	**1 626 727**	**-**
6	-	-	-	68 301	67 662	78 307	-	-	-	-	**214 270**	**-**
7	-	-	-	23 236	4 011	42 616	-	-	-	-	**69 863**	**-**
8	144 807	258 963	30 190	100 572	26 012	111 529	40 436	-	2 651	315 666	**1 000 636**	**-**
other *)	-	-	-	55	-	6 675	-	1 402 559	-	-	**1 409 289**	**54 288**
Default category	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Total	**665 438**	**7 086 910**	**6 656 688**	**2 142 364**	**2 057 160**	**7 598 548**	**40 436**	**1 689 528**	**429 443**	**315 666**	**22 025 493**	**2 848 702**

Loans and advances neither past due nor impaired (30 June 2006, in '000)	Individual			Corporate entities					Public sector	Other receivables	Total - Loans nad advances to customers	Loans and advances to banks
PD/Rating	Current accounts	Term loans	including: housing and mortgage loans	Current accounts	Term loans: corporate & institutional enterprises	Term loans: medium & small enterprises	Revers repo / buy sell back transactions	Other				
1	460 068	4 670 021	4 616 203	142 252	136	248 491	-	-	1 750 738	-	**7 271 706**	**3 593 053**
2	-	22 457	2 077	379 064	297 299	2 636 308	-	-	741	-	**3 335 869**	**-**
3	-	72 872	-	336 903	450 778	1 178 310	-	-	19 415	-	**2 058 278**	**-**
4	-	-	-	614 420	1 365 969	1 635 342	-	251 542	14 081	-	**3 881 354**	**-**
5	-	-	-	344 455	271 561	1 216 934	-	-	207	-	**1 833 157**	**-**
6	-	-	-	33 021	76 146	86 004	-	-	-	-	**195 171**	**-**
7	-	-	-	9 970	4 860	29 335	-	-	-	-	**44 165**	**-**
8	99 226	231 144	2 029	95 392	8 299	53 812	248 055	-	3 329	222 702	**961 959**	**-**
other *)	-	-	-	1 791	1	3 550	-	1 393 994	-	-	**1 399 336**	**61 546**
Default category	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Total	**559 294**	**4 996 494**	**4 620 309**	**1 957 268**	**2 475 049**	**7 088 086**	**248 055**	**1 645 536**	**1 788 511**	**222 702**	**20 980 995**	**3 654 599**

* position 'other' concerns these entities that do not use the same rating systems as BRE Bank SA

Loans and advances past due but not impaired

Overdue exposures comprise the total of loans and advances of which at least one product is past due for one or more days. No impairment is recognized in respect of loans and advances past due for less than 90 days, unless other available information indicates their impairment. Gross amounts of loans and advances which are past due but not impaired are presented below by classes of assets:

Loans and advances past due but not impaired (30 June 2007, in '000)	Individual			Corporate entities					Public sector	Other receivables	Total - Loans nad advances to customers	Loans and advances to banks
	Current accounts	Term loans	including: housing and mortgage loans	Current accounts	Term loans: corporate & institutional enterprises	Term loans: medium & small enterprises	Revers repo / buy sell back transactions	Other				
Past due up to 30 days	36 798	193 288	142 104	21 348	91 929	309 313	-	21 378	1 458	-	**675 512**	-
Past due 31 - 60 days	3 388	15 878	10 792	1 533	85	48 061	-	9 845	-	-	**78 789**	-
Past due 61 - 90 days	1 800	16 389	13 661	3 916	75 712	81 940	-	1 743	-	-	**181 500**	-
Total	**41 986**	**225 555**	**166 557**	**26 797**	**167 726**	**439 314**	**-**	**32 966**	**1 458**	**-**	**935 802**	**-**
Fair value of collateral	-	396 604	373 588	11 699	29 443	698 935	-	-	2 135	-	1 138 816	-

Loans and advances past due but not impaired (31 December 2006, in '000)	Individual			Corporate entities					Public sector	Other receivables	Total - Loans nad advances to customers	Loans and advances to banks
	Current accounts	Term loans	including: housing and mortgage loans	Current accounts	Term loans: corporate & institutional enterprises	Term loans: medium & small enterprises	Revers repo / buy sell back transactions	Other				
Past due up to 30 days	29 671	159 545	124 558	22 783	148 306	381 546	-	22 053	-	-	**763 904**	-
Past due 31 - 60 days	1 627	19 933	15 914	3 269	-	6 756	-	7 497	-	-	**39 082**	-
Past due 61 - 90 days	1 028	9 532	6 759	1 002	33	18 337	-	2 704	-	-	**32 636**	-
Total	**32 326**	**189 010**	**147 231**	**27 054**	**148 339**	**406 639**	**-**	**32 254**	**-**	**-**	**835 622**	**-**
Fair value of collateral	-	315 821	288 382	11 945	32 057	635 145	-	-	-	-	994 968	-

Loans and advances past due but not impaired (30 June 2006, in '000)	Individual			Corporate entities					Public sector	Other receivables	Total - Loans nad advances to customers	Loans and advances to banks
	Current accounts	Term loans	including:	Current accounts	Term loans		Revers repo / buy sell back transactions	Other				
			housing and mortgage loans		corporate & institutional enterprises	medium & small enterprises						
Past due up to 30 days	28 632	145 192	120 013	22 741	-	212 832	-	33 263	2 330	-	**444 990**	-
Past due 31 - 60 days	2 078	21 357	17 077	3 758	346	20 813	-	5 026	-	-	**53 378**	-
Past due 61 - 90 days	1 088	6 843	5 691	2 017	43 875	20 032	-	13	-	-	**73 868**	-
Total	**31 798**	**173 392**	**142 781**	**28 516**	**44 221**	**253 677**	**-**	**38 302**	**2 330**	**-**	**572 236**	**-**
Fair value of collateral	-	304 789	285 834	13 550	-	681 747	-	-	-	-	1 000 086	-

Upon initial recognition of loans and advances, fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, fair value is updated by reference to market prices of similar assets or on the basis of a valuation performed, if required.

Loans and advances individually impaired

Loans and advances individually impaired are presented in the Balance Sheet after taking account of cash flows in respect of collateral held by the Group and amounted to PLN 249 344 thousand (PLN 279 107 thousand as at 30 June 2006). Gross amounts of loans and advances individually impaired (i.e. before taking into consideration the cash flows from collateral held) are presented below by classes of assets, together with the corresponding collateral:

	Klienci indywidualni			Klienci korporacyjni					Klienci budżetowi	Inne należności	Razem klienci
	Należności bieżące	Kredyty terminowe	w tym:	Należności bieżące	Kredyty terminowe		Transakcje revers repo/ buy sell back	Pozostałe			
			kredyty mieszkaniowe i hipoteczne		udzielone dużym klientom	udzielone średnim i małym klientom					
30 czerwca 2007 r.											-
Kredyty i pożyczki z utratą wartości	46 627	130 514	52 344	156 727	68 200	530 305	-	38 386	-	-	970 759
Wartość godziwa zabezpieczeń	-	109 303	94 200	34 411	14 830	187 399	-	-	-	-	345 943
31 grudnia 2006 r.											
Kredyty i pożyczki z utratą wartości	45 918	128 427	54 002	162 717	106 251	541 821	-	35 527	-	-	1 020 661
Wartość godziwa zabezpieczeń	-	148 013	93 466	48 433	13 950	248 996	-	-	-	-	459 392
30 czerwca 2006 r.											-
Kredyty i pożyczki z utratą wartości	44 208	137 635	55 710	173 662	104 388	590 493	-	16 991	-	-	1 067 376
Wartość godziwa zabezpieczeń	-	208 308	88 042	53 708	9 393	377 981	-	-	-	-	649 391

In the six-month-long period ended 30 June 2007, the Group did not recognize impairment of any exposures to banks (PLN 0 as at 30 June 2006).

Renegotiated loans and advances

The renegotiations of contractual terms of loans and advances is an evidence of impairment unless caused by the situation of a debtor and it was carried out in normal business conditions. The restructuring processes consists in changing the agreements due to extension the timing circuit of payments, recognized reparation plans, modification and delay of repayment of customer's debt, which as a result of the process is classified into default portfolio. The restructuring procedures and practice are based on ratios and criteria which, in the opinion of Board of Management, show that payments shall most probably be made on time. The restructuring procedures are conditioned by regular reviews. Most frequently, restructuring is carried out in respect of term loans. In connection with established accounting principles, renegotiated loans are impaired if the change of contractual terms was caused by higher credit risk.

3.2.6 Debt instruments: Treasury bonds and other eligible debt securities

30.06.2007	Trading securities and pledged assets			Investment securities and pledged assets	Total
Rating	Government bonds	Treasury bills	Other debt securities		
AAA	-	-	-	224 090	**224 090**
AA- to AA+	-	-	212 343	2 084	**214 427**
A- to A+	3 935 525	10 827	18 968	3 261 327	**7 226 647**
BBB+ to BBB-	-	-	-	-	**-**
BB+ to BB-	-	-	-	-	**-**
B+ to B-	-	-	-	-	**-**
Lower than B-	-	-	-	-	**-**
Unrated	-	-	2 916 681	132 304	**3 048 985**
Total	**3 935 525**	**10 827**	**3 147 992**	**3 619 805**	**10 714 149**

3.2.7 Repossessed collateral

In the first half of 2007, the Group obtained the following assets by taking possession of collateral held as security (in PLN thousand):

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Type of assets	Carrying amount		
	30.06.2007	31.12.2006	30.06.2006
Real estate	-	11 294	-
Vehicles	-	516	-
Other fixed assets	122	-	2
Inventories	-	1	-
Total	**122**	**11 811**	**2**

The Group classifies repossessed collateral as assets repossessed for debt and measures them in accordance with the adopted accounting policies described in Note 2.19. Repossessed collateral classified as assets held for sale shall be put up for sale on an appropriate market and sold at the soonest possible date. The process of selling collateral repossessed by the Bank is arranged in line with the policies and procedures specified by the Restructuring and Recovery Bureau for individual types of repossessed collateral.The policy of the Group is to sell repossessed assets or - in the case of leases - lease them out again to another customer. Cases in which the repossessed collateral is used for own needs are rare – such a step must be economically justified and reflect the Group's urgent need, and must each time be approved by the Management Board. In the first half of 2007, the Group did not have any repossessed collateral that are difficult to sell.

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

Geographic concentration risk

In order to actively manage the risk of concentration by country, the Bank:

a) Complies with the formal procedures aimed at identifying, measurement and monitoring this risk.
b) Complies with the formal limits mitigating the risk by country and the procedures to be followed when the limits are exceeded.
c) Uses a management reporting system which enables monitoring the risk level by country and supports the decision-making process related to management.
d) Maintains contacts with a selected group of the largest banks with good ratings, which are active in handling foreign transactions. On some markets, where the risk is difficult to estimate, BRE Bank avails itself of the services of its foreign correspondents, e.g. Commerzbank and insurance in KUKE which covers the economic and political risk.

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

Sector concentration risk

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.

Sector limits are set for sectors defined by BRE Bank SA in accordance with the internal regulations of the Bank, in quarterly reporting periods. Monitoring and analysis covers all the sectors in which the Bank's exposure exceeds PLN 700 million, and additionally those indicated by the Bank's Risk Management Director. Unless the Bank's Credit Committee decides otherwise, an exposure limit is set for the Group in any sector on a level not higher than:

a) 10% of the gross loan portfolio in the prior reporting period for low risk sectors;
b) 8% of the gross loan portfolio in the prior reporting period for medium risk sectors;
c) 6% of the gross loan portfolio in the prior reporting period for high risk sectors.

In the event of exceeding any sector limit or an expectation that such a limit may be exceeded in the next reporting period, activities preventing the exceeding of limits are implemented.

The tables below present the structures of concentration of exposures to particular business lines of BRE Bank SA and BRE Bank Hipoteczny.

The structure of concentration of exposure of BRE Bank SA

No	Sector	Principal exposure (PLN 000's) 30.06.2007	%	Principal exposure (PLN 000's) 31.12.2006	%	Principal exposure (PLN 000's) 30.06.2006	%
1.	Household customers	11 297	47.7	8 709	45.7	6 341	35.3
2.	Banks	861	3.6	656	3.4	788	4.4
3.	Metal	840	3.5	633	3.3	637	3.5
4.	Wholesale trade	688	2.9	544	2.9	493	2.7
5.	Leasing	686	2.9	671	3.5	681	3.8
6.	Equipment	611	2.6	398	2.1	342	1.9
7.	Wood and furnitures	513	2.2	470	2.5	349	1.9
8.	Real estate	467	2	206	1.1	222	1.2
9.	Construction industry	451	1.9	406	2.1	368	2.1

Total exposure of the Bank in the above sectors (excluding individuals) amounts to about 21.6 % of credit portfolio. A recent study of the Market Economy Research Institute (for the first half of 2007) assessed the risks of investing in these segments (in a 5-point scale: small, medium, increased, large and very large) as follows:

Household customers	- non classified
Banks	- non classified
Metal	- small/medium
Wholesale trade	- medium
Leasing	- non classified
Equipment	- increased
Wood and furniture industry	- medium
Real estate	- medium
Construction industry	- small

The structure of concentration of exposure of BRE Bank Hipoteczny

No	Sector	Principal exposure (PLN 000's) 30.06.2007	%	Principal exposure (PLN 000's) 31.12.2006	%	Principal exposure (PLN 000's) 30.06.2006	%
1.	Real estate management	1 589	58.17	1 295	57.18	1 394	62.48
2.	Construction industry	418	15.31	313	13.81	210	9.40
3.	Health care and social security	280	10.25	226	9.97	187	8.22
4.	Hotels and restaurants	184	6.73	165	7.30	143	6.43
5.	Public administration and national defence	164	6.02	152	6.71	149	6.81
6.	Household customers	96	3.52	114	5.03	149	6.67

Risk of concentration of large exposures

The purpose of management of the risk of concentration of large exposures is to regularly monitor and control exposures for compliance with the legal limits. In order to ensure safety against the risk of exceeding the legal limits at the Bank:

a) internal limits are set, which are lower than those specified in the Banking Law,
b) for customers, whose exposures exceeding 5% of equity a process of bookings (permits) is introduced in respect of exposure limits,
c) a weekly large exposure report is maintained for participants of the lending and investment processes.

These activities have a direct impact on the decisions of the Bank's bodies concerning the approval, increase and undertaking of exposures with customers.

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.

3.4 Market Risk

The Bank is exposed to market risk, which is defined as a risk of changes in the current valuation of financial instruments constituting the Bank's portfolios, resulting from changes in prices and market parameters. The Bank's exposure to market risk results from open positions in interest rate, foreign currency and equity instruments, which are exposed to market changes in the values of the appropriate risk factors, and in particular, to changes in interest rates, foreign exchange rates, share prices and indices, and the volatility of these risk factors.

Market risk results both from trading book and banking book items. Operating management in market risk takes place in the front office – in the Treasury Department responsible mainly for banking book items and in the Financial Markets Department, which mainly manages trading book items. Market risk resulting from transactions concluded by other units of the Bank is transferred, in principle, to the Treasury Department or the Financial Markets Department in line with the type of risk. The strategic management of market risk, including independent monitoring and control, is performed in the Bank's units which are functionally independent of the units managing the items – including the Financial Risk Department, and the decisions relating to the strategic market risk management are made by the Financial Risk Committee.

The Bank's trading portfolios are composed of items arising as a result of trading transactions concluded with the Bank's customers or transactions in which the Bank acts as a market animator.

The banking book comprises items resulting from the Bank's interest rate risk management, mainly in the areas of corporate, investment and retail banking, and from management of the Bank's liquidity.

In order to mitigate the market risk to which the Bank is exposed, the Bank's Management Board, based on decisions of the Financial Risk Committee, sets limits of value at risk and limits of stress tests. Market risk limits in respect of the Bank's trading book are monitored on a daily basis.

The level of exposure to market risk

The level of market risk of the Bank's position is quantified by measuring value at risk (VaR) and performing stress tests.

Value at Risk

Value at Risk (VaR) is the basic measure of market risk applied to trading book and banking book portfolios. VaR is a statistical measure which expresses potential loss to which a portfolio is exposed in a specified period, for a specified level of confidence, in normal market conditions, in connection with changes in risk factors, such as interest rates, foreign exchange rates, share prices and volatility of specified risk factors (exchange rates, interest rates, prices). The potential nature of losses means that with a predetermined high probability (level of confidence) at which value at risk is established, in a specified period a loss can be expected which is lower than VaR. Value at risk is determined using historical simulation method, based on time sequences of 254 (1 year) observed values of all the risk factors on which the Bank's portfolios are dependent. Until the end of 2006, the Bank monitored value at risk at a level of confidence of 95% for a one day period of maintaining a position but from 2007, value at risk is monitored at the level of confidence of 97.5%.

Thanks to the fact that in the process of determining value at risk accurate methods of measuring financial instruments are applied, the level of VaR monitored by the Bank accurately reflects market risk of non-straight line financial instruments, such as options. The model for determining value at risk is subjected to historical verification tests on an ongoing basis. The results of these tests show that the model is correct.

Since the beginning of 2006, the level of market risk exposure of BRE Bank's Companies is monitored by the Bank. The table below shows the level of market risk exposure of BRE Bank's Companies in relation to the Bank's exposure according to states as at 30 June 2007 and, in order to compare with, 30 June 2006 that is measured using value at risk (with a confidence level of 97.5% for a one-day period of maintaining a position).

Value at risk - VaR (PLN 000's)	**30.06.2007**	**30.06.2006**
BRE Bank	6 604	6 224
BRE Bank Group (including the effect of diversification)	6 610	6 279
BRE Bank Group (excluding the effect of diversification)	7 157	7 300

The main sources of market risk BRE Bank SA Group are the Bank's items. Below table presents accurate analysis of the structure of market risk determined using value at risk (with a confidence level of 97.5%) of the Bank's items:

	The first half 2007				**The first half 2006**			
	30.06.2007	**mean**	**max.**	**min.**	**30.06.2006**	**mean**	**max.**	**min.**
Interest rate risk	6 138	5 635	9 587	3 533	6 135	3 459	9 304	1 816
Roreign exchange risk	839	946	1 804	182	433	281	973	20
Equities risk	134	414	944	106	191	302	864	109
Total VaR	**6 604**	**6 324**	**10 275**	**3 988**	**6 224**	**3 431**	**9 288**	**1 872**

The utilization of VaR limits for the trading book was in the first half of 2007 on a safe level and amounted to 22% on average, whereas for the banking book 42% respectively.

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The level of VaR is affected mainly by portfolios of instruments sensitive to interest rate, such as T-bonds, commercial papers, IRS and CIRS transaction and secondly, portfolios of instruments sensitive to changes in foreign exchange rates, such as currency options and currency exchange transactions. The remaining groups of risk factors have a relatively smaller effect on VaR.

Stress testing

Stress testing is an additional measure of market risk, supplementing the measurement of value at risk. The test shows the hypothetical change in the current valuation of the Bank's portfolios, which would take place as a result of the risk factors reaching specified extreme values. The Bank applies two methods for carrying out stress tests: the first one, in which the scenarios of changes in risk factors have been constructed on the basis of large changes in market parameters observed during crisis situations on the market in the past, and the second one, in which the scenarios are composed of larger changes in risk factors correlated on the extremes and the same in each group. The value of the stress test is subject to a limit in the form of a control number. The average value of a stress test (based on observed crisis situations in the past) in 2007 was PLN 10.6 million for the trading book and PLN 37.3 million for the banking book relatively.

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 30 June 2007, 31 December 2006 and 30 June 2006. The table presents assets and liabilities of the Group at balance sheet carrying amount, for each currency:

30.06.2007	PLN	EUR	USD	CHF	GBP	Other	Total
ASSETS							
Cash and balances with Central Bank	2 541 775	11 784	7 684	296	432	760	2 562 731
Debt securities eligible for rediscounting at the Central Bank	34 005	-	-	-	-	-	34 005
Loans and advances to banks	1 436 600	272 262	620 383	8 453	3 575	21 025	2 362 298
Financial instruments at fair value through profit or loss (including trading)	3 528 312	218 274	100 468	-	-	-	3 847 054
Derivative financial instruments	1 592 788	5 777	12 428	563	-	245	1 611 801
Loans and advances to customers	15 412 759	4 485 729	730 271	7 967 570	9 918	413 255	29 019 502
Investment securities	3 696 313	127 260	167 411	-	-	13	3 990 997
- Available for sale	3 696 313	127 260	167 411	-	-	13	3 990 997
Pledged assets	3 319 230	-	-	-	-	-	3 319 230
Investments in associated undertakings	238	3 766	-	-	-	-	4 004
Intangible assets	372 464	98	-	-	-	393	372 955
Tangible fixed assets	584 191	5 438	-	-	-	1 614	591 243
Other assets, including deferred income tax assets	876 525	13 863	255	1 748	35	1 276	893 702
Total assets	**33 395 200**	**5 144 251**	**1 638 900**	**7 978 630**	**13 960**	**438 581**	**48 609 522**

	PLN	EUR	USD	CHF	GBP	Other	Total
LIABILITIES							
Amounts due to other banks	2 810 707	1 476 806	48 305	4 323 613	3 192	326 140	8 988 763
Derivative financial instruments and other trading liabilities	1 502 290	41 171	15 815	160	130	267	1 559 833
Amounts due to customers	23 999 852	3 663 612	1 449 180	25 539	115 451	52 082	29 305 716
Debt securities in issue	1 574 316	1 796 133	132 796	-	-	-	3 503 245
Other borrowed funds	-	380 668	-	1 093 103	-	-	1 473 771
Other liabilities including tax liabilities	829 161	57 970	9 766	1 680	11	6 197	904 785
Provisions	63 623	2 220	483	-	-	-	66 326
Total liabilities	**30 779 949**	**7 418 580**	**1 656 345**	**5 444 095**	**118 784**	**384 686**	**45 802 439**
Net on-balance sheet position	**2 615 251**	**(2 274 329)**	**(17 445)**	**2 534 535**	**(104 824)**	**53 895**	**2 807 083**
Credit commitments	**9 021 932**	**1 152 400**	**299 254**	**615 098**	**6 175**	**12 764**	**11 107 623**

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	648 992	9 402	241	25	29	1 063	659 752
Total assets	**27 848 414**	**5 094 753**	**1 958 110**	**6 540 432**	**54 133**	**449 545**	**41 945 387**

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	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	702 725	61 793	8 930	323	1	6 386	780 158
Provisions	68 530	1 638	-	-	-	-	70 168
Total liabilities	**25 480 064**	**7 558 996**	**1 769 940**	**4 402 182**	**92 762**	**379 437**	**39 683 381**
Net on-balance sheet position	**2 368 350**	**(2 464 243)**	**188 170**	**2 138 250**	**(38 629)**	**70 108**	**2 262 006**
Credit commitments	**8 353 078**	**1 114 359**	**330 381**	**684 725**	**5 264**	**16 267**	**10 504 074**

30.06.2006	**PLN**	**EUR**	**USD**	**CHF**	**GBP**	**Other**	**Total**
ASSETS							
Cash and balances with Central Bank	1 114 047	13 638	7 709	819	334	1 263	1 137 810
Debt securities eligible for rediscounting at the Central Bank	25 161	-	-	-	-	-	25 161
Loans and advances to banks	2 338 652	570 352	687 612	8 955	12 711	31 105	3 649 387
Financial instruments at fair value through profit or loss (including trading)	2 989 200	124 144	130 814	-	-	-	3 244 158
Derivative financial instruments	1 763 123	6 591	12 018	454	-	166	1 782 352
Loans and advances to customers	11 301 870	4 341 999	935 138	4 690 179	20 610	437 148	21 726 944
Investment securities	2 243 939	326 284	289 910	-	-	14	2 860 147
- Available for sale	2 243 939	326 284	289 910	-	-	14	2 860 147
Pledged assets	2 424 986	44 579	495	-	-	-	2 470 060
Investments in associated undertakings	238	5 402	-	-	-	-	5 640
Intangible assets	411 689	202	-	-	-	428	412 319
Tangible fixed assets	553 339	6 407	-	-	-	1 636	561 382
Other assets, including deferred income tax assets	557 805	8 851	1 023	1	20	1 177	568 877
Total assets	**25 724 049**	**5 448 449**	**2 064 719**	**4 700 408**	**33 675**	**472 937**	**38 444 237**

	PLN	EUR	USD	CHF	GBP	Other	Total
LIABILITIES							
Amounts due to the Central Bank	2 146	-	-	-	-	-	2 146
Amounts due to other banks	2 617 418	1 640 363	95 739	1 957 614	15 075	290 965	6 617 174
Derivative financial instruments and other trading liabilities	1 518 618	27 176	8 837	-	-	235	1 554 866
Amounts due to customers	17 538 815	2 722 774	1 387 088	9 960	61 897	61 360	21 781 894
Debt securities in issue	1 554 069	2 737 226	97 350	-	-	-	4 388 645
Other borrowed funds	-	1 494 224	-	-	-	-	1 494 224
Other liabilities including tax liabilities	460 173	33 423	8 877	19	-	5 636	508 128
Provisions	79 058	4 169	-	-	-	-	83 227
Total liabilities	**23 770 297**	**8 659 355**	**1 597 891**	**1 967 593**	**76 972**	**358 196**	**36 430 304**
Net on-balance sheet position	**1 953 752**	**(3 210 906)**	**466 828**	**2 732 815**	**(43 297)**	**114 741**	**2 013 933**
Credit commitments	**6 528 163**	**1 061 720**	**448 531**	**429 011**	**761**	**16 391**	**8 484 577**

3.6 Interest Rate Risk

BRE Bank SA

Interest rate risk at BRE Bank SA is managed on the basis of the following key interest rate risk measures: restatement date misfit gap and interest earnings at risk (EaR) based on the former. The Bank also performs stress test analyses based on these methods.

A sudden, lasting and disadvantageous change of market interest rates by 100 base points for all maturities in: the 1st half of 2007, year 2006 and in the 1st half of 2006 would result in decrease in the annual interest income within 12 months after the Balance Sheet date by the following amounts, on average:

30.06.2007	31.12.2006	30.06.2006
PLN 20.15 million for PLN	PLN 21.14 million for PLN	PLN 24.29 million for PLN
PLN 5.73 million for EUR	PLN 0.28 million for EUR	PLN 1.19 million for EUR
PLN 2.98 million for USD	PLN 1.66 million for USD	PLN 6.91 million for USD
PLN 4.54 million for CHF	PLN 2.03 million for CHF	PLN 5.20 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 above indicated dates would be fixed during the year and the Group would not take any measures to change related exposure to interest rate change risk.

BRE Bank Hipoteczny SA

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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 1st half of 2007 and year 2006 would result in decrease in the annual interest income by the following amounts, on average:

30.06.2007	31.12.2006	30.06.2006
PLN 2 643.5 thousand for PLN	PLN 2 708.9 thousand for PLN	PLN 2 643.5 thousand for PLN
PLN 59.3 thousand for EUR	PLN 99.7 thousand for EUR	PLN 62.8 thousand for EUR
PLN 29.1 thousand for USD	PLN 33.5 thousand for USD	PLN 33.0 thousand for USD

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

BRE Leasing 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: the 1st half of 2007, year 2006 and in the 1st half of 2006 would result in decrease in the annual interest income by the following amounts, on average:

30.06.2007	31.12.2006	30.06.2006
PLN 3.2 million for PLN	PLN 7.8 million for PLN	PLN 7.5 million for PLN
PLN 2.4 million for EUR	PLN 6.6 million for EUR	PLN 6.3 million for EUR
PLN 0.02 million for USD	PLN 0.05 million for USD	PLN 0.1 milion for USD
PLN 0.07 million for CHF	PLN 2.6 million for CHF	PLN 2.6 million for CHF

The following tables present the Group's exposure to interest rate risk. The tables present Group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

30.06.2007	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	1 742 646	-	-	-	-	820 085	2 562 731
Debt securities eligible for rediscounting at the Central Bank	-	34 005	-	-	-	-	34 005
Loans and advances to banks	1 886 888	144 310	314 620	3 528	-	12 952	2 362 298
Trading securities, investment securities and pledged assests	5 305 690	1 389 922	528 036	2 967 604	759 821	206 208	11 157 281
Loans and advances to customers	23 269 137	2 307 792	1 470 967	1 568 596	59 812	343 198	29 019 502
Other assets and derivative financial instruments	650 097	225 542	587 434	221 870	6 221	729 351	2 420 515
Total assets	**32 854 458**	**4 101 571**	**2 901 057**	**4 761 598**	**825 854**	**2 111 794**	**47 556 332**
LIABILITIES							
Amounts due to other banks	5 398 507	3 135 128	420 367	19 366	-	15 394	8 988 762
Amounts due to customers	26 914 681	1 343 273	645 646	190 784	169 680	41 652	29 305 716
Debt securities in issue	1 533 517	1 054 606	901 849	7 078	-	6 195	3 503 245
Subordinated liabilities	6 151	1 467 620	-	-	-	-	1 473 771
Other liabilities and derivative financial instruments	445 814	231 076	566 798	222 362	6 738	879 874	2 352 662
Total liabilities	**34 298 670**	**7 231 703**	**2 534 660**	**439 590**	**176 418**	**943 115**	**45 624 156**
Total interest repricing gap	**(1 444 212)**	**(3 130 132)**	**366 397**	**4 322 008**	**649 436**		

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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
Total assets	**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	7 972 386
Amounts due to customers	22 746 900	931 944	565 469	192 544	178 227	54 772	24 669 856
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	2 013 699
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**		

30.06.2006	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	646 492	-	-	-	-	491 318	1 137 810
Debt securities eligible for rediscounting at the Central Bank	-	25 161	-	-	-	-	25 161
Loans and advances to banks	1 830 339	610 929	1 116 020	80 790	-	11 309	3 649 387
Trading securities, investment securities and pledged assests	3 555 468	1 159 400	1 491 519	1 624 197	521 818	221 963	8 574 365
Loans and advances to customers	18 217 500	1 694 544	1 018 494	555 847	58 906	181 653	21 726 944
Other assets and derivative financial instruments	418 948	264 740	805 769	237 412	4 591	524 908	2 256 368
Total assets	**24 668 747**	**3 754 774**	**4 431 802**	**2 498 246**	**585 315**	**1 431 151**	**37 370 035**
LIABILITIES							
Amounts due to other banks	4 613 320	1 226 242	770 752	-	-	6 860	6 617 174
Amounts due to customers	18 854 131	1 973 709	623 171	116 971	130 847	83 065	21 781 894
Debt securities in issue	896 432	741 560	964 418	1 786 235	-	-	4 388 645
Subordinated liabilities	54 731	1 439 493	-	-	-	-	1 494 224
Other liabilities and derivative financial instruments	333 823	241 362	701 292	217 149	4 682	554 364	2 052 672
Total liabilities	**24 752 437**	**5 622 366**	**3 059 633**	**2 120 355**	**135 529**	**644 289**	**36 334 609**
Total interest repricing gap	**(83 690)**	**(1 867 592)**	**1 372 169**	**377 891**	**449 786**		

3.7 Liquidity Risk

BRE Bank SA

The objective of liquidity risk management is to ensure and maintain the Bank's ability to fulfill both current and future commitments, with taking account of costs of liquidity obtaining.

Process of ensuring financial liquidity in the Bank comprises of the following sub-processes:

1) monitoring liquidity situation of the Bank,
2) liquidity risk management, i.e. taking up preventive actions for the purposes of not allowing to occurrence the threat of losing liquidity.

Liquidity risk management process contains two stages:

1) strategic stage, that enables to ensure financial liquidity in long period and it includes prognostic point of view,
2) operational which allows to observe exposure to liquidity risk for the purposes of protecting immediate and current liquidity.

Financial liquidity risk management within the strategic level in the Bank takes place inter alia in relation to:

a) establishing the structure and levels of strategic limits of the risk,
b) setting up the structure and minimal amount of liquidity reserve of the Bank,
c) adapting methods of calculating financial liquidity risk and forms of banking reports,
d) neutralizing emergency situation due to the threat of losing liquidity,
e) establishing the Bank's strategy in relation to the structure of assets, debt, equity, liabilities and off-balance items,
f) determining long-period financing strategy.

Financial liquidity risk management within the operational level takes place in Department of The Treasury of the Bank in the following areas:

a) ensuring resources for the purposes of settling up on accounts of the Bank (e.g. Nostro accounts),

b) realization strategic recommendations of Assets and Liabilities Committee (ALCO) of BRE Bank SA Group,
c) forming the structure of future cash flows in the range of the limits set up by Risk Committee,
d) keeping securities portfolios of proper size, which ensures preservation of liquidity in the scope of the limits of Risk Committee, on established levels (liquid assets),
e) keeping other parameters on levels determined by the limits established by ALCO and Risk Committee,
f) performing emergency procedures in order to neutralize emergency situation related to the threat of losing financial liquidity.

The Bank monitors financial liquidity daily, using methods based on cash flows analyses. The measurement of liquidity risk is based on an internal model created on the basis of 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 reserves of the Bank, and the rate of usage of internal limits. The Bank systematically estimates liquidity as well as probability of its worsening, using scenario methods, herein stress test.

The Bank also monitors the level of financing concentration, especially in relation to deposits, and of liquidity provisions.

The Bank holds its own procedures concerning emergency actions against material worsening of financial liquidity of the Bank.

For the purposes of securing liquidity, the Bank establishes resources of current and immediate reinforcement of liquidity, which are liquidity reserves. Liquidity reserves comprise of current reserves and immediate reserves.
The liquidity of the Bank was maintained on the safe and stable level in the first half of 2007.

In the 1st half of 2007, the liquidity rate up to one month stayed within the 0.78 - 1.16 range - as at 30 June 2007, the ratio amounted 0.83. As at 30 June 2006 and 31 December 2006 this ratio amounted respectively 1.06 i 1.12.

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 the first half of 2007, the liquidity ratios up to 1 month were between 22.86% and 49.46% and the average liquidity ratio was 16.92%. The liquidity ratio was 32.26% at 30 June 2006.*

* Liquidity up to 1 month was 32.28% including a credit limit of PLN 300 million granted by BRE Bank.

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.

3.7.1 Cash Flows from Transactions in Non-derivative Financial Instruments

The table below show cash flows the Group is required to settle, resulting from financial liabilities. The cash flows have been presented as at the Balance Sheet date, categorized by the remaining contractual maturities. The amounts denominated in foreign currencies were converted to Polish zloty at average rate of exchange announced by National Bank of Poland at the Balance Sheet date. The amounts disclosed in the table are contractual non-discounted cash flows.

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Liabilities (by contractual maturity dates)	as at 30.06.2007					
	up to 1 months	1-3 months	3-12 months	1-5 years	over 5 years	Total
Amounts due to other banks	2 005 262	422 001	1 820 038	4 678 132	63 329	8 988 762
Amounts due to customers	26 731 083	1 374 740	705 142	281 451	213 300	29 305 716
Debt securities in issue	354 649	270 854	1 815 363	845 596	216 783	3 503 245
Subordinated liabilities	-	6 151	-	-	1 467 620	1 473 771
Other liabilities	601 862	11 778	158 423	13 259	7 506	792 828
Current income tax liabilities	8 909	-	76 896	-	-	85 805
Provisions for deferred income tax	353	-	19	25 780	-	26 152
Provisions	-	396	64 848	1 082	-	66 326
Total liabilities	29 702 118	2 085 920	4 640 729	5 845 300	1 968 538	44 242 605
Assets (by remaining contractual maturity dates)						
Total assets	15 747 046	2 868 989	3 308 066	13 292 328	11 781 292	46 997 721
Net liquidity gap	(13 955 072)	783 069	(1 332 663)	7 447 028	9 812 754	2 755 116

Liabilities (by contractual maturity dates)	as at 31.12.2006					
	up to 1 months	1-3 months	3-12 months	1-5 years	over 5 years	Total
Amounts due to other banks	1 425 474	470 251	575 246	5 450 528	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	169 343	983 967	1 838 459	-	3 389 559
Subordinated liabilities	-	-	-	-	1 547 354	1 547 354
Other liabilities	575 958	13 755	112 664	57 422	-	759 799
Current income tax liabilities	17 667	2 336	44	-	-	20 047
Provisions for deferred income tax	-	20	-	292	-	312
Provisions	14 004	1 026	54 056	1 082	-	70 168
Total liabilities	24 751 814	1 536 211	2 373 245	7 938 239	1 829 972	38 429 481
Assets (by remaining contractual maturity dates)						
Total assets	13 464 948	2 956 262	4 840 085	10 475 590	8 795 437	40 532 322
Net liquidity gap	(11 286 866)	1 420 051	2 466 840	2 537 351	6 965 465	2 102 841

Liabilities (by contractual maturity dates)	as at 30.06.2006					
	up to 1 months	1-3 months	3-12 months	1-5 years	over 5 years	Total
Amounts due to central bank	2 146	-	-	-	-	2 146
Amounts due to other banks	2 655 042	418 748	698 428	2 786 064	58 892	6 617 174
Amounts due to customers	19 105 588	987 701	856 954	448 686	382 965	21 781 894
Debt securities in issue	741 404	64 667	731 130	2 851 444	-	4 388 645
Subordinated liabilities	278	-	-	-	1 493 946	1 494 224
Other liabilities	372 119	20 759	35 031	69 815	82	497 806
Current income tax liabilities	7 251	2 518	346	-	-	10 115
Provisions for deferred income tax	184	23	-	-	-	207
Provisions	18 537	-	63 608	1 082	-	83 227
Total liabilities	22 902 549	1 494 416	2 385 497	6 157 091	1 935 885	34 875 438
Assets (by remaining contractual maturity dates)						
Total assets	9 649 544	4 582 205	5 991 936	7 865 132	8 573 068	36 661 885
Net liquidity gap	(13 253 005)	3 087 789	3 606 439	1 708 041	6 637 183	1 786 447

The assets which ensure the realization of all the liabilities and lending commitments comprise cash in hand, cash at the central bank, cash in transit and T-bonds and other eligible bonds; amounts due from banks; loans and advances to customers.

In the normal course of activities, some of the loans granted to customers with the contractual repayment date falling due within the year, will be prolonged.

Moreover, debt securities and T-bonds and other bonds have been pledged as collateral for liabilities. The Group could ensure cash for unexpected net outflows by selling securities and availing itself of other sources of financing, such as the market of securities secured with assets (eg. securitization transactions).

3.7.2 Cash Flows from Derivatives

Derivative financial instruments settled in net amounts

Derivative financial instruments settled in net amounts by the Group comprise:
- Derivative futures;
- Forward Rate Agreements (FRA);
- Options;
- Warrants;
- Interest rate swaps (IRS);
- Currency interest rate swaps (CIRS);
- Security forwards.

The table below shows derivative financial liabilities of the Group, which will be settled on a net basis, grouped by appropriate remaining maturities as at the Balance Sheet date. The amounts denominated in foreign currencies were converted to Polish zloty at average rate of exchange announced by National Bank of Poland at the Balance Sheet date. The amounts disclosed in the table are non-discounted contractual out flows.

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30.06.2007

Derivatives settled on a net basis *)	up to 1 months	1-3 months	3-12 months	1-5 years	over 5 years	Total
Forward Rate Agreements (FRA)	13 878	13 877	41 118	12 319	-	81 192
Overnight Index Swap (OIS)	8 631	2 980	11 765	-	-	23 376
Interest Rate Swap (IRS)	74 133	98 908	239 732	552 161	64 177	1 029 111
Cross Currency Interest Rate Swap (CIRS)	153	168	5 919	40 799	93	47 132
Tom-next index swap (TOIS)	70	191	-	-	-	261
Options	6 518	15 851	55 829	5 840	3 623	87 661
Futures contracts	-	806	-	-	-	806
Other	-	1 459	4 286	16 415	7 335	29 495
Total derivatives settled on a net basis	103 383	134 240	358 649	627 534	75 228	1 299 034

31.12.2006

Derivatives settled on a net basis *)	up to 1 months	1-3 months	3-12 months	1-5 years	over 5 years	Total
Forward Rate Agreements (FRA)	8 725	15 501	43 899	17 115	-	85 240
Overnight Index Swap (OIS)	1 849	5 018	23 066	-	-	29 933
Interest Rate Swap (IRS)	81 109	116 465	197 377	626 646	42 945	1 064 542
Cross Currency Interest Rate Swap (CIRS)	49	176	888	58 211	1 293	60 617
Tom-next index swap (TOIS)	46	-	-	-	-	46
Options	3 551	7 003	18 435	3 480	-	32 469
Total derivatives settled on a net basis	95 329	144 163	283 665	705 452	44 238	1 272 847

30.06.2006

Derivatives settled on a net basis *)	up to 1 months	1-3 months	3-12 months	1-5 years	over 5 years	Total
Forward Rate Agreements (FRA)	10 366	10 882	44 279	17 167	-	82 694
Overnight Index Swap (OIS)	488	1 531	19 742	1 608	-	23 369
Interest Rate Swap (IRS)	60 787	159 419	225 421	482 369	46 965	974 961
Cross Currency Interest Rate Swap (CIRS)	(764)	73	1 855	70 689	9 482	81 335
Options	6 807	17 142	29 840	3 748	-	57 537
Futures contracts	-	1 881	-	-	-	1 881
Other	-	-	602	4 406	3 736	8 744
Total derivatives settled on a net basis	77 684	190 928	321 739	579 987	60 183	1 230 521

* Derivatives settled on a net basis is a negative amount of the valuation of the transactions

Derivative financial instruments settled in gross amounts

Derivative financial instruments settled in gross amounts by the Group comprise foreign exchange derivatives: currency forwards and currency swaps.

The table below shows derivative financial liabilities of the Group, which will be settled on a gross basis, grouped by appropriate remaining maturities as at the Balance Sheet date. The amounts denominated in foreign currencies were converted to Polish zloty at average rate of exchange announced by National Bank of Poland at the Balance Sheet date.

30.06.2007

Derivatives settled on a gross basis **)	up to 1 months	1-3 months	3-12 months	1-5 years	over 5 years	Total
Currencies contracts liabilities	14 420 306	5 702 833	9 719 096	320 776	-	30 163 011
Total derivatives settled on a gross basis	14 420 306	5 702 833	9 719 096	320 776	-	30 163 011

31.12.2006

Derivatives settled on a gross basis **)	up to 1 months	1-3 months	3-12 months	1-5 years	over 5 years	Total
Currencies contracts liabilities	13 794 796	5 087 793	9 885 947	579 713	-	29 348 249
Total derivatives settled on a gross basis	13 794 796	5 087 793	9 885 947	579 713	-	29 348 249

Derivatives settled on a gross basis **)	up to 1 months	1-3 months	3-12 months	1-5 years	over 5 years	Total
Currencies contracts liabilities	12 701 095	7 625 997	12 750 576	11 771 549	156 679	45 005 896
Total derivatives settled on a gross basis	12 701 095	7 625 997	12 750 576	11 771 549	156 679	45 005 896

** Derivatives settled on a gross basis is an amount of cash flow to be paid

The amounts disclosed in the table are non-discounted contractual outflows.

The detailed data concerning liquidity risk related to off-balance sheet items are presented in Note 37.

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.

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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.

	30.06.2007		31.12.2006		30.06.2006	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Financial assets						
Loans and advances to banks	**2 362 298**	**2 362 960**	**2 844 124**	**2 840 879**	**3 649 387**	**3 650 153**
Loans and advances to customers	**29 019 502**	**29 020 087**	**23 044 694**	**23 053 340**	**21 726 944**	**21 744 356**
Loans and advances to individuals	***10 371 456***	***10 370 664***	***8 015 295***	***8 014 537***	***5 814 877***	***5 814 879***
current accounts	917 861	917 861	697 872	697 872	581 815	581 815
term loans including:	9 453 595	9 452 803	7 317 423	7 316 665	5 233 062	5 233 064
- housing and mortgage loans	8 863 152	8 863 073	6 836 303	6 836 238	4 798 265	4 798 266
Loans and advances to corporate entities	***17 456 488***	***17 457 859***	***14 284 384***	***14 293 758***	***13 898 624***	***13 916 012***
current accounts	2 927 690	2 927 690	2 207 636	2 207 636	2 047 037	2 047 037
term loans	12 467 065	12 468 436	10 325 196	10 334 570	9 961 592	9 978 980
- corporate & institutional enterprises	2 415 258	2 413 842	2 224 325	2 228 258	2 513 647	2 518 693
- medium & small enterprises (K2 + K3)	10 051 807	10 054 594	8 100 871	8 106 312	7 447 945	7 460 287
revers repo / buy sell back transactions	333 875	333 875	40 436	40 436	248 055	248 055
other	1 727 858	1 727 858	1 711 116	1 711 116	1 641 940	1 641 940
Loans and advances to public sector	***942 735***	***942 741***	***429 349***	***429 379***	***1 790 741***	***1 790 763***
Other receivables	***248 823***	***248 823***	***315 666***	***315 666***	***222 702***	***222 702***
Assets available for sale						
Debt securities	***3 619 805***	***3 619 805***	***2 842 902***	***2 842 902***	***2 613 565***	***2 613 565***
- listed	3 531 408	3 531 408	2 806 229	2 806 229	2 577 135	2 577 135
- unlisted	88 397	88 397	36 673	36 673	36 430	36 430
Equity securities	***437 218***	***437 218***	***270 030***	***270 030***	***257 680***	***257 680***
- listed	11 446	11 446	10 411	10 411	22 317	22 317
- unlisted	425 772	425 772	259 619	259 619	235 363	235 363
Financial liablitities						
Amounts due to other banks	**8 988 762**	**8 989 900**	**7 972 386**	**7 972 386**	**6 617 174**	**6 617 174**
Amounts due to customers	**29 305 716**	**29 313 022**	**24 669 856**	**24 679 751**	**21 781 894**	**21 788 578**
Debt securities in issue	**3 503 245**	**3 502 495**	**3 389 559**	**3 388 722**	**4 388 645**	**4 387 532**

As at Balance Sheet date the Group did not own not listed debt securities.

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 value of expected future receivables on the account of principal and interest discounted on the basis of zero-coupon curve. 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 from the grant of each credit/loan and changes in interest rates for fixed rate credits.

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 exceptions are shares of VECTRA SA which valuation at fair value is presented in Note 23.

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

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.

<u>Impairment of loans and advances</u>
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. If the current value of estimated cash flows for portfolio of loans and advances, individually impaired, changed by +/-10%, the estimated loans and advances impairment would either decrease by PLN 9.6 million or increase by PLN 11.7 million relatively. The above indicated estimation was performed for portfolio of loans and advance impaired on the basis of individual analysis of future cash flows due to repayments and recovery from collateral.

<u>Fair value of derivative instruments</u>

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. The matter with impact of changes in market conditions on valuation of trading book of the Group (containing inter alia derivatives) was presented in Note 3.4.

<u>Impairment of equity securities available for sale</u>

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. The matter with valuation of shares of PZU SA was presented in Note 3.8.

<u>Impairment of debt instruments available for sale</u>

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 and results from higher credit risk, 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. If in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement. Had all the declines in fair values of financial available for debt instruments below acquisition cost been considered significant or prolonged, the estimated impairment of available for sale debt instruments portfolio would amount to PLN 0.4 million, being the transfer that should be recognized in the income statement of the Group in correspondence with revaluation reserve. For the purpose of the analysis, the declines in particular securities ratings that decreased by four rating classes within the period longer than 3 months were assumed to be significant and prolonged declines in fair values of financial available for sale debt securities.

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. If the current value of estimated cash flows, assumed for the purpose of goodwill impairment losses testing, decreased by 10%, the estimated goodwill impairment losses would increase by PLN 3.6 million.

Deferred tax
The Group analysed the requirements of IAS 12 „Income Taxes" and based on the paragraph 44 did not recognize deferred tax asset in relation to provision for impairment of shares of PTE in the consolidated financial statements. If the deferred tax was recognized, the Group would found the asset in the amount of PLN 81.1 million.

5. Business Segments

The classification by business segments is based on client groups and products defined by homogenous transaction characteristics. The classification is consistent with sales management and philosophy of delivering complex products to Bank's clients, including both standard banking products and more sophisticated investment products. Connecting the method of the presentation of financial results with business management model ensures constant focus on creating added value in relations with Bank's and Group's clients and should be seen as a primary division which serves best both managing and perceiving business within the 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 for retail customers, small and medium-sized enterprises, financial settlements, operations on bills of exchange, checks and guarantees issue.

Since the beginning of 2007, Retail Banking has also included the results of BRE Wealth Management SA and emFinanse Sp. z o.o. BRE Wealth Management SA provides corporate finance services and complex asset management services for wealthy private banking clients. emFinanse Sp z o.o. acts on financial advisors and agents market, and deals with sales of bank products (cash credit, credit on car, mortgage loan) and insurance products.

3) Corporates and Markets - consists of two main sub-segments:

2.1) Corporates and Institutions, including current accounts, savings accounts and term deposits, FX products and derivative instruments, sell buy back and buy sell back transactions, offering of investment products, credit cards and debit cards, business loans, as well as financial and operating leasing of vehicles, machines, office equipment, leasing of real estates, as well as administration support in leasing of the above indicated fixed assets. Within that sub-segment, the Bank solely, or in consortium with other Banks, covenants financing large projects with loans.

The Bank's product offer within this business sub-segment, is targeted at large, medium and small-sized corporations, as well as local governments. A significant part of the activities within corporate customers and institutions segment consists of services supporting foreign trade transactions. The Bank's offer addressed to business includes currency exchange, international transfers, checks, collection of payments, short-term loans, as well as a whole range of financial tools, such as 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. 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).

Within Corporates and Institutions sub-segment the Bank cooperates with domestic and foreign financial institutions (except transactions via nostro and loro accounts) in acquiring loans on international inter-bank market. The Bank also administers overdrafts for import financing and refinancing investment loans for medium and small-sized corporations, mainly with European Investment Bank's sources.

Corporates and Institutions sub-segment includes the results of the following subsidiaries: BRE Bank Hipoteczny SA, BRE Leasing Sp. z o.o., Dom Inwestycyjny BRE Banku SA, BRE Corporate Finance SA, Intermarket Bank AG, Polfactor SA, Transfinance a.s. and Magyar Factor zRt. Subsidiaries enrich Bank's offer by commercial real estates financing, leasing, factoring, publicly traded stocks and securities, purchase and sales of securities in the name of client, merger and acquisition advisory, corporate restructuring consulting and performing any corporate privatizing activities.

2.2) Trading and Investments, including financial instruments dealing, purchasing and sales of stocks and securities on primary and secondary market, which are: transactions on bills, bonds, Treasury Bills, Treasury Bonds, monetary bills of the National Bank of Poland, investment-deposit and FX SWAP transactions. The Bank also participates on the securities market, focusing on trading of securities on the primary and secondary markets, as well as repo and reverse repo transactions. Moreover the Bank is engaged in sell buy back and buy sell back transactions on the inter-bank market. The Bank also participates in money market inter-bank transactions.

Within Trading and Investments sub-segment, the Bank solely, or in consortium with other Banks, underwrites securities' issue (bonds, investment bills and certificates of deposit).

The Bank also benefits from capital gains on own investments portfolio, including direct and indirect stakes acquired with objective on high long-term yields. Apart from the specialized organizational unit of the Bank managing the long-term investment portfolio, the segment also comprises the activities of Tele-Tech Investment Sp. z o.o., whose core business is to invest in securities, to trade in debt, to manage controlled companies and to provide advisory services. Proprietary investment also includes the results of Garbary Sp. z o.o. and BRE Finance France SA.

3) Asset Management (discontinued activity), including the results of: Skarbiec Asset Management Holding SA (until 31. December 2006) and PTE Skarbiec-Emerytura SA. Due to the sale of SAMH that took place on January 8, 2007 and the intention to sell PTE, asset management activity is being considered as discontinued activity of the Group.

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

The rules of the division of the Group's activities are described below.

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 weighted average cost of capital and presented in operating income.

Internal funds transfers between Bank's departemnts 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 unique basis used by the Group in the segment reporting is business line division. 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 01.01.2007 to 30.06.2007
(PLN'000)

	Corporates & Markets		Retail Banking (including Private Banking)	Asset Management (discontinued operation)	Remaining Business	Eliminations	Group
	Corporates & Institutions	Trading & Investments					
Net interest income	**253 221**	**27 758**	**195 982**	**(6 250)**	**(186)**	**-**	**470 525**
- sales to external clients	287 906	45 274	135 480	1 595	270	-	470 525
- sales to other segments	(34 685)	(17 516)	60 502	(7 845)	(456)	-	-
Net fee and commission income	**199 441**	**(7 935)**	**98 143**	**12 189**	**83**	**-**	**301 921**
- sales to external clients	190 616	(221)	99 254	12 189	83	-	301 921
- sales to other segments	8 825	(7 714)	(1 111)	-	-	-	-
Unallocated costs							-
Gross profit / (loss) of the segment	**230 633**	**82 937**	**126 722**	**85 639**	**18 585**	**(13 911)**	**530 605**
Profit on operating acitivities							530 605
Contribution of profit sharing in associated companies (before tax)	-	-	-	-	-	-	-
Gross profit (before tax)							530 605
Corporate income tax							(110 986)
Net profit attributable to minority interest							15 753
Net profit (after tax)							403 866
Asset of the segment	**20 675 694**	**19 211 225**	**11 731 108**	**495 287**	**782 676**	**(3 962 362)**	**48 933 628**
Total assets							48 933 628
Segment's liabilities	**27 317 936**	**10 798 843**	**10 229 717**	**14 472**	**840 148**	**(3 388 359)**	**45 812 757**
Total liabilities							45 812 757
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(61 979)	(3 504)	(27 837)	(1 034)	(2 121)	-	(96 475)
Amortisation/depreciation	(48 074)	(4 324)	(33 027)	(552)	(1 525)	(1 041)	(88 543)
Losses on credits and loans	(113 714)	(2 793)	(16 087)	-	(1 166)	-	(133 760)
Other costs/ income without cash outflows/ inflows	-	399	(2)	-	-	-	397
- other costs without outflows	-	*(111 714)*	*(2)*	-	-	-	*(111 716)*
- other income without inflows	-	*112 113*	-	-	-	-	*112 113*

Business segment reporting on the activities of the BRE Bank Group
for the period from 01.01.2006 to 30.06.2006
(PLN'000)

	Corporates & Markets		Retail Banking (including Private Banking)	Asset Management (discontinued operation) *	Remaining Business	Eliminations	Group
	Corporates & Institutions	Trading & Investments					
Net interest income	**206 058**	**7 788**	**129 823**	**(9 140)**	**(1 580)**	**(454)**	**332 495**
- sales to external clients	268 800	28 288	34 081	1 944	(164)	(454)	332 495
- sales to other segments	(62 742)	(20 500)	95 742	(11 084)	(1 416)	-	-
Net fee and commission income	**162 878**	**(8 881)**	**31 000**	**45 253**	**(408)**	**(656)**	**229 186**
- sales to external clients	155 726	(2 327)	31 595	45 253	(405)	(656)	229 186
- sales to other segments	7 152	(6 554)	(595)	-	(3)	-	-
Unallocated costs							-
							-
Gross profit / (loss) of the segment	**147 079**	**60 054**	**22 613**	**10 319**	**15 689**	**(6 635)**	**249 119**
Profit on operating acitivities							249 231
Contribution of profit / (loss) sharing in associated companies (before tax)	-	-	-	-	-	(112)	(112)
Gross profit (before tax)							249 119
Corporate income tax							(54 629)
Net profit attributable to minority interest							14 091
Net profit (after tax)							180 399
Asset of the segment	**17 774 123**	**17 563 624**	**6 620 354**	**691 477**	**736 426**	**(4 624 746)**	**38 761 258**
Total assets							38 761 258
Segment's liabilities	**18 468 480**	**13 150 945**	**8 375 966**	**18 853**	**397 760**	**(3 975 189)**	**36 436 815**
Total liabilities							36 436 815
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(50 434)	(4 593)	(17 213)	(1 719)	(5 475)	-	(79 434)
Amortisation/depreciation	(43 913)	(4 393)	(29 420)	(1 393)	(1 126)	(1 042)	(81 287)
Losses on credits and loans	(205 548)	(4 582)	(21 742)	-	(1 304)	-	(233 176)
Other costs/ income without cash outflows/ inflows	*(52)*	119 947	-	-	-	-	119 895
- other costs without outflows	*(52)*	*(498 894)*	-	-	-	-	*(498 946)*
- other income without inflows	-	*618 841*	-	-	-	-	*618 841*

* The "Asset Management" segment include 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	113
Net fee and commission income	5 309
Profit before income tax	2 419
Assets	9 593
Liabilities	9 593
Amortization	(62)

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6. Net Interest Income

the period	from 01.01.2007 to 30.06.2007	from 01.01.2006 to 30.06.2006
Interest income		
Cash and short-term investments	131 021	130 550
Investment securities	84 437	27 630
Amounts due arising from purchased securities with a sale clause	-	139
Loans and advances including the unwind of the impairment provision discount	739 556	537 689
Debt securities	67 355	75 693
Other	16 632	17 887
	1 039 001	**789 588**
Interest expense		
Arising from amounts due to banks and customers	(460 143)	(336 958)
Arising from issue of debt securities	(82 832)	(76 714)
Other borrowed funds	(25 053)	(32 110)
Other	(2 043)	(12 533)
	(570 071)	**(458 315)**

Interest income related to financial assets which have been impaired amounted to PLN 5 818 thousand (PLN 7 982 thousand for the 1st half of 2006).

Net interest income per segment is as follows:

the period	from 01.01.2007 to 30.06.2007	from 01.01.2006 to 30.06.2006
Interest income		
From banking sector	165 891	174 880
From clients, including:	873 110	614 708
- corporate clients	479 784	374 232
- individual clients	260 838	139 900
- public sector	132 488	100 576
	1 039 001	**789 588**
Interest expense		
From banking sector	(187 301)	(123 031)
From clients, including:	(373 735)	(325 684)
- corporate clients	(227 479)	(204 197)
- individual clients	(126 883)	(106 895)
- public sector	(19 373)	(14 592)
Own issue	(9 035)	(9 600)
	(570 071)	**(458 315)**

7. Net Fee and Commission Income

the period	from 01.01.2007 to 30.06.2007	from 01.01.2006 to 30.06.2006
Fee and commission income		
Credit related fees and commissions	106 946	52 782
Fees from brokerage activity	66 585	39 654
Fees from portfolio-management services and other management-related fees	5 941	3 971
Guarantees granted and trade finance commissions	19 239	12 775
Commissions from credit cards	68 203	46 191
Commissions from money transfers	37 750	32 823
Commissions from bank accounts	19 022	17 609
Commission on trust activities	5 455	2 520
Other	56 934	56 862
	386 075	**265 187**

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Fee and commission expense		
Brokerage fees	(12 746)	(12 357)
Credit cards related fees	(46 938)	(43 944)
Other fees	(36 903)	(24 887)
	(96 587)	**(81 188)**

8. Dividend Income

the period	from 01.01.2007 to 30.06.2007	from 01.01.2006 to 30.06.2006
Trading securities	2	99
Securities available for sale	2 157	4 925
Dividend income, total	**2 159**	**5 024**

9. Net Trading Income

the period	from 01.01.2007 to 30.06.2007	from 01.01.2006 to 30.06.2006
Foreign exchange result	**208 443**	**184 690**
Foreign exchange differences from the translation (net)	338 952	91 814
Net transaction gains and losses	(130 509)	92 876
Other net trading income	**49 839**	**11 414**
Interest-bearing instruments	20 397	7 306
Equities	24 647	(5 008)
Market risk instruments	4 795	9 116
Total net trading income	**258 282**	**196 104**

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

the period	from 01.01.2007 to 30.06.2007	from 01.01.2006 to 30.06.2006
Sale of tangible and intangible fixed assets and assets held for resale	39 809	93 427
Income from the release of impairment provisions for tangible and intangible assets	90	-
Income from recovering previously designated as uncollectible receivables	1 673	1 320
Income from compensation, penalties and fines received	67	420
Income due to release of other provisions	2 830	7 171
Proceeds from services provided*	24 394	33 719
Other	8 065	10 860
Total other operating income	**76 928**	**146 917**

* relates to non-banking services

11. Overhead Costs

the period	from 01.01.2007 to 30.06.2007	from 01.01.2006 to 30.06.2006
Staff-related expenses (Note 13)	(283 193)	(223 179)
Material costs	(222 890)	(182 620)
Taxes and fees	(6 295)	(6 043)
Contributions and transfers to the Banking Guarantee Fund	(2 852)	(2 188)
Contribution to the Social Benefits Fund	(2 018)	(2 113)
Other	(4 671)	(665)
Total overhead costs	**(521 919)**	**(416 808)**

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"Material costs" consist of tangible assets operating lease payment costs (mainly real estate) of PLN 14 693 thousand (for the 1st half of 2006: PLN 14 666 thousand).

12. Other Operating Expenses

the period	from 01.01.2007 to 30.06.2007	from 01.01.2006 to 30.06.2006
Costs of selling or scrapping fixed assets, intangible assets and assets held for resale	(28 060)	(75 474)
Impairment provisions created for tangible and intangible assets	(4 656)	(2 000)
Impairment provisions created for other receivables (excluding loans and advances)	(694)	(832)
Receivables and liabilities recognised as uncollectible and written off	(1 204)	(2 309)
Compensation, penalties and fines paid	(83)	(504)
Donations made	(2 256)	(1 991)
Impairment losses on other non-financial assets	-	(33)
Provisions for future commitments	(4 914)	(9 663)
Costs of sale of services*	(2 955)	(16 200)
Other operating costs	(5 591)	(3 890)
Total other operating expenses	**(50 413)**	**(112 896)**

* relates to non-banking services

13. Staff Costs

the period	from 01.01.2007 to 30.06.2007	from 01.01.2006 to 30.06.2006
Wages and salaries	(228 862)	(181 835)
Social security expenses	(37 194)	(30 005)
Pension fund expenses	(3 034)	(375)
Salaries in form of share option program for employees	(648)	(1 106)
Other staff expenses	(13 455)	(9 858)
Staff-related expenses, total	**(283 193)**	**(223 179)**

The average level of employment in the Group in the 1st half of 2007 was 5 624 persons (the 1st half of 2006: 4 965).

The additional information related to share-based payment has been presented in the Note 40 "Retained earnings".

14. Impairment Losses on Loans and Advances

the period	from 01.01.2007 to 30.06.2007	from 01.01.2006 to 30.06.2006
Amounts due from other banks (Note 19)	1 315	(5 212)
Off-balance sheet contingent liabilities due to other banks (Note 34)	82	-
Loans and advances to customers (Note 22)	(13 547)	(32 185)
Off-balance sheet contingent liabilities due to customers (Note 34)	6 284	4 605
Total impairment losses on loans and advances	**(5 866)**	**(32 792)**

15. Income Tax Expense

the period	from 01.01.2007 to 30.06.2007	from 01.01.2006 to 30.06.2006
Current tax	(116 684)	(30 594)
Deferred income tax (Note 35)	25 735	(21 561)
Total income tax	**(90 949)**	**(52 155)**
Profit before tax	**436 406**	**230 490**
Tax calculated at Polish current tax rate (19%)	(82 917)	(43 793)
Effect of different tax rates in other countries	(1 181)	(1 009)
Income not subject to tax	5 621	9 212
Costs other than tax deductible costs	(8 012)	(15 417)
Other positions effecting income tax	(4 460)	(1 148)
Utilisation of previously unrecognized tax losses	-	-
Income tax expense	**(90 949)**	**(52 155)**
Effective tax rate calculation		
Profit before income tax	436 406	230 490
Income tax	(90 949)	(52 155)
Effective tax rate	**20.84%**	**22.63%**

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 6 months – continued operations

the period	from 01.01.2007 to 30.06.2007	from 01.01.2006 to 30.06.2006
Basic:		
Net profit from continued operations attributable to the Bank's equity holders (for 6 months)	329 704	164 244
Weighted average number of ordinary shares	29 535 896	29 220 150
Net basic profit per share (in PLN per share)	**11.16**	**5.62**
Diluted:		
Net profit from continued operations attributable to the Bank's equity holders (for 6 months) applied for calculation of diluted earnings per share (in thousand PLN)	329 704	164 244
Weighted average number of ordinary shares	29 535 896	29 220 150
Adjustments for:		
- stock options for employees	126 098	192 425
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 661 994	29 412 575
Diluted earnings per share (in PLN per share)	**11.12**	**5.58**

Earnings per share for 6 months – together continued and discontinued operations

the period	from 01.01.2007 to 30.06.2007	from 01.01.2006 to 30.06.2006
Basic:		
Net profit attributable to the Bank's equity holders (for 6 months)	403 866	180 399
Weighted average number of ordinary shares	29 535 896	29 220 150
Earnings per 1 ordinary share (in PLN per share)	**13.67**	**6.17**
Diluted:		
Net profit attributable to the Bank's equity holders (for 6 months) applied for calculation of diluted earnings per share (in thousand PLN)	403 866	180 399
Weighted average number of ordinary shares	29 535 896	29 220 150
Adjustments for:		
- stock options for employees	126 098	192 425
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 661 994	29 412 575
Diluted earnings per share (in PLN per share)	**13.62**	**6.13**

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.

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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 calculation of the so-called "diluted earnings per share", taking account of share purchase options granted to employees. BRE Bank has conducted one employee options program within the year 2007.

The employee options program (initiated in May 2003) assumes that the 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.

In 2006 there was additional employee options program (started in May 2000 and amended in May 2003) under which 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 detailed data concerning both programs is described in the Note 42.

17. Cash and Balances with Central Bank

as at	30.06.2007	31.12.2006	30.06.2006
Cash in hand	106 817	102 705	85 824
Current account	1 539 763	1 213 372	1 051 986
Other	916 151	2 400 530	-
Total cash and balances with central bank (Note 44)	**2 562 731**	**3 716 607**	**1 137 810**
Including: mandatory reserve deposit	824 109	708 759	647 418

The mandatory reserve is held in an account with the central bank and in the Bank's hand. As at 30 June 2007, the former part of the reserve bore 4.275% interest (31 December 2006 and 30 June 2006 respectively: 3.83%).

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

as at	30.06.2007	31.12.2006	30.06.2006
Current accounts	1 112 492	50 394	59 266
Placements with other banks	156 416	1 702 432	1 983 918
Included in cash equivalents (Note 44)	**1 268 908**	**1 752 826**	**2 043 184**
Loans and advances	882 601	896 565	1 449 569
Reverse repo / buy sell back transactions	154 264	124 339	131 677
Other receivables	59 788	74 972	30 169
Total (gross) loans and advances to banks	**2 365 561**	**2 848 702**	**3 654 599**
Provisions created for loans and advances to banks (negative amount) (Note 14)	(3 263)	(4 578)	(5 212)
Total (net) loans and advances to banks	**2 362 298**	**2 844 124**	**3 649 387**
Short-term (up to 1 year)	2 145 791	2 623 379	3 434 442
Long-term (over 1 year)	216 507	220 745	214 945

The following table presents receivables from Polish and foreign banks:

as at	30.06.2007	31.12.2006	30.06.2006
Loans and advances to Polish banks (gross)	985 709	319 290	601 260
Provisions created for loans and advances to Polish banks	(183)	(323)	(1 027)
Loans and advances to foreign banks (gross)	1 379 852	2 529 412	3 053 339
Provisions created for loans and advances to foreign banks	(3 080)	(4 255)	(4 185)
Total (net) loans and advances to banks	**2 362 298**	**2 844 124**	**3 649 387**

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The variable rate loans to banks amount to PLN 833 657 thousand and the fixed rate loans to banks amount to PLN 55 054 thousand (as at 31 December 2006 and 30 June 2006 all loans to banks were variable rate loans which amount to, respectively: PLN 744 692 thousand and PLN 792 220 thousand). An average deposit interest rate for deposits in other banks and loans granted to banks amounted to 4.65%.

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

as at	30.06.2007	31.12.2006	30.06.2006
Provisions for loans and advances to banks as at the beginning of the period	**4 578**	**-**	**-**
Increase (due to)	528	9 563	9 562
- provisions created	528	9 563	9 562
Release (due to)	(1 843)	(4 985)	(4 350)
- release of provisions	(1 843)	(4 985)	(4 350)
Provisions for loans and advances to banks as at the end of the period	**3 263**	**4 578**	**5 212**

Provisions for loans and advances to banks of PLN 3 263 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

as at	30.06.2007	31.12.2006	30.06.2006
Debt securities:	**7 094 344**	**6 148 676**	**5 688 137**
Government bonds included in cash equivalents and pledged government bonds (sell buy back transactions) (Note 44), including:	3 935 525	2 746 486	3 540 639
- pledged government bonds (sell buy back transactions) (Note 38)	3 253 204	1 921 475	2 366 780
Treasury bills included in cash equivalents and pledged treasury bills (sell buy back transactions) (Note 44), including:	10 827	829 649	284 318
- pledged treasury bills (sell buy back transactions) (Note 38)	-	723 289	92 182
Other debt securities:	3 147 992	2 572 541	1 863 180
Equity securities:	**5 914**	**12 237**	**14 983**
- listed	5 914	12 237	14 727
- unlisted	-	-	256
Debt and equity securities, including:	**7 100 258**	**6 160 913**	**5 703 120**
- Trading securities	*3 847 054*	*3 516 149*	*3 244 158*
- Pledged assets (Note 38)	*3 253 204*	*2 644 764*	*2 458 962*

Government bonds include securities used to secure sell-buy-back transactions with customers, the market value of which as at 30 June 2007 amounted to PLN 3 253 204 thousand (31 December 2006 and 30 June 2006, respectively, PLN 1 921 475 thousand and PLN 2 366 780 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 66 026 thousand (31 December 2006 and 30 June 2006, respectively, PLN 57 416 thousand and PLN 11 098 thousand), which have been presented as investment securities (Note 23).

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.

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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 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 30 June 2007			
Derivatives held for trading			
Foreign exchange derivatives			
- Currency forwards	61 943 448	147 639	117 157
- Currency swaps	11 847 103	280 024	201 387
- Cross-currency interest rate swaps	8 400 977	60 681	49 802
- OTC currency options bought and sold	7 492 020	64 959	105 520
Total OTC derivatives	**89 683 548**	**553 303**	**473 866**
- Currency futures	12 722	-	-
- Stock exchange traded currency options - bought and sold	3 918	258	223
Total foreign exchange derivatives	**89 700 188**	**553 561**	**474 089**
Interest rate derivatives			
- Interest rate swaps, OIS	357 132 743	533 873	584 779
- Forward rate agreements	189 588 948	93 338	79 770
- OTC interest rate options	855 345	6 361	6 585
Total OTC interest rate derivatives	**547 577 036**	**633 572**	**671 134**
Total interest rate derivatives	**547 577 036**	**633 572**	**671 134**
Stock exchange traded market risk transactions	830 648	424 668	414 611
Total derivative assets / liabilities held for trading	**638 107 872**	**1 611 801**	**1 559 834**
Total recognised derivative assets/ liabilities	**638 107 872**	**1 611 801**	**1 559 834**
Total recognised derivative assets/ liabilities and other trading liabilities	**638 107 872**	**1 611 801**	**1 559 834**
Short-term (up to 1 year)	334 947 654	812 137	849 601
Long-term (over 1 year)	303 160 218	799 664	710 233

In all reporting periods, transactions securing against market risk comprise of the fair values of: stock index options, shares and other equity securities, commodities and futures for currencies; futures for commodities: swap contracts for commodities.

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	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, OIS	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 derivative assets / liabilities held for trading	**519 536 901**	**1 413 065**	**1 253 900**
Total recognised derivative assets/ liabilities	**519 536 901**	**1 413 065**	**1 253 900**
Total recognised derivative assets/ liabilities and other trading liabilities	**519 536 901**	**1 413 065**	**1 253 900**
Short-term (up to 1 year)	280 336 940	757 558	679 535
Long-term (over 1 year)	239 199 961	655 507	574 365

	Contract amount	Fair value of asset	Fair value of liability
As at 30 June 2006			
Derivatives held for trading			
Foreign exchange derivatives			
- Currency forwards	27 901 484	720 312	591 080
- Currency swaps	39 861 891	225 896	199 662
- Cross-currency interest rate swaps	6 872 557	66 462	73 201
- OTC currency options bought and sold	6 484 426	94 452	86 210
Total OTC derivatives	**81 120 358**	**1 107 122**	**950 153**
- Currency futures	57 607	1 593	-
- Stock exchange traded currency options - bought and sold	15 943	1 221	523
Total foreign exchange derivatives	**81 193 908**	**1 109 936**	**950 676**
Interest rate derivatives			
- Interest rate swaps, OIS	244 812 236	544 671	483 561
- Forward rate agreements	166 369 559	87 699	82 537
- OTC interest rate options	-	19	19
Total OTC interest rate derivatives	**411 181 795**	**632 389**	**566 117**
Total interest rate derivatives	**411 181 795**	**632 389**	**566 117**
Stock exchange traded market risk transactions	**599 352**	**40 027**	**37 931**
Total derivative assets / liabilities held for trading	**492 975 055**	**1 782 352**	**1 554 724**
Total recognised derivative assets/ liabilities	**492 975 055**	**1 782 352**	**1 554 724**
Other trading liabilities	-	-	142
- Other	-	-	142
Total recognised derivative assets/ liabilities and other trading liabilities	**492 975 055**	**1 782 352**	**1 554 866**
Short-term (up to 1 year)	192 899 788	727 883	582 814
Long-term (over 1 year)	300 075 267	1 054 468	972 052

As at 30 June 2007, 31 December 2006 and 30 June 2006 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.

Moreover, as at 30 June 2007 the fair value of market risk options, embedded in deposits provided by the Group, amounted to: assets – PLN 389 528 thousand, commitment – PLN 390 635 thousand (as at 31 December 2006: assets – PLN 177 832 thousand, commitment – PLN 178 539 thousand; as at 30 June 2006: 0). These options are presented separately from the host contract and are included as "Stock exchange traded market risk transactions" in the table above.

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22. Loans and Advances to Customers

as at	30.06.2007	31.12.2006	30.06.2006
Loans and advances to individuals:	**10 510 614**	**8 148 029**	**5 942 821**
- overdrafts	967 571	743 682	635 300
- term loans, including:	9 543 043	7 404 347	5 307 521
housing and mortgage loans	8 885 202	6 857 921	4 818 800
Loans and advances to corporate entities:	**18 150 561**	**14 988 638**	**14 664 244**
- overdrafts	3 071 593	2 332 135	2 159 446
- term loans:	12 971 902	10 858 757	10 555 914
corporate & institutional enterprises	2 488 522	2 311 750	2 623 658
medium & small enterprises	10 483 380	8 547 007	7 932 256
- revers repo / buy sell back transactions	333 875	40 436	248 055
- other*	1 773 191	1 757 310	1 700 829
Loans and advances to public sector	**942 989**	**429 443**	**1 790 841**
Other receivables	**248 823**	**315 666**	**222 702**
Total (gross) loans and advances to customers	**29 852 987**	**23 881 776**	**22 620 608**
Provisions for loans and advances to customers (negative amount)	(833 485)	(837 082)	(893 664)
Total (net) loans and advances to customers	**29 019 502**	**23 044 694**	**21 726 944**
Short-term (up to 1 year)	12 742 674	10 364 072	11 452 002
Long-term (over 1 year)	16 276 828	12 680 622	10 274 942

* the item 'other' includes receivables due to factoring transactions

As at 30 June 2007, variable and fixed rate credits amounted to PLN 28 809 270 thousand and PLN 794 894 thousand, respectively. The values mentioned above relate to loans granted to individual clients, corporate clients and budget sector. An average loan interest rate for loans granted to customers (excluding reverse repos) amounted to 5.66%.

The Group accepted exchange-listed securities at the fair value of PLN 1 713 366 thousand (31 December 2006 and 30 June 2006 respectively: PLN 1 151 932 thousand and PLN 806 351 thousand) as collateral for commercial loans.

Allowance for Losses on Loans and Advances

as at	30.06.2007	31.12.2006	30.06.2006
Receivables classified as "non-default"			
Gross balance sheet exposure	28 882 228	22 861 115	21 553 231
Provisions for exposures analysed according to portfolio approach	(112 070)	(106 986)	(105 394)
Net balance sheet exposure	**28 770 158**	**22 754 129**	**21 447 837**
Receivables classified as "default"			
Gross balance sheet exposure	970 759	1 020 661	1 067 377
Provisions for exposures analysed individually	(721 415)	(730 096)	(788 270)
Net balance sheet exposure	**249 344**	**290 565**	**279 107**

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Changes in Allowance for Losses on Loans and Advances

as at	30.06.2007	31.12.2006	30.06.2006
INDIVIDUAL			
Current accounts			
As at the beginning of the period	**45 809**	**52 598**	**52 598**
increase (due to)	7 669	9 647	5 860
- provisions created	7 669	9 647	5 860
- reclassification & foreign exchange differences	-	-	-
release (due to)	(3 768)	(16 436)	(4 973)
- release of provisions	(173)	(3 611)	(1 704)
- reclassification & foreign exchange differences	-	(9 191)	-
- write-offs	(3 595)	(3 634)	(3 269)
As at the end of the period	**49 710**	**45 809**	**53 485**
Term loans			
As at the beginning of the period	**86 924**	**60 521**	**60 521**
increase (due to)	12 656	48 082	19 293
- provisions created	12 656	41 178	12 389
- reclassification & foreign exchange differences	-	6 904	6 904
- other	-	-	-
release (due to)	(10 132)	(21 679)	(5 355)
- release of provisions	(10 084)	(17 733)	(5 262)
- reclassification & foreign exchange differences	-	-	-
- write-offs	(48)	(3 945)	(93)
As at the end of the period	**89 448**	**86 924**	**74 459**
including:			
Housing and mortgage loans			
As at the beginning of the period	**21 618**	**7 215**	**7 215**
increase (due to)	1 633	22 061	14 802
- provisions created	1 633	15 157	7 898
- reclassification & foreign exchange differences	-	6 904	6 904
- other	-	-	-
release (due to)	(1 210)	(7 658)	(1 482)
- release of provisions	(1 162)	(3 712)	(1 210)
- write-offs	(48)	(3 945)	(93)
As at the end of the period	**22 041**	**21 618**	**20 535**
TOTAL - INDIVIDUAL			
As at the beginning of the period	**132 733**	**113 119**	**113 119**
increase (due to)	20 325	57 729	25 153
- provisions created	20 325	50 825	18 249
- reclassification & foreign exchange differences	-	6 904	6 904
- other	-	-	-
release (due to)	(13 900)	(38 115)	(10 328)
- release of provisions	(10 257)	(21 344)	(6 966)
- reclassification & foreign exchange differences	-	(9 191)	-
- write-offs	(3 643)	(7 579)	(3 362)
As at the end of the period	**139 158**	**132 733**	**127 944**

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as at	30.06.2007	31.12.2006	30.06.2006
CORPORATE ENTITIES			
Current accounts			
As at the beginning of the period	**124 499**	**110 940**	**110 940**
increase (due to)	39 074	60 139	28 317
- provisions created	35 798	52 765	28 317
- reclassification & foreign exchange differences	3 276	7 374	-
release (due to)	(19 670)	(46 580)	(26 848)
- release of provisions	(15 328)	(38 953)	(24 748)
- write-offs	(4 342)	(7 627)	(2 100)
As at the end of the period	**143 903**	**124 499**	**112 409**
Term loans			
As at the beginning of the period	**533 561**	**586 639**	**586 639**
increase (due to)	69 786	303 757	220 533
- provisions created	65 883	281 840	173 198
- reclassification & foreign exchange differences	-	21 917	47 335
- other	3 903	-	-
release (due to)	(98 511)	(356 835)	(212 850)
- release of provisions	(88 523)	(260 450)	(158 090)
- reclassification & foreign exchange differences	(4 178)	(57 151)	(43 939)
- write-offs	(5 810)	(39 235)	(10 821)
As at the end of the period	**504 836**	**533 561**	**594 322**
including:			
Corporate & institutional enterprises			
As at the beginning of the period	**87 427**	**60 800**	**60 800**
increase (due to)	8 287	55 813	72 710
- provisions created	8 287	42 712	34 191
- reclassification & foreign exchange differences	-	13 101	38 519
release (due to)	(22 450)	(29 186)	(23 498)
- release of provisions	(18 120)	(29 186)	(23 498)
- reclassification & foreign exchange differences	(882)	-	-
- write-offs	(3 448)	-	-
As at the end of the period	**73 264**	**87 427**	**110 012**
Medium & small enterprises			
As at the beginning of the period	**446 134**	**525 839**	**525 839**
increase (due to)	61 499	247 944	147 823
- provisions created	57 596	239 128	139 007
- reclassification & foreign exchange differences	-	8 816	8 816
- other	3 903	-	-
release (due to)	(76 061)	(327 649)	(189 352)
- release of provisions	(70 403)	(231 264)	(134 592)
- reclassification & foreign exchange differences	(3 296)	(57 151)	(43 939)
- write-offs	(2 362)	(39 235)	(10 821)
As at the end of the period	**431 572**	**446 134**	**484 310**
Other			
As at the beginning of the period	**46 194**	**52 397**	**52 397**
increase (due to)	7 785	19 049	11 215
- provisions created	7 761	17 863	9 083
- reclassification & foreign exchange differences	24	1 186	2 132
release (due to)	(8 646)	(25 252)	(4 723)
- release of provisions	(2 272)	(10 441)	(2 763)
- reclassification & foreign exchange differences	(1 995)	(305)	(334)
- write-offs	(4 379)	(14 506)	(1 626)
As at the end of the period	**45 333**	**46 194**	**58 889**
TOTAL - CORPORATE ENTITIES			
As at the beginning of the period	**704 254**	**749 976**	**749 976**
increase (due to)	116 645	382 945	260 065
- provisions created	109 442	352 468	210 598
- reclassification & foreign exchange differences	3 300	30 477	49 467
- other	3 903	-	-
release (due to)	(126 827)	(428 667)	(244 421)
- release of provisions	(106 123)	(309 844)	(185 601)
- reclassification & foreign exchange differences	(6 173)	(57 456)	(44 273)
- write-offs	(14 531)	(61 368)	(14 547)
As at the end of the period	**694 072**	**704 254**	**765 620**

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as at	30.06.2007	31.12.2006	30.06.2006
PUBLIC SECTOR			
As at the beginning of the period	**94**	**516**	**516**
increase (due to)	222	279	219
- provisions created	222	279	219
release (due to)	(62)	(701)	(635)
- release of provisions	(62)	(701)	(635)
- reclassification & foreign exchange differences	-	-	-
As at the end of the period	**254**	**94**	**100**
TOTAL - MOVEMENTS IN PROVISIONS FOR LOANS AND ADVANCES TO CUSTOMERS			
As at the beginning of the period	**837 082**	**863 611**	**863 611**
increase (due to)	137 192	440 954	285 437
- provisions created (Note 14)	129 989	403 573	229 066
- reclassification & foreign exchange differences	3 300	37 381	56 371
- other	3 903	-	-
release (due to)	(140 789)	(467 483)	(255 384)
- release of provisions (Note 14)	(116 442)	(331 889)	(193 202)
- reclassification & foreign exchange differences	(6 173)	(66 647)	(44 273)
- write-offs	(18 174)	(68 947)	(17 909)
As at the end of the period	**833 485**	**837 082**	**893 664**

Loans and advances to customers include finance lease receivables.

Finance Lease Receivables:

as at	30.06.2007	31.12.2006	30.06.2006
Gross investment in finance leases, receivable:	**2 596 921**	**2 137 315**	**1 809 736**
- no later than 1 year	1 209 010	804 412	718 568
- later than 1 year and no later than 5 years	1 357 988	1 296 871	1 058 874
- later than 5 years	29 923	36 032	32 294
Unearned future finance income on finance leases (negative amount)	(310 737)	(256 453)	(182 700)
Net investment in finance leases	**2 286 184**	**1 880 862**	**1 627 036**
Net investment in finance leases, receivable:			
- no later than 1 year	1 026 045	678 032	609 608
- later than 1 year and no later than 5 years	1 233 469	1 169 478	986 519
- later than 5 years	26 670	33 352	30 909
	2 286 184	**1 880 862**	**1 627 036**

23. Investment Securities and Pledged Assets

as at	30.06.2007	31.12.2006	30.06.2006
Debt securities	**3 619 805**	**2 842 902**	**2 613 565**
- listed	3 531 408	2 806 229	2 577 135
- unlisted	88 397	36 673	36 430
Equity securities	**437 218**	**270 030**	**257 680**
- listed	11 446	10 411	22 317
- unlisted	425 772	259 619	235 363
Total securities	**4 057 023**	**3 112 932**	**2 871 245**
Total investment securities and pledged assets, including:	**4 057 023**	**3 112 932**	**2 871 245**
- Available for sale securities	*3 990 997*	*3 055 516*	*2 860 147*
- Pledged assets (Note 38)	*66 026*	*57 416*	*11 098*
Short-term (up to 1 year)	*178 970*	*933 582*	*799 889*
Long-term (over 1 year)	*3 878 053*	*2 179 350*	*2 071 356*

The presented above at fair value equity securities include impairment in amount of PLN 29 014 thousand (31 December 2006 and 30 June 2006 respectively: PLN 29 015 and 35 065 thousand).

As at 30 June 2007, the carrying values of debt securities based on fixed interest rate amounted to PLN 3 489 303 thousand and variable interest rate PLN 130 502 thousand (31 December 2006 and 30 June 2006 respectively: PLN 2 680 626 thousand , PLN 162 276 thousand and PLN 2 471 731 thousand, PLN 141 834 thousand).

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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 8 450 thousand as at 30 June 2007 (31 December 2006 and 30 June 2006 respectively: PLN 29 083 and 48 710 thousand).

The above note includes treasury bills pledged in accordance with the Bank Guarantee Fund, which are presented in the Balance Sheet in a separate position "Pledged assets" (see Note 38).

In accordance with the Bank Guarantee Fund Law of 14 December 1994, the Group had PLN 66 026 thousand, at face value PLN 66 300 thousand worth of treasury notes and money bills disclosed in its Balance Sheet as at 30 June 2007 (face value as at 31 December 2006 and 30 June 2006 respectively: PLN 58 200 thousand and PLN 11 350 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

as at	30.06.2007	30.06.2006
Sale / redemption by the issuer of the financial assets available for sale	7 161	10 617
Impairment of available for sale equity securities	-	(416)
Total gains and losses from investment securities	**7 161**	**10 201**

Movement in Investment Securities and Pledged Assets

as at	30.06.2007	31.12.2006	30.06.2006
Available for sale securities			
As at the beginning of the period	**3 112 932**	**1 147 319**	**1 147 319**
Exchange differences	(11 898)	(43 044)	(1 786)
Additions	4 717 065	7 359 621	4 234 388
Disposals (sale and redemption)	(3 876 586)	(5 381 063)	(2 493 124)
Losses from impairment	-	(767)	(416)
Gains / losses from changes in fair value	115 510	30 866	(15 136)
As at the end of the period	**4 057 023**	**3 112 932**	**2 871 245**

Valuation of shares of VECTRA SA has had the most material impact on profit/(loss) due to changes in the fair value in the first half of 2007. In relation to negotiations on sale of shares of Vectra SA, Bank revaluated held shares from the acquisition price (PLN 124 963 thousand) to the fair value (PLN 278 000 thousand). The revaluation effect amounted to PLN 153 037 thousand was enclosed to other capital and reserves. Simultaneously, in relation to the revaluation, the Bank founded deferred tax provision amounted to PLN 29 077 thousand, in correspondence with revaluation reserve too. As a result, the amount revaluation reserve rose by the net amount of PLN 123 960 thousand. The revaluation has had no impact on profit/(loss) for the current period.

The changes in allowance for impairment of investment securities and pledged assets are as follows:

as at	30.06.2007	31.12.2006	30.06.2006
Available for sale			
Equity securities			
- Listed			
As at the beginning of the period	**(64)**	**-**	**-**
allowance for impairment	-	(65)	-
amounts recovered during the period	1	1	-
As at the end of the period	**(63)**	**(64)**	**-**
- Unlisted			
As at the beginning of the period	**(28 951)**	**(57 809)**	**(57 809)**
allowance for impairment	-	(702)	(416)
amounts recovered during the period	-	29 115	22 715
foreign exchange differences	-	445	445
As at the end of the period	**(28 951)**	**(28 951)**	**(35 065)**
Total equity securities			
As at the beginning of the period	**(29 015)**	**(57 809)**	**(57 809)**
allowance for impairment	-	(767)	(416)
amounts recovered during the period	1	29 116	22 715
foreign exchange differences	-	445	445
As at the end of the period	**(29 014)**	**(29 015)**	**(35 065)**

24. Investments in Associates

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

30 June 2007 (in PLN '000)

Name of the company	Country of registration	Assets	Liabilities	Revenues	Profit / (loss)	% interest held
Xtrade S.A.	Poland	545	972	701	(109)	24.90
Compania de Factoring S.A	Romania	85 978	77 734	2 301	850	28.12

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	Romania	24 250	7 103	761	(930)	28.12

30 June 2006 (in PLN '000)

Name of the company	Country of registration	Assets	Liabilities	Revenues	Profit / (loss)	% interest held
Xtrade S.A.	Poland	868	956	820	(540)	24.90
Transfactor Slovakia A.S.	Slovakia	50 336	48 175	986	170	56.24
Compania de Factoring S.A.*	Romania	-	-	-	-	28.12

* The company started its activity in July 2006

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Change in Investments in Associates:

as at	30.06.2007	31.12.2006	30.06.2006
As at the beginning of the period	**5 356**	**6 477**	**6 477**
Increase due to:	**-**	**3 878**	**4 104**
- purchase	-	3 831	4 043
- foreign exchange differences	-	-	61
- realise of impairment	-	47	-
Decrease due to:	**(1 352)**	**(4 999)**	**(4 941)**
- sale	-	(2 934)	(2 885)
- movement to other group of financial assets	(1 265)	(1 938)	(1 938)
- foreign exchange differences	(87)	(15)	-
- share of results	-	(112)	-
- other	-	-	(118)
As at the end of the period	**4 004**	**5 356**	**5 640**

25. Intangible Assets

as at	30.06.2007	31.12.2006	30.06.2006
Development costs	3 686	4 315	4 944
Goodwill	7 137	7 137	31 612
Concessions, patents, licences and similar assets, including	305 234	309 293	332 313
- computer software	280 490	278 661	295 907
Other intangible assets	9 557	11 273	12 833
Intangible assets under development	47 341	49 093	30 617
Total intangible assets	**372 955**	**381 111**	**412 319**

Movements in Intangible Assets

Movements in intangible assets from 1 January 2007 to 30 June 2007	Development costs	Acquired concessions, patents, licences and other similar assets, including:	acquired computer software	Other intangible assets	Intangible assets under development	Goodwill	Total intangible assets	Assets held for sale (Note 28)
Gross value of intangible assets as at the beginning of the period: 01.01.2007	**33 119**	**501 275**	**428 233**	**17 587**	**49 093**	**7 137**	**608 211**	**495 774**
Increase (due to)	**-**	**30 689**	**27 993**	**6**	**22 074**	**-**	**52 769**	**95**
- purchase	-	6 408	4 193	6	22 058	-	**28 472**	95
- transfer from assets under construction	-	281	281	-	-	-	**281**	-
- transfer from intangible assets under development	-	23 815	23 334	-	-	-	**23 815**	-
- included in consolidation for the first time	-	170	170	-	-	-	**170**	-
- other increases	-	15	15	-	16	-	**31**	-
Decrease (due to)	**(11)**	**(437)**	**(236)**	**-**	**(23 826)**	**-**	**(24 274)**	**(30 553)**
- sale	-	-	-	-	-	-	**-**	-
- liquidation	-	(33)	(33)	-	-	-	**(33)**	-
- transfer from investment expenditure	-	-	-	-	(23 815)	-	**(23 815)**	-
- sale of the company covered consolidation previously	-	-	-	-	-	-		(30 553)
- other decreases	(11)	(404)	(203)	-	(11)	-	**(426)**	-
Gross value of intangible assets as at the end of the period: 30.06.2007	**33 108**	**531 527**	**455 990**	**17 593**	**47 341**	**7 137**	**636 706**	**465 316**
Accumulated amortization as at the beginning of the period: 01.01.2007	**(28 804)**	**(191 943)**	**(149 533)**	**(6 314)**	**-**	**-**	**(227 061)**	**(5 683)**
Amortization for the period (due to)	**(618)**	**(34 323)**	**(25 940)**	**(1 722)**	**-**	**-**	**(36 663)**	**5 361**
- depreciation charges	(629)	(34 465)	(26 083)	(1 722)	-	-	**(36 816)**	(14)
- included in consolidation for the first time	-	(52)	(52)	-	-	-	**(52)**	-
- other increases	-	(14)	(13)	-	-	-	**(14)**	-
- sale of the company covered consolidation previously	-	-	-	-	-	-	**-**	5 375
- liquidation	-	26	26	-	-	-	**26**	-
- other decreases	11	182	182	-	-	-	**193**	-
Accumulated amortization as at the end of the period: 30.06.2007	**(29 422)**	**(226 266)**	**(175 473)**	**(8 036)**	**-**	**-**	**(263 724)**	**(322)**
Impairment losses as at the beginning of the period: 01.01.2007	**-**	**(39)**	**(39)**	**-**	**-**	**-**	**(39)**	**(239 466)**
- increase	-	-	-	-	-	-	**-**	(4 501)
- decrease	-	12	12	-	-	-	**12**	-
Impairment losses as at the end of the period: 30.06.2007	**-**	**(27)**	**(27)**	**-**	**-**	**-**	**(27)**	**(243 967)**
Net value of intangible assets as at the end of the period: 30.06.2007	**3 686**	**305 234**	**280 490**	**9 557**	**47 341**	**7 137**	**372 955**	**221 027**

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Movements in intangible assets from 1 January 2006 to 31 December 2006	Development costs	Acquired concessions, patents, licences and other similar assets, including:	acquired computer software	Other intangible assets	Intangible assets under development, including:	Goodwill	Total intangible assets	Assets held for sale (Note 28)
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**	**31 612**	**607 773**	**466 854**
Increase (due to)	**-**	**56 938**	**44 417**	**11 995**	**57 987**	**-**	**126 920**	**32 980**
- purchase	-	6 289	2 834	11 978	55 991	-	**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**	-
- assets held for sale	-	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)**	**(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)	(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**	**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**	**7 137**	**381 111**	**250 625**

Movements in intangible assets from 1 January 2006 to 30 June 2006	Development costs	Acquired concessions, patents, licences and other similar assets, including:	acquired computer software	Other intangible assets	Intangible assets under development, including:	Goodwill	Total intangible assets	Assets held for sale (Note 28)
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**	**31 612**	**607 773**	**466 854**
Increase (due to)	**-**	**44 667**	**36 923**	**11 952**	**27 717**	**-**	**84 336**	**7**
- purchase	-	4 093	2 927	11 934	27 487	-	**43 514**	7
- transfer from assets under construction	-	365	261	-	123	-	**488**	-
- transfer from intangible assets under development	-	33 535	27 061	14	-	-	**33 549**	-
- assets held for sale	-	6 390	6 390	-	-	-	**6 390**	-
- other increases	-	284	284	4	107	-	**395**	-
Decrease (due to)	**-**	**(39 072)**	**(30 511)**	**-**	**(34 536)**	**-**	**(73 608)**	**-**
- liquidation	-	(35 957)	(27 402)	-	-	-	**(35 957)**	-
- transfer from investment expenditure	-	-	-	-	(33 549)	-	**(33 549)**	-
- other decreases	-	(3 115)	(3 109)	-	(987)	-	**(4 102)**	-
Gross value of intangible assets as at the end of the period: 30.06.2006	**33 119**	**501 477**	**421 718**	**21 676**	**30 617**	**31 612**	**618 501**	**466 861**
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)	**(630)**	**(2 268)**	**(916)**	**(1 920)**	**-**	**-**	**(4 818)**	**(28)**
- depreciation charges	(630)	(32 910)	(23 154)	(1 888)	-	-	**(35 428)**	(168)
- included in consolidation for the first time	-	(4 887)	(4 887)	-	-	-	**(4 887)**	-
- other increases	-	(371)	(281)	(34)	-	-	**(405)**	-
- liquidation	-	34 150	25 656	-	-	-	**34 150**	-
- other decreases	-	1 750	1 750	2	-	-	**1 752**	140
Accumulated amortization as at the end of the period: 30.06.2006	**(28 175)**	**(169 125)**	**(125 772)**	**(8 843)**	**-**	**-**	**(206 143)**	**(1 961)**
Impairment losses as at the beginning of the period: 01.01.2006	**-**	**(68)**	**(68)**	**-**	**-**	**-**	**(68)**	**(224 706)**
- increase	-	-	-	-	-	-	**-**	(7 243)
- decrease	-	29	29	-	-	-	**29**	-
Impairment losses as at the end of the period: 30.06.2006	**-**	**(39)**	**(39)**	**-**	**-**	**-**	**(39)**	**(231 949)**
Net value of intangible assets as at the end of the period: 30.06.2006	**4 944**	**332 313**	**295 907**	**12 833**	**30 617**	**31 612**	**412 319**	**232 951**

26. Tangible fixed assets

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as at	30.06.2007	31.12.2006	30.06.2006
Tangible fixed assets, including:	561 552	541 665	539 786
- land	7 762	2 672	2 519
- buildings and constructions	231 065	231 637	244 234
- equipment	119 462	119 985	124 023
- vehicles	87 677	79 096	63 809
- other tangible fixed assets	115 586	108 275	105 201
Assets under construction	29 691	38 443	21 531
Prepayments for assets under construction	-	-	65
Total tangible fixed assets	**591 243**	**580 108**	**561 382**

Movements in Fixed Assets

Movements in tangible fixed assets from 1 January 2007 to 30 June 2007	Land	Buildings	Equipment	Vehicles	Other tangible fixed assets	Tangible assets under construction	Prepayments for tangible assets under construction	Total	Assets held for sale (Note 28)
Gross value of tangible fixed assets as at the beginning of the period: 01.01.2007	**2 841**	**345 994**	**405 969**	**113 720**	**240 048**	**39 004**	**-**	**1 147 576**	**12 942**
Increase (due to)	**5 104**	**4 386**	**25 100**	**20 395**	**19 587**	**23 971**	**-**	**98 543**	**653**
- purchase	4 964	172	12 652	18 995	3 000	23 960	-	**63 743**	653
- transfer from assets under construction	-	2 613	11 151	201	16 061	-	-	**30 026**	-
- included in consolidation for the first time	-	1 601	769	1 195	507	10	-	**4 082**	-
- other increases	140	-	528	4	19	1	-	**692**	-
Decrease (due to)	**(14)**	**(8 315)**	**(5 550)**	**(2 238)**	**(3 353)**	**(32 723)**	**-**	**(52 193)**	(10 792)
- sale	-	(8 238)	(947)	(1 952)	(1 020)	-	-	**(12 157)**	-
- liquidation	-	-	(2 793)	(202)	(1 646)	-	-	**(4 641)**	-
- transfer to tangible assets	-	-	-	-	-	(30 026)	-	**(30 026)**	-
- transfer to intangible assets	-	-	-	-	-	(281)	-	**(281)**	-
- sale of the company covered consolidation previously	-	-	-	-	-	-	-	**-**	(10 792)
- other decreases	(14)	(77)	(1 810)	(84)	(687)	(2 416)	-	**(5 088)**	-
Gross value of tangible fixed assets as at the end of the period: 30.06.2007	**7 931**	**342 065**	**425 519**	**131 877**	**256 282**	**30 252**	**-**	**1 193 926**	**2 803**
Accumulated depreciation as at the beginning of the period: 01.01.2007	**(65)**	**(54 676)**	**(284 515)**	**(34 335)**	**(131 610)**	**-**	**-**	**(505 201)**	**(7 295)**
Depreciation for the period (due to)	**-**	**(2 075)**	**(20 095)**	**(9 583)**	**(8 923)**	**-**	**-**	**(40 676)**	**6 019**
- depreciation charge	-	(3 695)	(24 738)	(11 137)	(11 958)	-	-	**(51 528)**	(185)
- included in consolidation for the first time	-	(64)	(188)	(195)	(62)	-	-	**(509)**	-
- other increases	-	-	(477)	(2)	(5)	-	-	**(484)**	-
- sale	-	1 671	825	1 449	1 006	-	-	**4 951**	-
- liquidation	-	-	2 757	254	1 387	-	-	**4 398**	-
- sale of the company covered consolidation previously	-	-	1 391	-	97	-	-	**1 488**	6 204
- other decreases	-	13	335	48	612	-	-	**1 008**	-
Accumulated depreciation as at the end of the period: 30.06.2007	**(65)**	**(56 751)**	**(304 610)**	**(43 918)**	**(140 533)**	**-**	**-**	**(545 877)**	**(1 276)**
Impairment losses as at the beginning of the period: 01.01.2007	**(104)**	**(59 681)**	**(1 469)**	**(289)**	**(163)**	**(561)**	**-**	**(62 267)**	**(97)**
- decrease	-	5 432	22	7	-	-	-	**5 461**	97
Impairment losses as at the end of the period: 30.06.2007	**(104)**	**(54 249)**	**(1 447)**	**(282)**	**(163)**	**(561)**	**-**	**(56 806)**	**-**
Net value of tangible fixed assets as at the end of the period: 30.06.2007	**7 762**	**231 065**	**119 462**	**87 677**	**115 586**	**29 691**	**-**	**591 243**	**1 527**

Movements in tangible fixed assets from 1 January 2006 to 31 December 2006	Land	Buildings	Equipment	Vehicles	Other tangible fixed assets	Tangible assets under construction	Prepayments for tangible assets under construction	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**	**33 626**	**-**	**1 065 657**	**1 855**
Increase (due to)	**189**	**1 125**	**59 080**	**48 556**	**29 697**	**66 139**	**580**	**205 366**	**14 249**
- purchase	77	365	18 345	46 622	4 904	65 935	580	**136 828**	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	204	-	**1 800**	10 599
Decrease (due to)	**(80)**	**(24 825)**	**(18 935)**	**(12 024)**	**(6 242)**	**(60 761)**	**(580)**	**(123 447)**	**(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)
- transfer to tangible assets	-	-	-	-	-	(49 533)	-	**(49 533)**	-
- transfer to intangible assets	-	-	-	-	-	(531)	-	**(531)**	-
- other decreases	(5)	(720)	(8 184)	(2 588)	(1 592)	(10 697)	(580)	**(24 366)**	-
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**	**39 004**	**-**	**1 147 576**	**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)**	**(561)**	**-**	**(75 428)**	**-**
- 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)**	**(561)**	**-**	**(62 267)**	**(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**	**38 443**	**-**	**580 108**	**5 550**

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Movements in tangible fixed assets from 1 January 2006 to 30 June 2006	Land	Buildings	Equipment	Vehicles	Other tangible fixed assets	Tangible assets under construction	Prepayments for tangible assets under construction	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**	**33 626**	**-**	**1 065 657**	**1 855**
Increase (due to)	**35**	**337**	**38 260**	**20 789**	**15 541**	**16 650**	**65**	**91 677**	**113**
- purchase	-	135	8 731	19 225	1 638	16 476	65	**46 270**	113
- transfer from assets under construction	-	-	16 500	-	10 369	-	-	**26 869**	-
- assets held for sale	-	-	12 461	1 232	3 512	-	-	**17 205**	-
- other increases	35	202	568	332	22	174	-	**1 333**	-
Decrease (due to)	**(75)**	**(1 269)**	**(4 009)**	**(3 837)**	**(1 993)**	**(28 184)**	**-**	**(39 367)**	**(135)**
- sale	(75)	(968)	(202)	(2 845)	(423)	-	-	**(4 513)**	(135)
- liquidation	-	(301)	(3 505)	(543)	(1 125)	-	-	**(5 474)**	-
- transfer to tangible assets	-	-	-	-	-	(26 869)	-	**(26 869)**	-
- transfer to intangible assets	-	-	-	-	-	(488)	-	**(488)**	-
- other decreases	-	-	(302)	(449)	(445)	(827)	-	**(2 023)**	-
Gross value of tangible fixed assets as at the end of the period: 30.06.2006	**2 692**	**368 762**	**400 075**	**94 140**	**230 141**	**22 092**	**65**	**1 117 967**	**1 833**
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)	**-**	**(3 607)**	**(29 248)**	**(6 566)**	**(11 108)**	**-**	**-**	**(50 529)**	**49**
- depreciation charge	-	(4 024)	(22 708)	(8 436)	(9 824)	-	-	**(44 992)**	(699)
- included in consolidation for the first time	-	-	(9 557)	(218)	(2 299)	-	-	**(12 074)**	-
- other increases	(4)	(58)	(1 650)	(569)	(55)	-	-	**(2 336)**	-
- sale	-	174	153	1 948	411	-	-	**2 686**	-
- liquidation	-	301	4 216	427	233	-	-	**5 177**	49
- other decreases	4	-	298	282	426	-	-	**1 010**	699
Accumulated depreciation as at the end of the period: 30.06.2006	**(69)**	**(52 924)**	**(274 425)**	**(30 028)**	**(124 777)**	**-**	**-**	**(482 223)**	**(1 506)**
Impairment losses as at the beginning of the period: 01.01.2006	**(104)**	**(71 712)**	**(1 566)**	**(289)**	**(1 196)**	**(561)**	**-**	**(75 428)**	**-**
- increase	-	(9)	(61)	(14)	-	-	-	**(84)**	-
- decrease	-	117	-	-	1 033	-	-	**1 150**	-
Impairment losses as at the end of the period: 30.06.2006	**(104)**	**(71 604)**	**(1 627)**	**(303)**	**(163)**	**(561)**	**-**	**(74 362)**	**-**
Net value of tangible fixed assets as at the end of the period: 30.06.2006	**2 519**	**244 234**	**124 023**	**63 809**	**105 201**	**21 531**	**65**	**561 382**	**327**

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

as at	30.06.2007	31.12.2006	30.06.2006
Assets taken over and held for resale	**1 273**	**1 328**	**8 706**
- real estate	-	-	8 706
- other	1 273	1 328	-
Other, including:	**807 441**	**593 312**	**465 310**
- debtors	183 943	203 135	161 999
- receivables from income tax	753	2 577	133
- interbank balances	1 279	932	11 485
- other accruals	69 578	88 672	55 306
- accrued income	22 926	16 080	4 247
- inventories	217 066	196 800	115 959
- other	311 896	85 116	116 181
Total other assets	**808 714**	**594 640**	**474 016**
Short-term (up to 1 year)	648 427	469 740	326 994
Long-term (over 1 year)	160 287	124 900	147 022

28. Assets and Liabilities Held for Sale and Discontinued Operations

Bank supports its strategy concerning the sale of pension business of PTE Skarbiec-Emerytura SA that from the point of view of BRE Bank is not considered as continued business. On 29th June 2007 the Bank concluded with Aegon Woningen Nova B.V. holding 100% of the shares of Powszechne Towarzystwo Emerytalne Ergo Hestia S.A. (PTE Ergo Hestia) "The Agreement on Integration of PTE Ergo Hestia and PTE Skarbiec-Emerytura" and "The Optional Agreement". The integration will be carried out on the basis of article 492, paragraph 1, point 1 of Code of Commercial Companies through taking over the property of PTE Skarbiec Emerytura by PTE Ergo Hestia.

The integration of the companies depends on getting assent of Polish Financial Supervision Authority and assent of Office of Competition and Consumer Protection.

The Option Agreement contains the put and call options, in the form of irrevocable offers pursuant to Article 66 of the Civil Code, entitling the Parties to purchase (sell) all the shares of the merger issue held by BRE Bank SA following the merger.

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The sale of shares as a consequence of acceptance of the offer and payment for the shares may take place once the consent from KNF is obtained.
The share price (the "Price") is going to be the sum of the following:
- PLN 385 million, subject to adjustment of the said amount resulting from the number of members of OFE Skarbiec-Emerytura, published in the last report of KNF before the date of the merger (date of entry of the merger in the National Court Register maintained for PTE Ergo Hestia); and
- the net value of current assets of PTE Skarbiec-Emerytura, calculated as the value of current assets, minus liabilities and provisions of PTE Skarbiec-Emerytura as of the end of the last calendar month preceding the date of the merger.

If the merger is not carried out until June 30, 2008, each of the Parties will have the right to rescind the "Agreement to Merge PTE Ergo Hestia and PTE Skarbiec-Emerytura". The option agreement will expire as of the date of termination the "Agreement to Merge PTE Ergo Hestia and PTE Skarbiec-Emerytura", if the consent for the merger is not obtained from KNF.

According to the rules described under the point 2.17 of Explanatory notes to the consolidated financial statements, as at 30 June 2007 the Bank classified PTE Skarbiec Emerytura SA as non-current assets held for sale and discontinued operations. In accordance with IFRS 5 "Non-current Assets held for Sale and Discontinued Operations", as at 30 June 2007, all requirements set out in IFRS 5 to present PTE pension business as asset held for sale were met, except the expectation to complete a sale within 12 months in relation to primal timing of classification (December 2005). The delay in sale is caused by events outside the Bank's control (the requirement of gaining the assent on sale from the market regulator). The Bank believes that the facts meet the requirement of IFRS 5, Appendix B to justify an extension to the 12 month period in which PTE should be recognized as assets (or disposal group) held for sale.

The Group analysed the requirements of IAS 12 „Income Taxes" and based on the paragraph 44 did not recognize deferred tax asset in relation to provision for impairment of shares of PTE in the consolidated financial statements. If the deferred tax was recognized, the Group would found the asset in the amount of PLN 81.1 million.

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

In consolidated financial statements prepared for the reporting periods in 2006 the Bank also classified Skarbiec Asset Management Holding SA as non-current assets held for sale and discontinued operations.

On 8 January 2007 in relation to the agreement of 25 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 the aforementioned shares for a total amount of PLN 155 000 000.The price for shares was paid on 8th January 2007. Ownership of those shares was transferred to PEF V on 8 January 2007. The value of sold shares of net assets of SAMH was PLN 57 927 thousand. After the transaction the Bank does not possess any shares of SAMH. The gain to the Group on sale of shares of SAMH in the amount of PLN 89 458 thousand was included in the result of discontinued operations for the half year ended 30 June 2007. Detailed information was presented in the Note 46.

Below are presented financial data concerning non-current assets held for sale and discontinued operations as at June 30, 2007, December 31, 2006 and June 30, 2006.

Financial data concerning balance sheet positions connected with non-current assets held for sale and discontinued operations as at June 30, 2007, December 31, 2006 and June 30, 2006.

as at	30.06.2007	31.12.2006	30.06.2006
Assets held for sale, including:			
Cash and balances with Central Bank	-	3	-
Loans and advances to banks	6 843	10 550	9 240
Trading securities	-	6 548	-
Investment securities	78 499	63 055	42 287
- available for sale	-	10 642	-
- held to maturity	78 499	52 413	42 287
Intangible assets (including goodwill)	221 027	250 625	232 951
Tangible fixed assets	1 527	5 550	327
Deferred income tax assets	2 673	7 268	5 937
Other assets	13 537	41 595	26 279
Total assets held for sale	**324 106**	**385 194**	**317 021**

as at	30.06.2007	31.12.2006	30.06.2006
Libilities held for sale, including:			
Other liabilities	8 707	23 288	5 276
Provisions	1 611	1 713	1 235
Total libilities held for sale	**10 318**	**25 001**	**6 511**

Financial data concerning profit and loss positions connected with non-current assets held for sale and discontinued operations for the 1st half of 2007 and 2006

the period	from 01.01.2007 to 30.06.2007	from 01.01.2006 to 30.06.2006
Interest income	1 597	1 225
Interest expense	(2)	(3)
Net interest income	**1 595**	**1 222**
Fee and commission income	21 935	62 167
Fee and commission expense	(9 502)	(16 980)
Net fee and commission income	**12 433**	**45 187**
Net trading income, including:	-	(5)
Foreign exchange result	-	*(1)*
Other trading income	-	*(4)*
Gains less losses from investment securities	-	383
Other operating income	27	117
Impairment losses on loans and advances	-	-
Overhead costs	(4 408)	(19 641)
Amortization and depreciation	(199)	(867)
Other operating expenses	(4 707)	(7 767)
Operating profit	**4 741**	**18 629**
Net income from sale of assets held for sale	89 458	-
Profit before income tax from discontinued operations	**94 199**	**18 629**
Income tax expense	(20 037)	(2 474)
Net profit from discontinued operations including minority interest	**74 162**	**16 155**
Net profit attributable to minority interest	-	-
Net profit from discontinued operations	**74 162**	**16 155**

Financial data concerning cash-flow positions connected with non-current assets held for sale and discontinued operations for the 1st half of 2007 and 2006

the period	from 01.01.2007 to 30.06.2007	from 01.01.2006 to 30.06.2006
Cash flow from operating activities	(2 667)	12 799
Cash flows from investing activities	153 957	(3 827)
including sale of assets held for sale	*154 705*	-

<u>Earnings per share for 6 months - discontinued operations</u>

the period	from 01.01.2007 to 30.06.2007	from 01.01.2006 to 30.06.2006
Basic:		
Net profit from discontinued operations (for 6 months)	74 162	16 155
Weighted average number of ordinary shares	29 535 896	29 220 150
Earnings per 1 ordinary share (in PLN per share)	**2.51**	**0.55**
Diluted:		
Net profit from discontinued operations (for 6 months) applied for calculation of diluted earnings per share (in thousand PLN)	74 162	16 155
Weighted average number of ordinary shares	29 535 896	29 220 150
Adjustments for:		
- stock options for employees	126 098	192 425
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 661 994	29 412 575
Diluted earnings per share (in PLN per share)	**2.50**	**0.55**

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29. Amounts due to Other Banks

as at	30.06.2007	31.12.2006	30.06.2006
Payables to be settled	12 537	3 352	6 861
Current accounts	722 777	429 113	980 397
Term deposits	1 403 243	1 108 579	2 209 943
Loans and advances received	6 665 557	6 275 827	3 317 268
Repo / sell buy back transactions	153 378	124 225	71 408
Liabilities in respect of cash collaterals	31 270	31 290	31 297
Amounts due to other banks	**8 988 762**	**7 972 386**	**6 617 174**
Short-term (up to 1 year)	4 265 108	2 470 970	3 772 218
Long-term (over 1 year)	4 723 654	5 501 416	2 844 956

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. An average deposit interest rate and loan interst rate for loans obtained from banks amounted to 3.59%.

BRE Bank did not provide collateral to its lenders. The Group did not note any violations of contractual terms related to liabilities in respect of loans granted.

30. Amounts due to Customers

as at	30.06.2007	31.12.2006	30.06.2006
Corporate customers:	**18 458 696**	**15 077 796**	**13 060 821**
Current accounts	8 827 254	8 059 411	6 247 832
Term deposits	5 821 794	3 829 410	3 593 915
Loans and advances received	221 063	237 026	302 455
Repo transactions	3 099 826	2 520 539	2 387 554
Other liabilities:	488 759	431 410	529 065
- liabilities in respect of cash collaterals	305 209	244 499	268 644
- other	183 550	186 911	260 421
Individual customers:	**10 702 457**	**9 435 881**	**8 512 397**
Current accounts	8 024 692	6 454 500	5 566 430
Term deposits	2 586 287	2 894 063	2 875 034
Loans and advances received	-	-	-
Other liabilities:	91 478	87 318	70 933
- liabilities in respect of cash collaterals	90 716	86 702	70 215
- other	762	616	718
Public sector customers:	**144 563**	**156 179**	**208 676**
Current accounts	34 851	26 999	45 481
Term deposits	107 064	86 310	124 540
Loans and advances received	-	1 685	38 655
Other liabilities:	2 648	41 185	-
- liabilities in respect of cash collaterals	2 648	41 185	-
Total amounts due to customers	**29 305 716**	**24 669 856**	**21 781 894**
Short-term (up to 1 year)	28 512 570	23 847 669	20 950 243
Long-term (over 1 year)	793 146	822 187	831 651

Majority deposits from individual and corporate customers bear variable interest rates. An average interest rate for amounts due to customers (excluding repos) amounted to 2.81%.

31. Debt Securities in Issue

As at 30 June 2007

Debt securities in issue by cathegory	Nominal value	Contractual interest rate	Guarantees/collaterals	Redemption date	Carrying value
Long-term issues					
- Deposit certificates (in PLN)	8 000	7.75%	no collateral	06-05-09	7 079
- Deposit certificates (in PLN)	10 000	4.76%	no collateral	13-10-08	10 049
- Deposit certificates (in PLN)	5 000	4.89%	no collateral	01-10-08	5 061
- Deposit certificates (in PLN)	3 000	4.93%	no collateral	27-08-08	3 014
- Mortgage bonds (in EUR)	8 900	4.96%	mortgage bond register	20-05-09	33 466
- Mortgage bonds (in EUR)	25 000	4.81%	mortgage bond register	20-05-09	94 656
- Mortgage bonds (in EUR)	16 000	4.96%	mortgage bond register	20-05-09	60 638
- Mortgage bonds (in PLN)	100 000	4.77%	mortgage bond register	12-04-10	101 065
- Mortgage bonds (in PLN)	200 000	4.96%	mortgage bond register	10-10-08	202 214
- Mortgage bonds (in USD)	10 000	5.61%	mortgage bond register	22-11-10	28 166
- Mortgage bonds (in USD)	25 000	5.96%	mortgage bond register	20-05-09	70 442
- Bonds (in PLN)	75 000	4.88%	no collateral	01-12-09	75 298
- Bonds (in PLN)	34 000	4.71%	no collateral	16-10-09	34 331
- Bonds (in PLN)	20 000	4.71%	no collateral	16-10-09	20 195
- Bonds (in PLN)	17 000	4.53%	no collateral	26-01-09	17 286
- Bonds (in PLN)	11 200	4.69%	no collateral	22-09-08	11 287
- Bonds (in PLN)	59 300	5.45%	no collateral	23-07-08	59 805
- Bonds (in USD)	10 000	step up coupon (3.25, 3.75, 4.25, 4.75, 5.25)	deposit	09-12-09	19 330
Short-term issues					
- Mortgage bonds (in PLN)	200 000	5.07%	mortgage bond register	10-04-08	202 262
- Mortgage bonds (in USD)	5 300	6.06%	mortgage bond register	20-05-08	14 858
- Bonds (in EUR)	425 000		deposit	10-10-07/27-06-08	1 607 373
- Bonds (in PLN)	580 500	average return - 4.47%	no collateral	05-07-07 - 28-09-07	577 948
- Bonds (in PLN)	246 700	average return - 4.59%	letter of comfort CB	03-07-07 - 07-08-07	247 422
Debt securities in issue (carrying value in PLN '000)					**3 503 245**

As at 31 December 2006

Debt securities in issue by cathegory	Nominal value	Contractual interest rate	Guarantees/collaterals	Redemption date	Carrying value
Long-term issues					
- Deposit certificates (in PLN)	3 000	4.67%	no collateral	27-08-08	3 013
- Deposit certificates (in PLN)	5 000	4.86%	no collateral	01-10-08	5 061
- Deposit certificates (in PLN)	10 000	4.72%	no collateral	13-10-08	10 104
- Deposit certificates (in PLN)	8 000	7.75%	no collateral	06-05-09	6 765
- Bonds (in PLN)	11 200	4.71%	no collateral	22-09-08	11 272
- Bonds (in PLN)	34 000	4.69%	no collateral	16-10-09	34 334
- Bonds (in PLN)	20 000	4.61%	no collateral	16-10-09	20 166
- Bonds (in PLN)	75 000	4.59%	no collateral	01-12-09	75 290
- Bonds (in PLN)	15 000	4.51%	no collateral	26-01-09	15 169
- Bonds (in PLN)	59 300	5.25%	letter of comfort CB	23-07-08	59 576
- Mortgage bonds (in EUR)	25 000	4.34%	mortgage bond register	20-05-09	96 261
- Mortgage bonds (in USD)	5 300	6.08%	mortgage bond register	20-05-08	15 410
- Mortgage bonds (in PLN)	200 000	5.04%	mortgage bond register	10-04-08	202 277
- Mortgage bonds (in EUR)	5 900	4.49%	mortgage bond register	20-05-09	22 466
- Mortgage bonds (in PLN)	200 000	4.93%	mortgage bond register	10-10-08	202 227
- Mortgage bonds (in EUR)	20 000	4.49%	mortgage bond register	20-05-09	77 095
- Mortgage bonds (in USD)	25 000	5.99%	mortgage bond register	20-05-09	73 265
- Mortgage bonds (in PLN)	100 000	4.74%	mortgage bond register	12-04-10	101 071
- Mortgage bonds (in USD)	10 000	5.64%	mortgage bond register	22-11-10	29 290
- Bonds (in EUR)	225 000	EURIBOR 3m + 0.20%	deposit	18-10-07	867 910
- Bonds (in EUR)	200 000	EURIBOR 3m + 0.20%	deposit	27-06-08	766 125
- Bonds (in USD)	7 410	step up coupon (3.25%, 3.75%, 4.25%, 4.75%, 5.25%)	deposit	09-12-09	21 611
Short-term issues					
- Bonds (in PLN)	220 700	average return - 4.33%	letter of comfort CB	01/2007-07/2007	220 264
- Bonds (in PLN)	454 900	average return - 4.21%	no collateral	01/2007-04/2007	453 537
Debt securities in issue (carrying value in PLN '000)					**3 389 559**

As at 30 June 2006 Debt securities in issue by cathegory	Nominal value	Contractual interest rate	Guarantees/collaterals	Redemption date	Carrying value
Long-term issues					
- Deposit certificates (in PLN)	3 000	4.55%	no collateral	14-08-06	3 021
- Deposit certificates (in PLN)	8 000	4.59%	no collateral	21-08-06	8 057
- Deposit certificates (in PLN)	3 000	4.64%	no collateral	27-08-08	2 847
- Deposit certificates (in PLN)	5 000	4.61%	no collateral	01-10-08	4 745
- Deposit certificates (in PLN)	10 000	4.21%	no collateral	13-10-06	10 072
- Deposit certificates (in PLN)	10 000	4.66%	no collateral	13-10-08	9 491
- Deposit certificates (in PLN)	8 000	7.75%	no collateral	06-05-09	7 592
- Bonds (in PLN)	11 200	4.62%	no collateral	22-09-08	11 263
- Bonds (in PLN)	5 000	4.12%	no collateral	22-09-06	5 057
- Mortgage bonds (in EUR)	40 434	3.82%	mortgage bond register	20-05-09	40 605
- Mortgage bonds (in USD)	16 862	5.89%	mortgage bond register	20-05-08	16 965
- Mortgage bonds (in PLN)	50 000	4.34%	mortgage bond register	31-07-06	50 356
- Mortgage bonds (in PLN)	200 000	4.77%	mortgage bond register	10-04-08	202 130
- Mortgage bonds (in EUR)	64 694	3.82%	mortgage bond register	20-05-09	65 046
- Mortgage bonds (in PLN)	200 000	4.66%	mortgage bond register	10-10-08	202 080
				20-05-09	101 088
- Mortgage bonds (in EUR)	100 681	3.67%	mortgage bond register		
- Mortgage bonds (in USD)	23 862	5.90%	mortgage bond register	20-05-09	23 982
- Mortgage bonds (in PLN)	100 000	4.47%	mortgage bond register	12-04-10	100 998
- Mortgage bonds (in USD)	31 816	5.55%	mortgage bond register	22-11-10	32 010
- Bonds (in EUR)	198 900	EURIBOR 3m + 0.35%	deposit	03-11-06	812 636
- Bonds (in EUR)	225 000	EURIBOR 3m + 0.20%	deposit	18-10-07	914 081
- Bonds (in EUR)	200 000	EURIBOR 3m + 0.20%	deposit	27-06-08	808 263
- Bonds (in USD)	7 610	step up coupon (3.25, 3.75, 4.25, 4.75, 5.25)	deposit	09-12-09	19 922
Short-term issues					
- Bonds (in PLN)	497 100	average return - 4.14%	no collateral	07/2006-10/2006	493 949
- Bonds (in PLN)	442 400	average return - 4.13%	no collateral	07/2006-07/2008	442 389
Debt securities in issue (carrying value in PLN '000)					**4 388 645**

BRE Bank did not provide collateral to holders of the issued bonds of the Bank. The Group did not note any violations of contractual terms related to liabilities in respect of issued debt securities.

Movement in Debt Securities in Issue

as at	30.06.2007	31.12.2006	30.06.2006
As at the beginning of the period	**3 389 559**	**2 731 157**	**2 731 157**
Increase (due to):	2 943 966	7 652 669	4 614 223
- issuance	2 876 920	6 416 775	3 069 332
- valuation at amortization cost	67 046	135 963	90 810
- foreign exchange differences	-	-	122 963
- other*	-	1 099 931	1 331 118
Decrease (due to):	(2 830 280)	(6 994 267)	(2 956 735)
- redemption	(2 738 986)	(6 840 559)	(2 897 200)
- valuation at amortization cost	(54 651)	(115 598)	(59 535)
- foreign exchange differences	(36 643)	(38 110)	-
Debt securities in issue at the end of the period	**3 503 245**	**3 389 559**	**4 388 645**
Short-term (up to 1 year)	2 649 863	673 801	936 338
Long-term (over 1 year)	853 382	2 715 758	3 452 307

* 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 30 June 2007					
- COMMERZBANK AG	100 000	EUR	3M EURIBOR+2.5%	not defined	380 668
- COMMERZBANK AG	80 000	CHF	3M LIBOR+1.4%*	not defined	182 057
- COMMERZBANK AG	400 000	CHF	3M LIBOR+0.70%**	08.03.2017	911 046
					1 473 771

*margin amount to 1.4% is in force within the period of first ten years. Within the period of next years it will be equal to 3.4%
** margin amounting to 0.70 % is in force within the period of first five years. Within the period of next five years it will be equal to 1.20 %.

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 30 June 2006					
- AT BRE COM LTD	200 000	EUR	3M EURIBOR+1.3%	27.03.2012	817 421
- AT BRE COM LTD	50 000	EUR	3M EURIBOR+1.3%	26.09.2012	204 087
- AT BRE COM LTD	100 000	EUR	3M EURIBOR+2.5%	not defined	407 933
- AT BRE COM LTD	7 093	EUR	4.332	21.07.2014	28 887
- AT BRE COM LTD	8 860	EUR	4.509	07.12.2011	35 896
					1 494 224

In the first half of the year 2007 likewise in the year of 2006, 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.

On 5 March 2007 BRE Bank SA (Bank) entered into agreement with Commerzbank AG on issue of subordinated debt securities. Commerzbank committed itself to take over ten-year subordinated debt securities based on floating interest rate and issued in accordance with Banking Act (art. 127 par. 3 p. 2 l. b), total nominal value amounted to CHF 400 000 000 (PLN 980 400 000 in accordance with the average rate of exchange of National Bank of Poland as at March 5, 2007); interest rate is floating and based on LIBOR 3M, increased by a margin. Debt securities were issued on March 8, 2007.

Simultaneously, i.e. on 5 March, 2007 Bank entered into two agreements on early repurchase of subordinated debt securities of Bank amounting to EUR 50 000 000 (PLN 195 850 000 in accordance with the average rate of exchange of National Bank of Poland as at March 5, 2007), interest rate is floating and maturity date by 2012, and subordinated debt securities of Bank amounting to EUR 200 000 000 (PLN 783 400 000 in accordance with the average rate of exchange of National Bank of Poland as at March 5, 2007), interest rate is floating and maturity date by 2012 respectively. Debt securities were repurchased on March 26, 2007. Impact of early repurchase on income statement amounted to PLN 11 495 thousand.

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.

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Movement in Subordinated Liabilities

as at	30.06.2007	31.12.2006	30.06.2006
As at the beginning of the period	**1 547 354**	**1 362 528**	**1 362 528**
Increase (due to:)	1 004 246	320 486	162 933
- subordinated loan raised	968 440	190 160	-
- interest on subordinated loan	35 806	67 097	33 932
- foreign exchange differences	-	1 417	67 189
- other *	-	61 812	61 812
Decrease (due to):	(1 077 829)	(135 660)	(31 237)
- capital repayment	(980 040)	(63 230)	-
- interest repayment	(34 198)	(62 920)	(31 237)
- foreign exchange differences	(63 591)	(9 510)	-
Subordinated liabilities as at the end of the period	**1 473 771**	**1 547 354**	**1 494 224**
Long-term (over 1 year)	1 473 771	1 547 354	1 494 224

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

33. Other Liabilities

as at	30.06.2007	31.12.2006	30.06.2006
Special Fund	**10 465**	**25 970**	**27 073**
- Social Benefits Funds	10 465	25 970	27 073
Other liabilities	**782 363**	**733 829**	**470 733**
- tax liabilities	6 955	9 550	4 816
- interbank settlements	77 181	112 429	61 023
- dividends payable	449	-	-
- creditors	268 914	219 668	138 684
- accrued expenses	120 476	101 490	80 990
- deferred income	210 861	137 930	83 893
- provisions for pension dismissals	11 154	9 873	8 878
- provisions for holiday equivalents	6 285	5 461	4 651
- provisions for other employee benefits	64 161	108 518	61 946
- other	15 928	28 910	25 852
Total special funds and other liabilities	**792 828**	**759 799**	**497 806**

34. Provisions

as at	30.06.2007	31.12.2006	30.06.2006
For off-balance sheet contingent liabilities*	46 787	53 370	59 392
For legal proceedings	10 022	7 460	12 503
Other	9 517	9 338	11 332
Total other provisions	**66 326**	**70 168**	**83 227**

* including financial guarantees

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

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Movement in the provisions

as at	30.06.2007	31.12.2006	30.06.2006
As at the beginning of the period (by type)	**70 168**	**86 135**	**86 135**
For off-balance sheet contingent liabilities	53 370	63 920	63 920
For legal proceedings	7 460	7 926	7 926
Other	9 338	14 289	14 289
Increase (due to)	**21 526**	**32 956**	**20 227**
- increase of provisions	21 502	31 760	19 930
for off-balance-sheet contingent liabilities	*17 117*	*17 585*	*10 346*
for legal proceedings	*3 191*	*13 662*	*8 961*
other	*1 194*	*513*	*623*
- foreign exchange differences	-	*1 196*	*297*
- other	*24*	-	-
Decrease (due to)	**(25 368)**	**(48 923)**	**(23 135)**
- charge-offs	-	(6 883)	-
- release of provisions, due to:	(24 943)	(37 355)	(19 916)
for off-balance-sheet contingent liabilities	(23 483)	(29 331)	(14 951)
for legal proceedings	(822)	(6 823)	(4 384)
other	(638)	(1 201)	(581)
- utilization	-	(2 200)	(3 219)
- reclassification	(196)	(2 452)	-
- foreign exchange differences	(229)	(33)	-
As at the end of the period (by type)	**66 326**	**70 168**	**83 227**
For off-balance sheet contingent liabilities	46 787	53 370	59 392
For legal proceedings	10 022	7 460	12 503
Other	9 517	9 338	11 332

Allowance for Losses on off-balance sheet contingent liabilities

as at	30.06.2007	31.12.2006	30.06.2006
Off-balance sheet contingent liabilities classified as "non-default"			
Off-balance sheet contingent liabilities	13 661 346	13 941 200	10 695 349
Provisions for exposures analysed according to portfolio approach	(42 133)	(47 387)	(48 048)
Net off-balance sheet contingent liabilities	**13 619 213**	**13 893 813**	**10 647 301**
Off-balance sheet contingent liabilities classified as "default"			
Off-balance sheet contingent liabilities	49 025	66 473	19 480
Provisions for exposures analysed individually	(4 654)	(5 983)	(11 344)
Net off-balance sheet contingent liabilities	**44 371**	**60 490**	**8 136**

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 2006 and 2007).

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

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as at	30.06.2007	31.12.2006	30.06.2006
As at the beginning of the period	**64 800**	**116 887**	**116 887**
Deferred income tax included in the financial result of the period	25 735	(44 177)	(21 561)
Deferred income tax included in equity:	(21 748)	(94)	4 868
- valuation of available for sale securities	(21 748)	(19)	4 868
- valuation of cash flow hedge financial assets	-	(75)	-
transfer to profit and loss account	-	(75)	-
Other changes	(9 951)	(4 968)	2 213
Deferred income related to tax of asset held for sale	-	(2 848)	(7 753)
As at the end of the period	**58 836**	**64 800**	**94 654**
Interest payable on bank deposits	5 761	4 721	6 388
Interest payable on customer deposits	9 541	10 985	10 874
Valuation of derivatives and futures	17 608	24 900	11 231
Valuation of financial instruments at fair value through profit or loss and held for trading	723	455	1 822
Valuation of financial instruments available for sale	9 201	1 468	7 670
Provisions for impairment of loans and off-balance sheet exposures	46 500	60 474	70 235
Provisions for pensions, holiday equivalents, jubilee and other bonuses	18 423	23 038	13 858
Other provisions	750	518	1 103
Accruals and prepayments	20 266	19 884	15 196
Impairment of shares	1 740	5 844	1 686
Tax loss to be settled in future periods	1 613	-	30 944
Other negative temporary differences	112 418	79 326	73 549
Interest receivable on loans and advances granted to banks	(1 348)	(4 071)	(6 400)
Interest receivable on loans granted to customers	(17 635)	(16 590)	(12 086)
Valuation of derivatives and futures	(31 572)	(46 041)	(46 150)
Valuation of financial instruments at fair value through profit or loss and held for trading	(4 350)	(3 358)	(4 618)
Valuation of financial instruments available for sale	(52 075)	(17 618)	(7 545)
Investment tax relief	(31 493)	(31 146)	(30 825)
Difference between the amortization and depreciation for tax and accounting purposes	(37 327)	(33 011)	(27 566)
Other positive temporary differences	(9 908)	(14 978)	(14 712)
Total net deferred income tax assets	**84 988**	**65 112**	**94 861**
Total net deferred income tax liabilities	**(26 152)**	**(312)**	**(207)**

as at	30.06.2007	30.06.2006
Deferred income tax included in the profit and loss account		
Interest	4 474	3 979
Provisions for impairment of loans and guarantees determined individually	(13 974)	(7 616)
Valuation of derivatives and futures	8 593	(45 620)
Valuation of financial instruments at fair value through profit or loss and held for trading	(722)	8 766
Valuation of financial instruments available for sale	(4 986)	(5 992)
Investment tax relief	(347)	(50)
Tax losses carried forward	387	17 314
Provisions for pensions, holiday equivalents, jubilee and other bonuses	(4 640)	(3 621)
Other provisions	175	211
Accruals and prepayments	249	431
Impairment of shares	(4 104)	-
Difference between the amortization and depreciation for tax and accounting purposes	(4 266)	(6 055)
Other temporary differences	44 896	16 692
Total deferred income tax included in the profit and loss account (Note 15)	**25 735**	**(21 561)**

Deferred income tax assets are recognized if it is probable that there will be sufficient taxable income in the future (see also Note 28 for unrecognized deferred tax assets on PTE).

As at June 30, 2007 there were no tax losses from previous years which would be included in the deferred tax assets calculation (on June 30, 2006 tax losses were included from previous years in amount PLN 102 196 thousand).

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

As at 30 June 2007, 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 30 June 2007 was PLN 401 628 thousand, equal to 14,02 % of the issuer's equity.

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. On Nevember 8, 2006, the Court of Appeal dismissed the claim in part, which was send back for further recognition by the Supreme Court. The claimant filed the last resort appeal for the ruling of the Supreme Court on 17 February 2007. On 18 May 2007 The Highest Court dismissed the ruling from 8 November 2006 of the Court of Appeal and referred the case back to the Court of Appeal in Warsaw.

   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 121.5 million according to the average exchange rate of the National Bank of Poland on 30 June 2007). 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 its entire. The claimant filed an appeal against that verdict.

4. Lawsuit against Dom Inwestycyjny BRE Banku SA („DI BRE") by the Katarzyna and Leon 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 at 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 1.5 million.

Legal proceedings the Group considers as contingent commitments.

As at 30 June 2007, the Bank was not involved in any proceedings before a court, arbitration body, or public administration authority concerning receivables of the issuer or its subsidiaries whose value would be equal to or greater than 10% of the issuer's equity. The total value of claims concerning receivables of the issuer or its subsidiaries in all proceedings before a court, an arbitration body or a public administration authority underway at 30 June 2007 did not go beyond 10 % of the issuer's equity.

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.

Taxes

The tax authorities have not carried out any full-scope tax audits at the Bank or its subsidiaries in the first half of 2007 and in the year 2006.

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.

The last tax audit was carried out in 2002.

37. Off-balance Sheet Liabilities

Included within off-balance sheet liabilities are:

(a) Lending commitments:
The amounts and deadlines by which the Group will be obliged to realize its off-balance sheet liabilities by granting loans or other monetary services are presented in the table below.

(b) Guarantees and other financial facilities
Guarantees are presented in the table below based on the earliest contractual maturity date.

(c) Operating lease liabilities
Where the Group Company is a lessee, the minimum future lease payments as part of irrevocable operating lease agreements of buildings are presented in the table below.

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The following table presents the value of the Group's contingent liabilities and commitments granted and received as at 30 June 2007, 31 December 2006 and 30 June 2006:

30.06.2007	up to 1 year	1 - 5 years	over 5 years	Total
Contingent liabilities granted and received	**12 285 072**	**3 797 269**	**512 949**	**16 595 290**
Commitments granted	**10 992 020**	**2 476 002**	**491 336**	**13 959 358**
1. Financing	**9 336 046**	**1 586 771**	**433 793**	**11 356 610**
a) Lending commitments	9 307 761	1 498 617	301 245	11 107 623
b) Operating lease commitments	28 285	88 154	132 548	248 987
2. Guarantees and other financial facilities	**1 560 145**	**889 231**	**57 543**	**2 506 919**
a) Banker's acceptances	40 373	-	-	40 373
b) Guarantees and standby letters of credit	1 335 797	889 231	57 543	2 282 571
c) Documentary and commercial letters of credit	183 975	-	-	183 975
3. Other commitments	**95 829**	**-**	**-**	**95 829**
Commitments received	**1 293 052**	**1 321 267**	**21 613**	**2 635 932**
a) Financing	825 784	1 136 500	5	1 962 289
b) Guarantees	467 268	184 767	21 608	673 643
Liabilities related to purchase/sale transactions	**467 810 052**	**166 021 333**	**8 103 072**	**641 934 457**
Total off-balance sheet items	**480 095 124**	**169 818 602**	**8 616 021**	**658 529 747**

31.12.2006	up to 1 year	1 - 5 years	over 5 years	Total
Contingent liabilities granted and received	**12 351 169**	**2 410 024**	**556 971**	**15 318 164**
Commitments granted	**11 408 884**	**2 318 852**	**527 242**	**14 254 978**
1. Financing	**8 865 132**	**1 452 304**	**433 943**	**10 751 379**
a) Lending commitments	8 838 924	1 375 689	289 461	10 504 074
b) Operating lease commitments	26 208	76 615	144 482	247 305
2. Guarantees and other financial facilities	**1 737 976**	**866 548**	**93 299**	**2 697 823**
a) Banker's acceptances	44 732	-	-	44 732
b) Guarantees and standby letters of credit	1 264 529	866 548	93 299	2 224 376
c) Documentary and commercial letters of credit	428 715	-	-	428 715
3. Other commitments	**805 776**	**-**	**-**	**805 776**
Commitments received	**942 285**	**91 172**	**29 729**	**1 063 186**
a) Financing	117 014	651	-	117 665
b) Guarantees	825 271	90 521	29 729	945 521
Liabilities related to purchase/sale transactions	**394 621 871**	**140 043 778**	**6 836 100**	**541 501 749**
Total off-balance sheet items	**406 973 040**	**142 453 802**	**7 393 071**	**556 819 913**

30.06.2006	up to 1 year	1 - 5 years	over 5 years	Total
Contingent liabilities granted and received	**10 285 864**	**1 927 990**	**516 875**	**12 730 729**
Commitments granted	**8 731 280**	**1 823 910**	**446 282**	**11 001 472**
1. Financing	**7 312 292**	**1 084 367**	**374 561**	**8 771 220**
a) Lending commitments	7 284 938	987 728	211 911	8 484 577
b) Operating lease commitments	27 354	96 639	162 650	286 643
2. Guarantees and other financial facilities	**1 410 488**	**739 543**	**71 721**	**2 221 752**
a) Banker's acceptances	78 225	-	-	78 225
b) Guarantees and standby letters of credit	1 167 103	739 543	71 721	1 978 367
c) Documentary and commercial letters of credit	165 160	-	-	165 160
3. Other commitments	**8 500**	**-**	**-**	**8 500**
Commitments received	**1 554 584**	**104 080**	**70 593**	**1 729 257**
a) Financing	552 346	687	10 556	563 589
b) Guarantees	1 002 238	103 393	60 037	1 165 668
Liabilities related to purchase/sale transactions	**369 227 467**	**130 614 333**	**6 383 521**	**506 225 321**
Total off-balance sheet items	**379 513 330**	**132 542 324**	**6 900 396**	**518 956 050**

The above operating lease liabilities in full concern the lease of buildings.
Apart from commitments granted and received by BRE Bank SA, PLN 927 207 thousand of commitments incurred by BRE Bank Hipoteczny and PLN 320 328 thousand of commitments incurred by Polfactor had the largest effect on the amount of financial liabilities of the Group.

As at 30 June 2007, 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	Prokom Software S.A.	Bonds	50 000 000	none	Marketable
2	Polski Koncern Energetyczny S.A.	Bonds	217 000 000	none	Marketable
3	ECHO Investment S.A.	Bonds	35 000 000	none	Marketable
4	Polimex Mostostal Siedlce S.A.	Bonds	32 500 000	none	Marketable
5	SPIN S.A.	Bonds	15 000 000	none	Marketable
6	J.W. Construction	Bonds	25 000 000	none	Marketable
7	PKN Orlen S.A.	Bonds	50 000 000	none	Marketable

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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.

As at 30 June 2007, the Group had PLN 2 635 932 thousand worth of contingent commitments received.

BRE Bank S.A. received PLN 1 868 893 thousand worth of commitments, including both PLN 1 354 223 thousand worth of unused credits granted by foreign banks and PLN 514 670 thousand worth of received guarantees securing given credits and guarantees.

In addition to BRE Bank SA, BRE Leasing received PLN 751 828 thousand worth of commitments from entities other than the Group member Companies.

38. 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.

as at	30.06.2007	31.12.2006	30.06.2006
Pledged assets, including:	**3 319 230**	**2 702 180**	**2 470 060**
- Trading securities	3 253 204	2 644 764	2 458 962
- Investment securities	66 026	57 416	11 098
Liabilities arising from pledged assets, including:	**3 311 013**	**2 683 309**	**2 470 308**
- Sell-buy back transactions	3 253 204	2 644 764	2 458 962
- Funds guaranteed under BGF	57 809	38 545	11 346

The Group did not pledge any assets as collateral for new loans taken by the Group in the first half of 2007.

39. Registered share capital

The total number of ordinary shares as at 30 June 2007 was 29 564 034 shares (vs. 29 374 947 as at 30 June 2006) with PLN 4 nominal value each (30 June 2006: PLN 4). All issued shares were fully paid.

The increase of registered share capital in the first half 2007 results from the issue of 47 999 shares connected with exercise of share options program. The detailed information concerning the share options program has been described in the Note 42.

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REGISTERED SHARE CAPITAL								
Series / issue	**Share type**	**Type of privilege**	**Type of limitation**	**Numebr of shares**	**Series / issue value**	**Paid up**	**Registered on**	**Dividend right since**
11-12-86	ordinary bearer	-	-	9 972 500	39 890 000	fully paid up in cash	23-12-86	01-01-89
11-12-86	ordinary registered	-	-	27 500	110 000	fully paid up in cash	23-12-86	01-01-89
20-10-93	ordinary bearer	-	-	2 500 000	10 000 000	fully paid up in cash	04-03-94	01-01-94
18-10-94	ordinary bearer	-	-	2 000 000	8 000 000	fully paid up in cash	17-02-95	01-01-95
28-05-97	ordinary bearer	-	-	4 500 000	18 000 000	fully paid up in cash	10-10-97	10-10-97
27-05-98	ordinary bearer	-	-	3 800 000	15 200 000	fully paid up in cash	20-08-98	01-01-99
24-05-00	ordinary bearer	-	-	170 500	682 000	fully paid up in cash	15-09-00	01-01-01
21-04-04	ordinary bearer	-	-	5 742 625	22 970 500	fully paid up in cash	30-06-04	01-01-04
21-05-03	ordinary bearer	-	-	2 355	9 420	fully paid up in cash	05-07-05*	01-01-05
21-05-03	ordinary bearer	-	-	11 400	45 600	fully paid up in cash	05-07-05*	01-01-05
21-05-03	ordinary bearer	-	-	37 164	148 656	fully paid up in cash	11-08-05*	01-01-05
21-05-03	ordinary bearer	-	-	44 194	176 776	fully paid up in cash	09-09-05*	01-01-05
21-05-03	ordinary bearer	-	-	60 670	242 680	fully paid up in cash	18-10-05*	01-01-05
21-05-03	ordinary bearer	-	-	13 520	54 080	fully paid up in cash	12-10-05*	01-01-05
21-05-03	ordinary bearer	-	-	4 815	19 260	fully paid up in cash	14-11-05*	01-01-05
21-05-03	ordinary bearer	-	-	28 580	114 320	fully paid up in cash	14-11-05*	01-01-05
21-05-03	ordinary bearer	-	-	53 399	213 596	fully paid up in cash	08-12-05*	01-01-05
21-05-03	ordinary bearer	-	-	14 750	59 000	fully paid up in cash	08-12-05*	01-01-05
21-05-03	ordinary bearer	-	-	53 320	213 280	fully paid up in cash	10-01-06*	10-01-06*
21-05-03	ordinary bearer	-	-	3 040	12 160	fully paid up in cash	10-01-06*	10-01-06*
21-05-03	ordinary bearer	-	-	46 230	184 920	fully paid up in cash	08-02-06*	08-02-06*
21-05-03	ordinary bearer	-	-	19 700	78 800	fully paid up in cash	08-02-06*	08-02-06*
21-05-03	ordinary bearer	-	-	92 015	368 060	fully paid up in cash	09-03-06*	09-03-06*
21-05-03	ordinary bearer	-	-	19 159	76 636	fully paid up in cash	09-03-06*	09-03-06*
21-05-03	ordinary bearer	-	-	8 357	33 428	fully paid up in cash	11-04-06*	11-04-06*
21-05-03	ordinary bearer	-	-	800	3 200	fully paid up in cash	11-04-06*	11-04-06*
21-05-03	ordinary bearer	-	-	108 194	432 776	fully paid up in cash	16-05-06*	16-05-06*
21-05-03	ordinary bearer	-	-	20 541	82 164	fully paid up in cash	16-05-06*	16-05-06*
21-05-03	ordinary bearer	-	-	17 000	68 000	fully paid up in cash	09-06-06*	09-06-06*
21-05-03	ordinary bearer	-	-	2 619	10 476	fully paid up in cash	09-06-06*	09-06-06*
21-05-03	ordinary bearer	-	-	33 007	132 028	fully paid up in cash	10-07-06*	10-07-06*
21-05-03	ordinary bearer	-	-	2 730	10 920	fully paid up in cash	10-07-06*	10-07-06*
21-05-03	ordinary bearer	-	-	48 122	192 488	fully paid up in cash	09-08-06*	09-08-06*
21-05-03	ordinary bearer	-	-	700	2 800	fully paid up in cash	12-09-06*	12-09-06*
21-05-03	ordinary bearer	-	-	3 430	13 720	fully paid up in cash	11-10-06*	11-10-06*
21-05-03	ordinary bearer	-	-	38 094	152 376	fully paid up in cash	10-11-06*	10-11-06*
21-05-03	ordinary bearer	-	-	15 005	60 020	fully paid up in cash	08-12-06*	08-12-06*
21-05-03	ordinary bearer	-	-	800	3 200	fully paid up in cash	10-01-07*	10-01-07*
21-05-03	ordinary bearer	-	-	200	800	fully paid up in cash	16-02-07*	16-02-07*
21-05-03	ordinary bearer	-	-	1 150	4 600	fully paid up in cash	09-03-07*	09-03-07*
21-05-03	ordinary bearer	-	-	9 585	38 340	fully paid up in cash	09-03-07*	09-03-07*
21-05-03	ordinary bearer	-	-	600	2 400	fully paid up in cash	11-04-07*	11-04-07*
21-05-03	ordinary bearer	-	-	32 964	131 856	fully paid up in cash	17-05-07*	17-05-07*
22-05-03	ordinary bearer	-	-	2 700	10 800	fully paid up in cash	15-06-07*	15-06-07*
Total number of shares				**29 564 034**				
Total registered share capital					**118 256 136**			
Nominal value per share			**4**					

* date of registration of shares in National Securities Deposit (KDPW SA)

Commerzbank Auslandsbanken Holding AG is a shareholder holding over 5% of the share capital and votes at the General Meeting. As at 31 June 2007 Commerzbank Auslandsbanken Holding AG held 70.08% of the share capital and votes at the General Meeting of BRE Bank SA (as at 31 December 2006 - 70.20%).

Moreover, the Bank was informed of the exceed the 5 % level of votes at the General Meeting of BRE Bank SA in the BZ WBK AIB Asset Management SA's letter of May 24, 2007. There were 1 486 325 shares of BRE Bank SA on securities accounts, covered by agreements on management, of clients of WBK AIB Asset Management SA on May 22, 2007. The shares represented 5.028 % of share capital and votes at the General Meeting of BRE Bank SA.

40. 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 2007 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 42.

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Hyperinflationary restatements of the equity

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.

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 3.54% of the owners' equity of the Group (the effect of the restatement will represent 7.13% 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 30 June 2007.

Hyperinflationary adjustments will also have no material effect for the period ended 30 June 2006 (the effect of the restatement will represent 4.77% of the owners' equity of the Group and 7.26% of share capital).

41. Revaluation Reserve

The following table presents movements in revaluation reserve:

as at	30.06.2007	31.12.2006	30.06.2006
Translation reserve			
As at the beginning of the period	(1 321)	(1 923)	(1 923)
Exchange differences	(2 842)	602	3 635
As at the end of the period	**(4 163)**	**(1 321)**	**1 712**
Revaluation reserve - available for sale securities			
As at the beginning of the period	6 431	(731)	(731)
Net gains / (losses) from changes in fair value	115 510	30 866	(15 136)
- increase	*163 085*	*63 320*	*4 995*
- decrease	*(47 575)*	*(32 454)*	*(20 131)*
Net gains / (losses) transferred to net profit on disposal and impairment	(7 161)	(23 685)	(10 617)
Deferred income tax	(21 748)	(19)	4 868
As at the end of the period	**93 032**	**6 431**	**(21 616)**
Revaluation reserve - valuation of cash flow hedges			
Currency swap			
As at the beginning of the period	-	(321)	(321)
Movements in reporting period	-	(75)	313
Gains/(losses) from changes in fair value	-	-	386
- increase	-	-	386
Deferred income tax	-	(75)	(73)
Transfer to profit and loss account on disposal and impairment	-	396	-
As at the end of the period	-	**-**	(8)
Other capital and reserves	**88 869**	**5 110**	**(19 912)**

The net profit in total amount of PLN 7 161 thousand representing the balance of increases/decreases of securities (bonds, treasury notes and stocks) sold in the 2007 was charged off the revaluation capital and recognized in the Profit and Loss Account (as at 31 December 2006 and 30 June 2006, respectively, PLN net loss 23 685 thousand and PLN net loss 10 617 thousand).

Valuation of shares of VECTRA SA has had the most material impact on profit/(loss) due to changes in the fair value in the first half of 2007 (Note 23).

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42. 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.

as at	30.06.2007	31.12.2006	30.06.2006
Other supplementary capital	322 254	9 451	8 770
Other reserved capital	27 098	20 899	26 424
General Banking Risk Fund	559 110	558 000	558 000
Profit from the previous year	118 714	19 102	18 066
Profit for the current year	403 866	421 258	180 399
Total retained earnings	**1 431 042**	**1 028 710**	**791 659**

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.

Since July 1, 2006 Bank has been operating one employee options program. This program has been 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. As at 1 July 2005 a further 7 000 options were granted. The program stipulates total pool of 500 000 options - 175 000 options for the Management Board and 325 000 options for other employees. The options were fair-valued.

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, 2003 was the first options 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.

Bank operated two motivational programs related to share options. The first program, under which members of the Bank's Management were granted 479 500 issued shares, expired on 30 June 2006. Allin 477 007 shares were acquired under this Programme.

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

as at	30.06.2007	31.12.2006	30.06.2006
As at the beginning of the period	**7 275**	**12 967**	**12 967**
- value of services provided	648	2 212	1 106
- settlement of exercised options	(2 182)	(7 904)	(2 990)
As at the end of the period	**5 741**	**7 275**	**11 083**

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

as at	30.06.2007	31.12.2006	30.06.2006
As at the beginning of the period	**174 097**	**348 037**	**348 037**
Granted	-	-	-
Realized	47 999	173 940	65 859
Expired	-	-	-
As at the end of the period	**126 098**	**174 097**	**282 178**
exercisable at the end of period	23 490	71 489	142 216

850 909 shares related to both employee options programs were issued until 30 June 2007.

Share options outstanding at the end of year 2007 were 126 098 under the second share options program and share options exercisable were 23 490 at 30 June 2007. The outstanding share options shall be exercisable at 1 July 2007 under the condition of the employment.

Options exercised in 2007 resulted in 47 999 shares being issued (2006: 532 063, 2005: 270 847 shares). The weighted average price of shares under the second share options program was PLN 459.01 per share (the weighted average price under the first and second share options program on 31 December 2006 was respectively: PLN 184.82 and PLN 234.47 each and on 30 June 2006 the weighted average price under the first and second share options program was respectively– PLN 183.73 and PLN 185.82 each).

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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.

43. Dividend per Share

The General Meeting of Shareholders of BRE Bank SA on 16 March 2007 adopted the resolution not to pay any dividend for the year 2006.

Till the date of publication of financial statements for the first half of 2007 The Management Board of BRE Bank SA did not take any decision on the recommendation for The General Meeting of Shareholders, concerning dividend payment for the year 2007.

44. 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:

as at	30.06.2007	31.12.2006	30.06.2006
Cash and balances with Central Bank (Note 17)*	2 562 731	3 716 610	1 137 810
Debt securities eligible for rediscounting at the Central Bank	34 005	26 725	25 161
Loans and advances to banks (Note 19)*	1 275 751	1 763 376	2 052 424
Trading securities (Note 20)	3 946 352	3 576 135	3 824 957
Total cash and cash equivalents	**7 818 839**	**9 082 846**	**7 040 352**

*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).

45. 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 5 March 2007 BRE Bank SA (the Bank) concluded with Commerzbank AG the Agreement for the issue of subordinated bonds. On the strength of the Agreement, Commerzbank AG assumed ten-year subordinated bonds of floating interest rate, issued based on art. 127 item 3 point 2 letter b) of Bank Law of total nominal value of CHF 400 000 000 (PLN 980 400 000 according to the average NBP rate of 5 March 2007). Bond interest rate is floating, based on the three-month LIBOR rate augmented by margin. The bonds were ussued on March 8, 2007.

  Together with the Agreement, that is on 5 March 2007, the Bank concluded two agreements concerning an earlier redemption, respectively, of the Bank's subordinated bonds for the sum of EUR 50 000 000 (PLN 195 850 000 according to the average NBP rate of 5 March 2007), on floating interest rate and redemption date in 2012 and the Bank's subordinated bonds for the sum of EUR 200 000 000 (PLN 783 400 000 according to the average NBP rate of 5 March 2007), on floating interest rate and redemption date in 2012. The bonds were repurchased on March 26, 2007.

  The Bank has obtained Banking Supervision Commission's consent to include the amount arising from the issue of subordinated bonds into complementary capital.

- On February 27, 2007 BRE Leasing Sp. z o.o. entered into a loan agreement with Commerzbank AG, Branch in Prague. An amount of the loan was PLN 500 000 000. This was a multicurrency loan to be used up by February 27, 2008. The loan is to be repaid until December 30, 2011.

Interest on the loan was based on the base rate applicable to the currency being drawn and the interest period selected, increased by margin of Commerzbank AG, Branch in Praque, which is:
- for PLN – WIBOR 2W, 1M, 3M, 6M,
- for EUR – EURIBOR 2W, 1M, 3M, 6M,
- for cHF – CHF LIBOR 2W, 1M, 3M, 6M.

- On 1 June 2007 BRE Leasing entered into a loan agreement with Commerzbank AG, Branch in Prague. An amount of the loan was TPLN 500 000. This was a long-term multicurrency loan to be used up by 1 June 2008. The loan is to be repaid until May 31, 2012.
  Interest on the loan was based on the base rate applicable to the currency being drawn and the interest period selected, increased by margin of Commerzbank AG, Branch in Praque, which is:
  - for PLN – WIBOR 2W, 1M, 3M, 6M,
  - for EUR – EURIBOR 2W, 1M, 3M, 6M,
  - for CHF – CHF LIBOR 2W, 1M, 3M, 6M.

- On 29 June 2007 BRE Bank SA (Bank) entered into a loan agreement with Commerzbank AG.The Bank got a loan in the amount of CHF 500 000 000 (PLN 1 136 500 000 at average rate of exchange published by National Bank of Poland as at 29 June 2007) for the purposes of fulfilling general financial needs of Bank. The loan is granted for 3 years, interest rate 0,155 % p.a. plus LIBOR.

The amounts of transactions with related entities, i.e. balance sheet balances and related expenses and income as at 30 June 2007, 31 December 2006 and 30 June 2006 were as follows:

Numerical data concerning transactions with affiliated entities (in thousand PLN) - 30 June 2007

No.	Company's name	Balance sheet		Income Statement				Off balance sheet	
		Receivables	Liabilities	Interest income	Interest cost	Commission income	Commission cost	Commitments granted	Commitments received
	Subsidiaries not included in consolidation due to immateriality								
1	ServicePoint Sp. z o.o.	500	747	0	(8)	2	0	0	0
2	FAMCO SA	0	0	0	(69)	2	0	0	0
3	BRELINVEST Sp. z o.o. Fly 2 Sp. komandytowa	0	7	0	(3)	0	0	0	0
4	BREL-MAR Sp. z o.o.	0	1	0	0	0	0	0	0
5	AMBRESA Sp. z o.o.	0	837	0	0	0	0	0	0
6	BRE Ubezpieczenia Sp. z o.o.	0	2 649	0	(42)	0	0	0	0
7	BRE Ubezpieczenia TU SA	1 500	2 679	1	(81)	2	0	0	0
	Associated								
	Xtrade SA	0	3	0	0	3	0	0	0
	Ultimate Parent Group								
	Commerzbank AG Group	91 030	6 686 506	12 478	(88 933)	0	0	151 935	1 531 802

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

No.	Company's name	Balance sheet		Income Statement				Off balance sheet	
		Receivables	Liabilities	Interest income	Interest cost	Commission income	Commission cost	Commitments granted	Commitments received
	Subsidiaries not included in consolidation due to immateriality								
1	emFinanse Sp. z o.o.	6 385	11	88	(2)	57	0	5 216	0
2	ServicePoint Sp. z o.o.	0	822	0	(4)	3	0	0	0
3	FAMCO SA	0	3 850	0	(144)	4	0	0	0
4	BRELINVEST Sp. z o.o. Fly 2 Sp. komandytowa	0	19	0	(6)	1	0	0	0
5	BRELIM Sp. z o.o.	0	13	49	0	1	0	0	0
6	BREL-MAR Sp. z o.o.	0	3	0	0	1	0	0	0
7	BREL-RES Sp. z o.o.	16 253	205	2 528	(121)	27	0	0	0
8	AMBRESA Sp. z o.o.	0	866	0	(2)	2	0	0	0
9	BRE Ubezpieczenia Sp. z o.o.	0	2 516	0	(47)	2	0	0	0
	Associated								
	Xtrade SA	0	88	2	(2)	7	0	0	0
	Ultimate Parent Group								
	Commerzbank AG Group	536 360	6 274 002	13 036	(128 374)	0	0	197 869	204 986

Numerical data concerning transactions with affiliated entities (in thousand PLN) - 30 June 2006

No.	Company's name	Balance sheet		Income Statement				Off balance sheet	
		Receivables	Liabilities	Interest income	Interest expense	Commission income	Commission expense	Commitments granted	Commitments received
	Subsidiaries not included in consolidation due to immateriality								
1	emFinanse Sp. z o.o.	1 404	39	5	(2)	26	0	1 597	0
2	ServicePoint Sp. z o.o.	0	78	0	(1)	1	0	0	0
3	FAMCO SA	0	3 884	0	(68)	2	0	0	0
4	BRELINVEST Sp. z o.o. Fly 2 Sp. komandytowa	0	7	0	(3)	0	0	0	0
5	BRELIM Sp. z o.o.	0	27	49	0	1	0	0	0
6	BREL-MAR Sp. z o.o.	0	4	0	0	0	0	0	0
7	AMBRESA Sp. z o.o.	0	526	0	(1)	3	0	0	0
8	BRE Ubezpieczenia Sp. z o.o.	0	4 001	0	(1)	0	0	0	0
	Associated								
	Xtrade SA	4	111	2	(1)	3	0	0	0
	Ultimate Parent Group								
	Commerzbank AG Group	160 523	3 827 950	5 635	(47 549)	0	0	3 198 131	0

In all reporting periods there were no mutual transactions with direct parent entity of BRE Bank.

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	**30.06.2007**	**31.12.2006**	**30.06.2006**	**30.06.2007**	**31.12.2006**	**30.06.2006**
Loans outstanding	3 633	2 977	1 378	2 945	5 075	1 197
Deposits received	23 059	13 771	10 597	590	237	1 113
Interest expense on deposits	(155)	(150)	(49)	(7)	(4)	(2)
Fee and commission income	78	115	54	38	75	8
Directors and key management compensation	22 290	19 113	13 944	12 266	32 655	16 421

No provisions were created in connection with credits granted to related entities.

46. Acquisitions and Disposals

Disposals

On 8 January 2007 in relation to the agreement of 25 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 the aforementioned shares for a total amount of PLN 155 000 000. The price for the shares was paid on 8 January 2007. Ownership of those shares was transferred to PEF V on 8 January 2007.

The value of sold shares of SAMH in the Bank's accounts as at 8 January 2007 was PLN 51 033 223.50. After the transaction the Bank does not possess any shares of SAMH. The Bank considered investment in shares of SAMH as a long-term investment. Total impact of the transaction on consolidated gross result of BRE Bank Group in 2007 amounted to PLN 89 458 thousand. The gain to the Group on sale of shares was included in the result of discontinued operations for the half-year ended 30 June 2007.

Detailed information concerning fair value of sold assets and liabilities is presented below :

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Cash and balances with Central Bank	3
Loans and advances to banks	16 645
Trading securities	6 548
Investment securities	10 642
Intangible assets, including recognized according to IFRS 3	25 178
Tangible fixed assets	4 490
Deferred income tax assets	2 821
Other assets	14 644
Other liabilities	(22 868)
Provisions	(176)
Net assets	57 927
Proceeds from sale (discharged by cash)	155 000
Less: Cash and cash equivalents in subsidiary sold	(295)
Net cash inflow on sale	154 705

47. 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 the review of stand alone financial statements of BRE Bank SA and consolidated financial statements of BRE Bank SA Group for the period 1 January 2007 – 30 June 2007 was signed on July 17, 2006.

48. Capital Adequacy Ratio / capital adequacy

One of the main tasks of bank balance sheet management is to ensure an appropriate level of capital. Within the Group's capital management framework, the Bank creates its framework and directions in order to form the most effective planning and utilization of capital. The framework and the directions of the Bank are:

- consistent with valid external regulations and internal regulations of the Group,
- placing in safety continuation of accomplishment of financial aims providing a suitable level of return for shareholders,
- providing maintenance a stable capital basis which is the basis for support progress of the business.

Capital management policy in BRE Bank is based on:

1. maintenance an optimal level and structure of own funds with application of available methods and means (retention of net profit, subordinated loan, securitization – release of capital, issue shares, etc.);
2. effective utilization of existing capital among others through application of set of measure instruments of effectiveness of utilization of capital, limitation of activities that do not provide an expected rate of return, development of products with less capital absorption.

Effective utilization of capital is an integral part of capital management policy oriented to reach an optimal rate of return on capital and thanks to it, forming a stable basis of reinforcement of capital basis in future periods, which enables to maintain the capital adequacy ratio at least on the level required by the supervision authority (Banking Supervision Commission). Adequacy ratio is a quotient of own funds by total capital charge, multiplied by 12.5, and adequacy ratio is to equal 8% at least.

Own funds comprise of:

a) core funds comprise of:

- principal funds (paid and registered initial capital, capital surplus fund and reserve funds excluding any liabilities due to preference shares),
- additional items of core funds (general risk fund for non-identified banking business risk, profit from the previous year, profit in the process of approval by share holders and net profit for the current year, calculated in accordance with valid accounting principles, less any expected costs and dividends in the amounts not greater than the profit verified by auditors, other balance sheet items determined by Banking Supervision Commission),
- items reducing core funds – own shares held by the Bank, valued at carrying amount and reduced by impairment losses on them, intangible assets measured at carrying amount, loss from the previous year, loss in the process of approval by share holders, net loss for the current year, other decreases of core funds of the Bank determined by Banking Supervision Commission (including missing provisions for bank business risk and exposure to securitization items)

b) supplementary funds comprise of:

- revaluation reserve resulting from valuation of tangible assets – formed on the basis of separate regulations,
- balance sheet items on including which Banking Supervision Commission takes decisions (including subordinated liabilities, liabilities due to securities with unlimited maturities and other similar instruments),
- items determined by Banking Supervision Commission for the purpose of providing business safety and proper risk management in the Bank,
- decreases of supplementary funds, determined by Banking Supervision Commission.

Total capital charge comprises of:

- credit capital charge,
- market risk capital charge comprising of: foreign exchange risk capital charge, commodities risk capital charge, specific risk for equity instruments capital charge, specific risk for debt instruments capital charge, general interest rate risk capital charge,
- operational risk capital charge,
- settlement risk capital charge, delivery risk capital charge and counterparty risk capital charge,
- capital charges due to: risk of exceeding the limit of concentration of exposures and risk of exceeding the limit of concentration of large exposures,
- capital charge due to risk of exceeding the limit of capital concentration level charge.

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 1/2007 of Banking Supervision Commission (KNB) dated at 13 March 2007 (Dz. Urz. NBP from the year 2007 No 2 pos. 3),
- Resolution no 2/2007 of Banking Supervision Commission (KNB) dated at 13 March 2007 (Dz. Urz. NBP from the year 2007 No 3 pos. 4),
- Resolution no 3/2007 of Banking Supervision Commission (KNB) dated at 13 March 2007 (Dz. Urz. NBP from the year 2007 No 3 pos. 5).

Consolidated capital adequacy ratio of the Group amounted to 10.44% as at 30 June 2007. Due to significant trading activity full calculation of the capital charges is being made. Total capital charge of the Group amounted to PLN 2 685 385 thousand as at 30 June 2007 including PLN 2 607 917 thousand of credit capital charge (31 December 2006 respectively: 2 290 618 and 2 193 508; 30 June 2006 respectively: 2 098 514 and 1 992 168).

IFRS Consolidated Financial Statements for the 1st half 2007 PLN (000's)

Capital adequacy	**30.06.2007**	**31.12.2006**	**30.06.2006**
Own funds:			
- Share capital	118 256	118 064	117 500
- Capital surplus fund	1 385 488	1 378 882	1 359 657
- Reserve fund	1 027 176	607 452	611 260
- Revaluation reserve	42 751	5 110	(19 912)
- Investments and participations in financial institutions	(41 166)	(14 689)	(14 902)
- Additional increase	97 216	91 433	75 539
- Additional decrease	(192 283)	(221 259)	(228 775)
- Intangible assets	(401 699)	(410 477)	(416 495)
- Subordinated loans and bonds	1 467 620	1 420 817	1 240 301
I. Total own funds	**3 503 359**	**2 975 333**	**2 724 173**
Risk weighted balance-sheet assets:			
- 20% risk assets	552 399	682 529	834 009
- 50% risk assets	622 150	853 452	351 500
- 100% risk assets	28 244 604	22 182 567	20 417 702
II. Total risk weighted balance-sheet liabilities:	**29 419 153**	**23 718 548**	**21 603 211**
- 20% risk off-balance sheet liabilities	74 898	38 821	98 557
- 50% risk off-balance sheet liabilities	2 777 997	2 798 590	349 464
- 100% risk off-balance sheet liabilities	273 760	740 306	2 850 869
- 1,5% - 10% risk off-balance sheet liabilities	53 149	122 591	-
III. Total risk weighted off-balance sheet liabilities:	**3 179 804**	**3 700 308**	**3 298 890**
IV. Total risk weighted assets	**32 598 957**	**27 418 856**	**24 902 101**
V. Credit risk (IV * 8%)	**2 607 917**	**2 193 508**	**1 992 168**
VI. Foreign exchange risk	**11 286**	**9 423**	**15 903**
VII. Specific risk for equity instruments	**6 265**	**747**	**4 291**
VIII. Specific risk for debt instruments	**26 213**	**6 042**	**11 040**
IX. General interest rate risk	**17 273**	**63 841**	**50 824**
X. Counterparty risk	**16 384**	**14 316**	**24 288**
XI. Commodities risk	**47**	**2 741**	**-**
XII. Total capital charge	**2 685 385**	**2 290 618**	**2 098 514**
XIII. Capital adequacy ratio (%)	**10.44%**	**10.39%**	**10.39%**

49. Events after the Balance Sheet Date

The were no events after the balance sheet date that would affect the consolidated financial statements of the Group as of 30 June 2007.