BRE BANK SA

MANAGEMENT BOARD REPORT

ON THE BUSINESS OF THE BRE BANK GROUP

in H1 2007

Warsaw, 10 September 2007

CONTENTS

External Environment of the BRE Bank Group

I. Macroeconomics in H1 2007

I.1. Fast Growing Gross Domestic Product (GDP)

Macroeconomic data confirm that the Polish economy is in a phase of fast sustainable growth. According to estimates of the Polish Statistical Office (GUS), the GDP growth rate was 7.4% in Q1 2007, the highest in close to 10 years. The GDP growth was mainly driven by fast-growing domestic demand, especially a strong growth in fixed assets investments and in private consumption. In Q1 2007, the growth in investments was 29.6%. The GUS statistics for the whole H1 2007 suggest that the high growth in investments continued. Investments grew by more than 31% in companies employing more than 49 staff each.

The growth in investments was mainly driven by:

- very good financial position of companies (net profits totalled PLN 42.8 billion in H1 2007, up by almost 40% year on year);
- growing absorption of EU funds;
- fast inflow of foreign direct investments; and
- easy access to bank loans.

Investments in fixed assets were also driven by fast growing wages and a very high utilisation of the production capacity (84% according to NBP data).

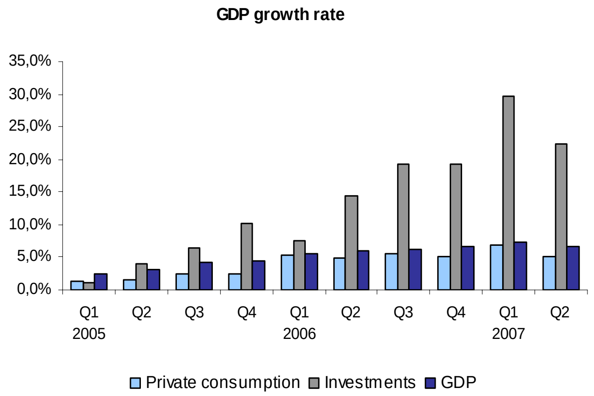
While investments grew so fast, the high GDP growth in H1 2007 was mainly driven by the growth in private consumption (up by 6.9% year on year).

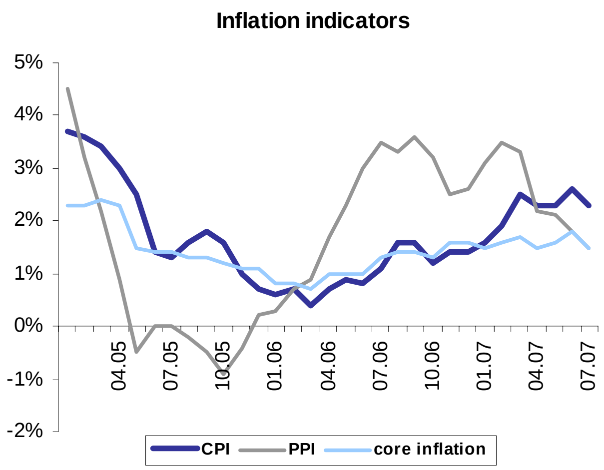
Consumption growth was mainly driven by:

- high growth in wages (up by 7.1%) and employment (up by 3%) in the entire economy;
- growing social benefits;
- transfers from economic migrants abroad;
- some EU funds; and
- fast growing bank loans.

The high growth of private consumptions continued into Q2, as evidenced by fast growing retail sales (up by 16.9% in H1 2007) and sustained high growth in wages and employment.

As a result of the strong growth in domestic demand, imports also grew more dynamically and the imbalance in foreign trade deepened. According to NBP data, the trade deficit was EUR 6.1 billion in July 2006 – June 2007, up by more than 2.5 times year on year. Meanwhile, exports grew by 16.6% and imports by 20.4%. While the balance of services improved and current transfers grew, the current account gap increased (to approximately 3% of GDP). Significant slow-down of the growth of industrial and construction output observed in monthly figures implies that the estimated GDP growth rate fell to 6.7% in Q2 2007.





I.2. Further Improvement in the Labour Market

The labour market continued to improve in H1 2007. According to GUS, the official unemployment rate fell to 12.4% in June, down 3.5 percentage points year on year. This suggests that the number of those unemployed fell by approximately 600 thousand. While unemployment rate fell, employment grew fast. Employment in the corporate sector was up by 4.6% year on year at the end of June 2007. As a result of changing relations between demand and supply in the labour market, employees are demanding higher wages (for instance, strike and protest actions of health care sector workers) which now grow faster. Average wages in the corporate sector grew by 8.4% year on year in H1 2007. Wages grew the fastest in the construction sector where average wages were up by 14% year on year in June 2007.

I.3. Inflation and NBP Interest Rates

The inflation pressure continued to grow gradually in H1 2007. The CPI was 2.6% in June, above the NBP inflation target for the first time in 2 years. Inflation was mainly driven by fast growing foodstuff prices (up by 4.4% year on year in June) and fuel prices (up by 4.1% year on year) as well as the growing cost of housing maintenance (up by 3.5% year on year). On the other hand, the prices of clothing and footwear were down significantly year on year (down by 7.4%), which suggests that the inflation pressure is still mitigated by the globalisation effects. Due to the globalisation effects and the fairly slow growth in controlled prices, net inflation (excluding fuel and foodstuff prices) stabilised at ca. 1.6% in January-May 2007 and grew further only in June (to 1.8%). While the PPI was down (to 1.7% in June), yet it was not strongly correlated with the CPI.

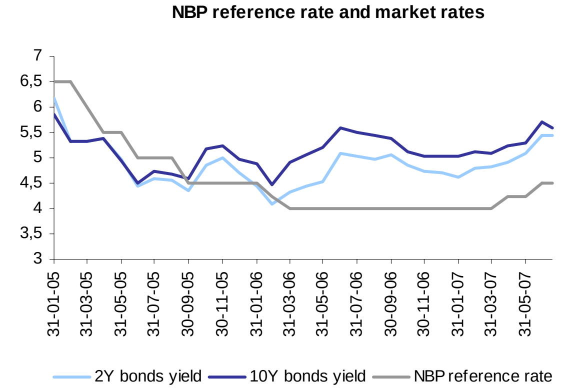
Reacting to changes in current and expected inflation and other factors indicating a growing threat to price stability, the Monetary Policy Council decided to tighten the monetary policy. After interest rate hikes in April and June (each by 0.25 percentage point), the NBP reference rate was 4.5%. The MPC raised the interest rates by another 25 basis points at its meeting on 28 August.

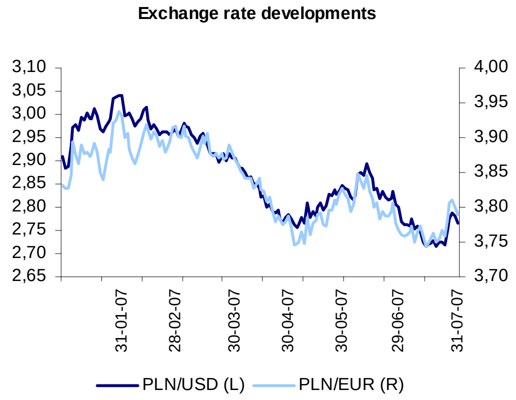
I.4. Financial Markets

The Polish currency appreciated further in H1 2007. The zloty strengthened by ca. 4% against the dollar and by ca. 1.7% against the euro. The changes in the exchange rate of the zloty to the dollar mainly followed the changes in the exchange rate of the dollar to the euro. After a significant strengthening of the zloty in late January-early May, the zloty weakened temporarily, but then was back on the appreciation track in the second half of June. The trend reversed once again in mid-July after which the zloty was on a modestly downward track. The exchange rate of the zloty to the euro followed similar trends in the period, but the volatility of the Polish currency was less strong.

The good sentiment prevailing in the Polish economy in H1 2007 drove both record-high economic performance as well as further dynamic growth of stock prices. The WIG-20 index gained more than 12% and the indices of small and mid-cap companies grew by over 50%. The beginning of H2 2007 was less favourable to stock market investors. The stock prices of small and mid-cap companies plummeted in early July and WIG-20 fell in the last week of July. In August downward trends continued further.

The implementation of this year's State budget is going very well. The deficit was PLN 3.7 billion in H1 2007 or only 12.3% of the annual target. The low deficit is mainly owed to expenditures, much below the target, as well as tax revenue (especially income taxes), much higher than expected. The July performance was even better: 7 months into the year, the State budget reported a surplus of over PLN 600 million. As a result of this excellent budget performance, the Finance Ministry could reduce significantly the supply of bonds (including the cancellation of several auctions) and reduce Treasury bills debt (by over PLN 7 billion). The reduced borrowing needs did not prevent a fast growth in the yields of Treasury papers. The yield of 2-year bonds grew from less than 4.6% at the beginning of the year to over 5.2% at the end of June; the yield of 10-year bonds grew from ca. 5.2% to over 5.6%. The yield curve flattened. While the growth in the yield by several points in early Q2 could be associated with the expectations of an NBP interest rate hike, the sharp increase after the end of May was mainly driven by changes in the global markets (including the weakening expectations of US interest rate reductions and growing global risk aversion).





II. Record-high Performance of the Banking Sector Continues in H1 2007

Record-high performance of banks continued in H1 2007. The income of banks grew while costs and credit risks were under control. The net profit of the banking sector was PLN 7.05 billion at the end of June (up by 21.6% year on year). The assets at PLN 725.47 billion were up by 15.7% year on year; the amounts due from non-financial clients at PLN 375.13 billion were up by 31%; the deposits at PLN 381.58 billion were up by 11.3%.

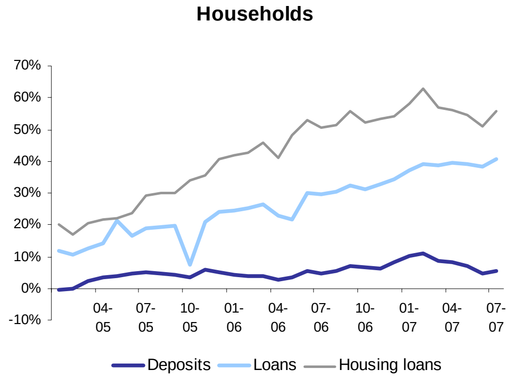
The growth in banks' income was driven both by commissions and interest, but the former grew much faster at 21.9% while net interest income was up by 14.7%. Banks' costs were also growing but less fast than income, mainly due to the expansion of the branch network and an increase of personnel costs.

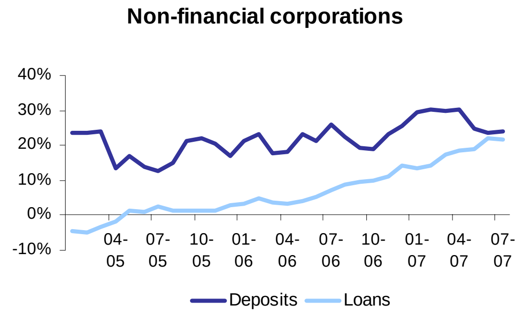
According to the National Bank of Poland (NBP), the developments in the banking sector in H1 2007 included:

- growth in total deposits by 5% (household deposits up by 0.1%, corporate deposits up by 2.8%, local government deposits up by 31.8%, deposits of non-monetary financial institutions up by 33.6%);
- growth in total loans by 15% (household loans up by 18.2%, corporate loans up by 13.0%, FUS [Social Security Fund] loans up by 19.4%, local government loans down by 4.3%).

Household loans were still the fastest growing category of loans, but their growth rate started to decline modestly in Q2 2007. At the end of June 2007, total household loans stood at PLN 223.3 billion, up 37.6% year on year. The growth rate of housing loans remained very high, as did the growth rate of credit card debt even though the volumes were still low. The growth rate of household deposits was falling steadily after February; the rate was only 5.9% year on year at the end of June. The main reason for the dwindling interest in bank deposits is their relatively low return at about 3.1% at the end of June and the strong competition on the part of investment funds.

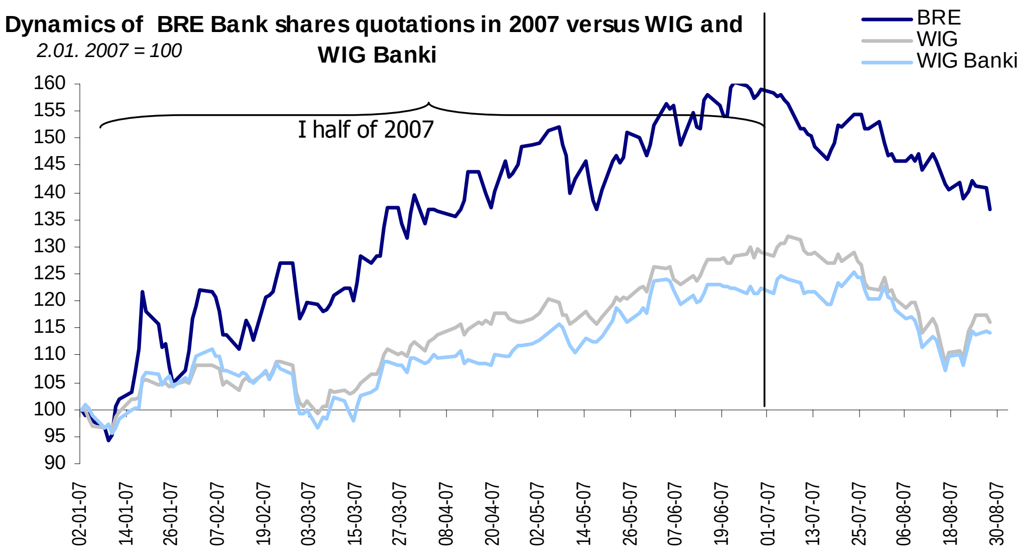
The continued high investment activity had a bearing on further growth in corporate loans which were at PLN 161.8 billion, up by 22.2% year on year in June. Total corporate bank deposits (nearly PLN 129 billion) suggest that companies still have a large potential to invest by drawing upon their own funds. According to NBP questionnaire surveys, own corporate funds remain the main source of financing of investments.





III. BRE Bank Share Price Performance on the WSE

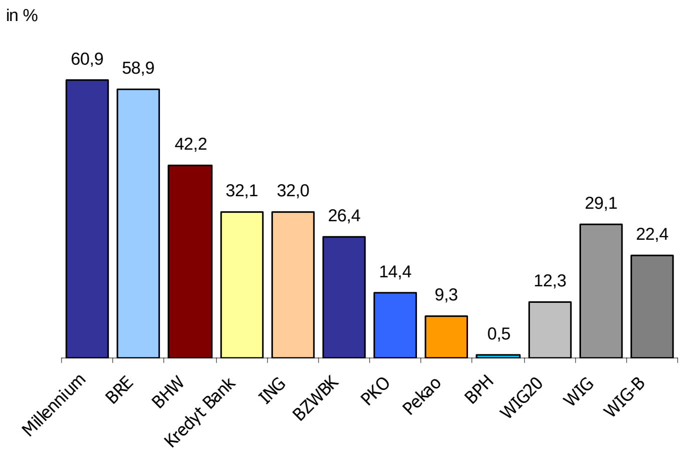
BRE Bank's share price performed much better than the market and the banking sector in 2007. BRE Bank's share price reached historical highs on many occasions. It hit a record high of PLN 550 on 22 June 2007. BRE's share price at the last trading session in June was PLN 545. BRE Bank's P/BV (price/book value) was 5.3 and its P/E (price/earnings) was 24.9. By comparison, BRE's P/BV was 3.92 and P/E 23.5 at the end of 2006.



After the end of H1 2007, when all stock indices went down, BRE Bank's share price fell by 6.2% compared to the last price in June, and stood at PLN 511 at the end of July 2007. The share price was PLN 500 at the end of August.

The return on BRE Bank's shares was 58.9% in January-June 2007, the second highest rate among WSE listed banks following Millennium shares (60.9%). Meanwhile, the WIG index gained 29.1%, WIG-20 gained 12.3%, and the sector index WIG-Banks gained 22.4%. The company's capitalisation was PLN 16.2 billion at the end of June 2007. By comparison, its capitalisation was PLN 9.9 billion on 31 December 2007.

The return on publicly quoted banks in I H 2007



Activities of the BRE Bank Group in H1 2007

I. Factors and Events Affecting the Results of the BRE Bank Group

The profit before tax of the BRE Bank Group was PLN 530.6 million in H1 2007, compared to PLN 249.1 million in H1 2006, up by PLN 281.5 million or 113% year on year. Profitability grew both in continued and discontinued operations. The H1 2007 profit of continued operations was PLN 436.4 million, compared to PLN 230.6 million generated in H1 2006; the profit of discontinued operations was PLN 94.2 million in H1 2007, compared to PLN 18.6 million in H1 2006. The major contribution to discontinued operations in 2007 was the profit on the sale of Skarbiec Asset Management Holding (SAMH) at PLN 89 million.

The growth in operating income combined with a strict cost discipline helped to improve the BRE Bank Group's profitability and productivity ratios. The ratios improved both year on year and compared to the financial targets.

The Group's profit before tax as a percentage of average annual funds (ROE before tax) was 40.7% at the end of H1 2007, compared to 23.6% in H1 2006. ROE before tax of continued operations (excluding the profit on the sale of SAMH shown under discontinued operations) was 33.4%. The Group's cost/income ratio of continued operations (CIR measured as overhead costs and amortisation/depreciation to income including net other operating income and cost) was 58% in H1 2007, compared to 65.4% in H1 2006. Including discontinued operations, the ratio was 53.4% in H1 2007 and 64.7% in H1 2006.

The main drivers of the financial results included:
1. Ongoing growth of the loans portfolio and customers' deposits thanks to expansion of retail banking and continued upturn in the corporate loans market, which was decisive to improvement of the balance-sheet structure in terms of the profitability of business. The loans to customers portfolio as a percentage of the balance-sheet total grew to 59.3% in H1 2007 compared to 56.1% in 2006.
2. Continued positive trends in the financial and fx markets, enabling a high trading profit, including the continued high fx profit in the Group's income structure.
3. Significant contribution of the subsidiaries to the Group's results. The profit before tax generated by the Group subsidiaries (including both continued and discontinued operations) totalled PLN 117.6 million, compared to PLN 109.4 million in H1 2006, even though SAMH was excluded from the Group.
4. Cost discipline, both at the Bank and the subsidiaries.
5. Continued high quality of the loans portfolio resulting in relatively low credit and loans impairment provisions charged to the costs of the Group.

The major events of H1 2007 which had a significant influence on the financial standing of the Group included the above-mentioned closing of the sale of SAMH which generated a profit of PLN 89.5 million. An important development from the perspective of the Group's strategy took place on 29 June 2007 when BRE Bank signed an agreement with Aegon Woningen Nova B.V., the owner of PTE Ergo Hestia, to merge PTE Skarbiec-Emerytura and PTE Ergo Hestia and subsequently to sell BRE Bank's shares in the merged companies. The sale of shares under an accepted proposal and the payment for the shares will be effective following the approval of the Financial Supervision Commission (KNF). The deal should be closed before 30 June 2008; otherwise, the parties may terminate the agreement.

The Bank's expansion continued with decisions to grow the branch network. In 2006, the Bank decided to add 56 outlets to the MultiBank network and 100 mKiosks located outside shopping malls to the mBank network. In H1 2007, 6 mKiosks and 18 MultiBank outlets were opened.

A breakthrough decision was made to expand the retail banking operation beyond Poland. On 18 April 2007, the Bank gave the Banking Supervision Commission (KNB) two notifications of the planned launch of branches in the Czech Republic and Slovakia. This is a crucial step initiating the start of banking operations under the mBank brand in these two countries. The project will operate under the single European passport rule and requires no banking licence in the host countries.

Network expansion is also a part of the strategy of dynamic growth in the number of corporate customers by 2009, in particular SMEs. Business Offices are set up for corporate customers since early 2007. There will be 20 Business Offices operating within the existing 23 Corporate Branches (which are gradually refurbished). After business office in Koszalin in July next office in Toruń was opened. Business Offices in Słupsk, Suwałki and Piła will soon open.

Business expansion, especially in retail banking, entailed headcount growth. The Bank's headcount increased by 301 persons in H1 2007, totalling 4,302 at the end of June; the increase largely took place in retail banking (281 persons). The Group's average headcount was 5,624 persons, compared to 5,159 persons in 2006, both due to HR fluctuations and changes in the composition of the Group (SAMH is no longer a Group member except for BRE Wealth Management; emFinanse joined the Group).

II. The Composition of the BRE Bank Group

The structure of the BRE Bank Group by business area was reorganised in H1 2007. As of Q1 2007, two existing areas, Corporate Banking and Investment Banking, were merged to form Corporations and Financial Markets.

The new area was established as a result of the Bank's focus on business with customers and a gradual shift away from proprietary investments. The merger of the two areas was also encouraged by preferences of corporate customers who increasingly use investment products. Customers look for attractive investments alternative to deposits, and increasingly use equity and debt instruments instead of traditional loans. Financial instruments, including fx and interest risk hedges, are frequently used in the core business of companies.

The new organisation was also required in order to develop an advanced management information system showing total profits per client relation.

The current organisation of the business lines is show below:

<table>
<tr><th colspan="4">BRE Bank Group</th></tr>
<tr><th></th><th colspan="2">Corporations and Financial Markets</th><th>Retail Banking</th></tr>
<tr><th></th><th>Corporates and Institutions</th><th>Trading and Investments</th><th></th></tr>
<tr><td>Bank</td><td>▪ Corporations (Capital Groups)
▪ Large Companies
▪ SMEs
▪ Financial Institutions</td><td>▪ Risk and Liquidity Management
▪ Financial Markets
▪ Proprietary Investments</td><td>▪ mBank (mass retail customers and microenterprises)
▪ MultiBank (affluent and aspiring retail customers)
▪ Private Banking (high net work individuals)</td></tr>
<tr><td rowspan="3">Consolidated companies</td><td>▪ BRE Bank Hipoteczny SA
▪ BRE Leasing Sp. z o.o.
▪ The Intermarket Group
- Intermarket Bank AG
- Polfactor SA
- Transfinance a.s.
- Magyar Factor zRt
▪ Dom Inwestycyjny BRE Banku SA
▪ BRE Corporate Finance SA</td><td>▪ BRE Finance France SA
▪ Tele-Tech Investment Sp. z o.o.
▪ Garbary Sp. z o.o.</td><td>▪ emFinanse Sp. z o.o.
▪ BRE Wealth Management SA</td></tr>
<tr><td>Asset Management*/</td><td colspan="2">▪ PTE Skarbiec-Emerytura S.A.</td></tr>
<tr><td>Other subsidiaries</td><td colspan="2">▪ BRE.locum Sp. z o.o.
▪ Centrum Rozliczeń i Informacji CERI Sp. z o.o.</td></tr>
</table>

*/Discontinued operations

The subsidiaries CERI Sp. z o.o. and BRE.locum are not assigned to any business line and are shown as "Other" due to their business profile. All subsidiaries are consolidated using acquisition accounting pursuant to the IFRS.

The list of consolidated subsidiaries in the Asset Management area changed compared to H1 2006 and the end of 2006. Previously, Skarbiec Asset Management Holding (SAMH) and PTE Skarbiec Emerytura were consolidated in the area. Now, after the sale of SAMH closed on 8 January 2007, only PTE Skarbiec Emerytura is consolidated.
The Retail Banking line includes BRE Wealth Management, already consolidated at the end of 2006, as well as emFinanse.

	Company	Business	BRE Group's share In equity	Equity	Profit before tax	Assets
1.	BRE Bank SA	Bank		2 865 667	509 918	42 371 546
2.	BRE Bank Hipoteczny SA	Bank	100%	248 879	17 486	2 846 265
3.	DI BRE Banku SA	Brokerage	100%	59 527	30 911	941 687
4.	BRE Corporate Finance SA	Consultant	100%	4 327	1 294	5 271
5.	PTE Skarbiec-Emerytura SA	Pension fund	100%	144 685	6 465	155 003
6.	Centrum Rozliczeń i Informacji CERI Sp. z.o.o	Settlement service	100%	10 779	508	18 158
1.	BRE Wealth Management S.A.	Asset management	100%	6 465	2 830	8 169
2.	Garbary Sp .z o. o	Management of own real estate	100%	47 761	(1 159)	48 517
3.	Tele-Tech Investment Sp. z o.o.	SPV	100%	580	336	47 400
4.	BRE Finance France SA*/	SPV	99.97%	1 011	162	1 628 307
5.	BRE.locum Sp. z o.o.	Real estate developer	79.99%	27 381	6 828	238 203
6.	Transfinace a.s.*/	Factoring	78.12%	36 779	5 400	397 750
7.	Polfactor SA	Factoring	78.12%	30 161	5 656	367 159
8.	Magyar Factor zRt*/	Factoring	78.12%	23 282	2 651	185 565
9.	Intermarket Bank AG*/	Factoring	56.24%	119 613	12 685	863 358
10.	em Finanse Sp. z o. o.	Credit intermediary	100%	(1 863)	(2 557)	6 546
11.	BRE Leasing Sp. z o.o.	Leasing	50.004%	69 840	25 304	2 767 086

Data before the exclusion of effects intra- group transactions
**/ For foreign factors, the mid exchange rate quoted by NBP on 29.06.2007 was used for the equity and the assets and the average of mid exchange rates quoted by NBP was used for the profit before tax.*

III. The BRE Bank Group in the Financial Services Market in H1 2007

BRE Bank is a leading Polish bank in terms of assets and equity. BRE Bank was the fourth largest bank listed on the Warsaw Stock Exchange by loans, the fifth largest by assets and deposits, and the seventh largest by equity at the end of June 2007 (based on data published in stock exchange reports). BRE Bank was the fourth largest Polish bank in terms of own funds calculated for the capital adequacy ratio (*Rzeczpospolita* ranking, 20 August 2007), following PKO BP, Pekao S.A., and Bank BPH.

Most of the Group subsidiaries also rank high in their sectors of the financial services market. The table below presents the market share and position of the Bank and selected subsidiaries at the end of H1 2007.

Business	Market Position*/	Market Share
Corporations and Financial Markets		
Corporate loans		6.3%
Corporate deposits		10.1%
Leasing**	3	11.1%
Factoring**		
Poland	*3*	*22.0%*
Austria	*1*	*59.0%*
Hungary	*2*	*14.0%*
Czech Republic	*2*	*26.0%*
Financial markets		
Treasury bills and bonds		*14.5%*
IRS/FRA		*18.6%*
FX spot and forward		*6.8%*
WIG-20 options		*17.0%*
Non-Treasury securities (debt)		
Short-term debt securities	*2*	*16.6%*
Commercial papers	*2*	*17.0%*
Bank debt securities	*1*	*37.0%*
Brokerage		
Equities trading	*7*	*6.8%*
Bonds trading	*6*	*2.7%*
Derivative transactions	*2*	*12.1%*
Options	*1*	*26.8%*
Retail Banking (mBank+MultiBank)		
Total loans		4.9%
Housing loans granted in Jan-May 2007	*3*	*9.5%*
Deposits and investment funds		2.8%
Asset Management - PTE Skarbiec Emerytura		
Assets under management	9	2.5%

Source: Own calculations based on data from BRE Bank, NBP, WSE, Fitch Polska, Polish Association of Leasing Companies, press reports

* *Where determinable*

** *As at the end of 2006*

IV. Growth of the BRE Bank Group's Corporations and Financial Markets Area

IV.1. Corporates and Institutions

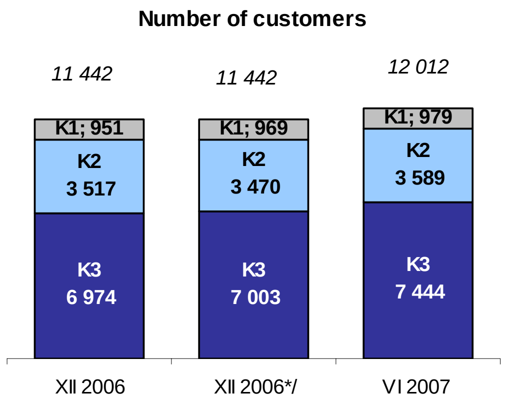
This area of the BRE Bank Group's business includes current accounts, term deposits, custody of securities, fx and derivative products, sell-buy-back and buy-sell-back transactions with the Bank's clients, investment products, credit and debit cards, working capital and investment loans, financial and operating leasing of cars, machinery, office equipment, real property, and lease service of those fixed assets. In this area, the Bank finances large projects with loans, both single-handedly and in syndications with other banks.

The Bank'soffer in this area addresses large corporations, small and medium-sized enterprises, and local governments. Foreign trade service is an important part of the Corporates business. The Bank's corporate banking products include fx transactions, foreign transfers, cheques, collections, short-term loans, and a range of financial products: factoring, forfaiting, letters of credit, bank guarantees, etc. Customers are also offered financial instruments hedging against fx risk and financial instruments used to manage interest rate risk, including FRA (forward rate agreements), IRS (interest rate swaps), interest rate options, CIRS (currency interest rate swaps).

In this area, the Bank co-operates with domestic and foreign financial institutions, raising loans in the international inter-bank market. The Bank also has access to credit lines designated for financing of imports and refinancing of investment loans to SMEs, mainly provided by the European Investment Bank.

IV.1.1. Growth in BRE Bank's Corporate Customer Base

The Bank's very active customer acquisition produced positive results in H1 2007. BRE Bank acquired 1,219 new corporate customers year to date, 6.3% more than in H1 2006. The net change in the number of customers was 570, of which 79% were K3 customers and 21% K2 customers. The Bank served 12,012 corporate customers at the end of June 2007.



*/ after resegmentation

In the Bank's classification, K1 is the segment of the largest corporations with annual sales over PLN 1 billion; K2 is the segment of corporations with annual sales between PLN 30 million and PLN 1 billion; K3 is the segment of SMEs with annual sales between PLN 3 and 30 million.

A large percentage of K3 customers (53.3%) use EFFECT line product packages (EFFECT Plus, EFFECT Financial, EFFECT Investments). The number of customers using product packages was up by 498 in H1 2007.

IV.1.2. Corporate Banking Products in BRE Bank

Corporate Customers Deposits

BRE Bank's corporate customers' deposits (including deposits of enterprises) were PLN 19.7 billion at the end of June 2007, up PLN 3.5 billion year to date. The largest contribution came from K1 customers (49% of deposits) followed by K2 customers (41%) and K3 customers (10%).

The market share of BRE Bank's corporate deposits was 10.1%, compared to 8.6% in December 2006.

Corporate Customers Loans

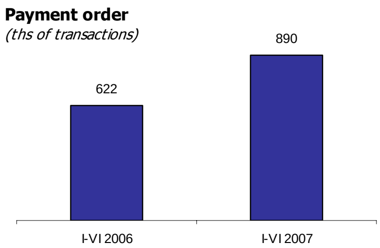
BRE Bank's loans granted to corporate customers (including enterprises) were PLN 11.8 billion at the end of June 2007, up PLN 2.6 billion year to date (including PLN 0.45 billion of a large exposure to a public sector institution). The largest borrower group were K2 customers (58% of granted loans) followed by K1 customers (34%) and K3 customers (8%).

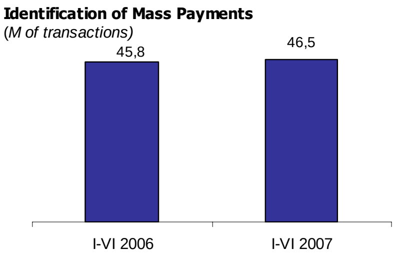
Loans to enterprises were PLN 10.1 billion, up by PLN 1.7 billion year to date. The market share of BRE Bank's loans granted to corporate customers was 6.3% at the end of June 2007, compared to 5.9% at the end of 2006.

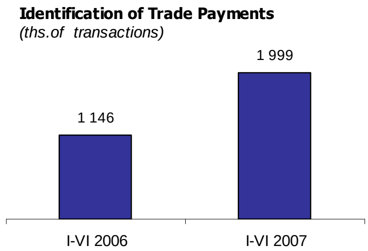
Strategic Product Lines

Cash Management

Ongoing expansion of the cash management service supports long-term customer relationships and helps to grow the volume of transactions involving the identification of payments (direct debits, identification of mass payments, identification of trade payments). The number of direct debits processed in H1 2007 was 890 thousand, up by 43% year on year. The number of identifications of mass payments processed was 46.5 million, up by 1.4% year on year. The number of identifications of trade payments grew the most. In H1 2007, there were nearly 2 million transactions processed, up by 74.5% year on year.







Banking Products with EU Financing

BRE Bank's growing position in financing investments supported by EU funding helped to grow the volume of sold banking products with EU financing (commitments, loans, guarantees). The sales of products including EU co-financing in H1 2007 were up by more than 3.5 times year on year and amounted to 106% of the 2006 annual sales.

Trade Finance

The iBRE system functionality was expanded to include submission of customer orders and exchange of information concerning documentary import letters of credit. The iBRE functionality will also cover other trade finance products including exports letters of credit, documentary collections, guarantees, and some discounting products.

Syndicated Loans and Project Finance

In H1 2007, BRE Bank closed 11 transactions and contributed a total of EUR 248 million. The largest transactions include an issue of PLN 650 million bonds for Południowy Koncern Energetyczny co-arranged by BRE, Citibank and BPH to finance the construction of a new generation block at the Łagisza Power Plant with BRE's participation of PLN 217 million, and a syndicated loan for PKP Polskie Linie Kolejowe with BRE's participation of PLN 250 million.

Corporate Branch Network Expansion

In H1 2007, BRE Bank continued to optimise and refurbish the corporate branch network in order to develop new branch functions and to launch Business Offices as sales units of the existing branch network (20 Business Offices are planned). The Łódź Corporate Branch was refurbished; a Toruń Business Office was opened, ofifices in Słupsk, Suwałki and Piła will be opened soon. The refurbishment of the Wrocław and Kalisz Branches will soon be complete.

IV.1.3. Financial Institutions

Under the new organisation of the business lines as of the end of Q1 2007, Financial Institutions (banks) operate within the same business area as Corporates. The number of correspondent banks with which BRE Bank had exchanged swift keys fell by 59 in H1 2007 (from 1,868 to 1,809).

At the end of H1 2007, the Bank had 40 nostro accounts, one more than six months earlier. There were 104 PLN loro accounts (3 accounts were opened, 5 were closed). In addition to PLN accounts, the Bank maintains for other banks 8 accounts in other currencies.

At 30 June 2007, the Bank had 17 active loans totalling PLN 5,692 million, of which ca. PLN 4,488 million were drawn. One EUR loan at the equivalent of PLN 113 million was repaid in H1 2007, and two new CHF loans totalling the equivalent of PLN 1,364 million were taken. The net balance of loans taken was up by PLN 1,052 million year to date.

At 30 June 2007, the Bank's portfolio included 117 active short- and long-term loans granted to other banks. They totalled the equivalent of PLN 699.1 million (up by PLN 2.6 million year to date). In January-June 2007, 57 new loan agreements totalling the equivalent of PLN 716 million in 2006 compared to PLN 491.4 million were signed. (All amounts converted to PLN using the exchange rate quoted by NBP on 29 June 2007: US$=2.8074; EUR=3.7770 CHF=2.2730.)

IV.2. Subsidiaries of the Corporates and Institutions Area

IV.2.1. BRE Bank Hipoteczny SA (BRE BH)

BRE BH generated a profit before tax of PLN 17.5 million in H1 2007, compared to PLN 19 million in H1 2006. It should be mentioned that BRE BH made a number of one-off transactions before 30 June 2006, and released ca. PLN 2.5 million of provisions; in H1 2007, BRE BH set up PLN 1 million of provisions.

BRE BH loans portfolio was more than PLN 3.6 billion (balance and out off balance), up by 20% year on year. It must be noted that loans to local governments grew by 33%.

In H1 2007, BRE BH obtained the approval of the Financial Supervision Commission for an issue prospectus of a public issue of mortgage bonds and public mortgage bonds totalling PLN 2 billion. At 30 June 2007, BRE BH's liabilities under issued securities were PLN 1.7 billion, including PLN 840 million under mortgage bonds.

IV.2.2. BRE Leasing Sp. z o.o.

BRE Leasing generated a profit before tax of PLN 25.3 million in H1 2007, more than twice its profit of H1 2006. The growth was driven by a 34% increase in leasing sales. Sales were over PLN 1.5 billion, including PLN 1.2 billion of movables leasing and PLN 280 million of real property leasing.

BRE Leasing,though a very mature company, is nonetheless one of the fastest growing subsidiaries of the BRE Bank Group. The growth is mainly driven by the ability to tap the booming leasing market which grew to over PLN 15 billion in H1 2007. Cross-selling potential in the BRE Bank Group is also important factor.

BRE Leasing remains a leading provider of leasing services; it offers a package of transparent products to SMEs and microenterprises based on prompt leasing decision-making,and provides technologically advanced services to finance large transactions of the largest and most demanding corporations.

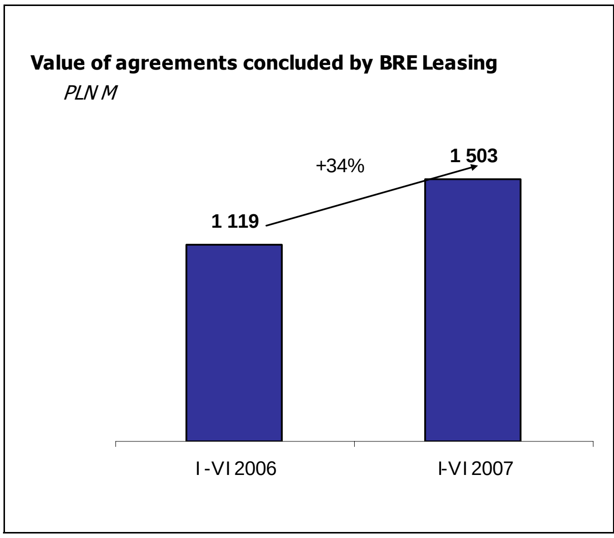
In H1 2007, the company successfully developed an innovative procedure to lease gas transmission infrastructure and closed the first transaction, the first contract of this type in the Polish commercial leasing market. The contract of several million PLN strengthens the position of BRE Leasing as a pioneer of new leasing products in Poland.

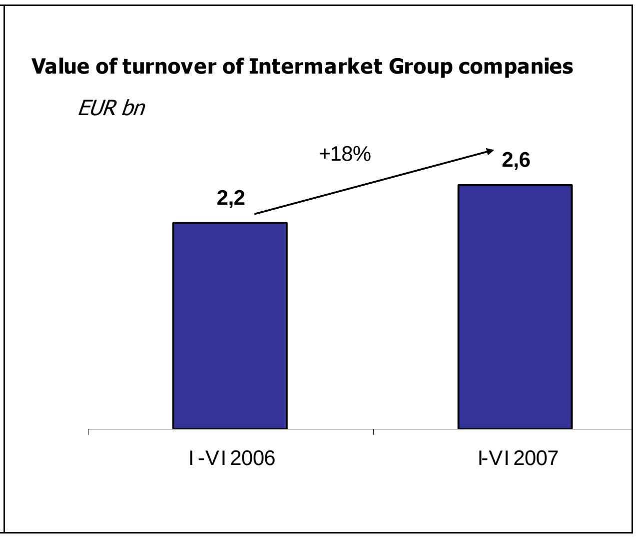
IV.2.3. The Intermarket Group

The sales of the Intermarket Group companies totalled EUR 2.6 billion year to date by the end of June 2007, up by 17% year on year. The fastest growth in sales was reported by Polfactor, up by 26%, and Intermarket Bank, up by 22%.

The profit before tax of the Intermarket Group companies was PLN 26 million at the end of June 2007, up by 7% year on year. Intermarket Bank reported the fastest growth in profit before tax (up by 17%).

The Polish company Polfactor's sales were PLN 1.7 billion, up by 26% year on year, while the sales of the members of the Polish Factors Association (PZF) grew by 23%. The upward market trend indicates growing demand for factoring services. Polfactor remains a factoring market leader with a share of 22% (PZF ranking).





IV.2.4. Dom Inwestycyjny BRE Banku (DI BRE)

DI BRE kept the first position on WSE in options trading (market share of 26.8%), the second position in forwards and futures trading (12.1%), and the sixth position in bonds trading (2.7%). DI BRE improved its position in equities trading, growing its market share from 5.8% in 2006 to 6.8% at the end of June 2007, the seventh position in the market.

Equities trading via DI BRE grew by 78% to PLN 16.7 billion in H1 2007, compared to PLN 9.4 billion in H1 2006; meanwhile, equities trading on the WSE was up by 51%. During H1 completed 2 IPOs: Erbud S.A. and ES-System S.A. (shares offered totalled PLN 237.9 million) and 2 SPOs: MNI S.A. (value of PLN 67million) and Ulma Construction Polska S.A. (value of PLN 291 million).

The company's profit before tax was PLN 30.9 million in H1 2007 (up by 130% year on year).

A driver of the company's improved market position was the success of mBank's eBroker service and MultiBank's Brokerage Service. Their total trading accounted for 25% of DI BRE's equities trading volume, compared to 16% in H1 2006. The service addressed to retail investors facilitates investment in WSE-listed instruments. There were 95.7 thousand securities accounts in H1 2007, including 23.3 thousand accounts opened directly with DI BRE, 62.9 thousand eBroker accounts (mBank), and 9.5 thousand Brokerage Service accounts (MultiBank). The number of on-line accounts under the mBank and MultiBank service nearly tripled (H1 2007 v. 2006), giving DI BRE the first position among all brokerage houses by number of on-line accounts.

IV.2.5. BRE Corporate Finance

As demand for quality corporate finance service grew in H1 2007, the company started many new advisory projects including due diligence, valuation, fairness opinions, etc. The company successfully completed 7 M&As and 8 public market transactions, including 3 IPOs.

The company's sales were PLN 6.6 million at the end of H1 2007 (up by 250% year on year) and its profit before tax was PLN 1.3 million. BRE CF came first in a ranking of financial advisors in IPOs published by the newspaper *PARKIET*.

IV.3. Trading and Investments

Trading and Investments covers trading in financial instruments, purchase and sale of securities on own account, i.e., transactions in securities including Treasury bolls and bonds, NBP monetary bills, placements and deposits, and currency swaps. The Bank is a participant of the securities market and focuses on the purchase and sale of securities in the primary and secondary market as well as repo and reverse repo transactions. In addition, the Bank engages in sell-buy-back and buy-sell-back transactions in the inter-bank market. The Bank is also a participant of the money market in inter-bank transactions, and enters into agreements for the issue of securities (bonds, investment bills, certificates of deposit) both single-handedly and in syndications with other banks. The Bank earns capital gains on its proprietary investments portfolio including direct and indirect holdings acquired with a view to high long-term returns.

IV.3.1. Market Position

BRE Bank ranks first in the market of bank debt securities and second in the market of commercial papers with a share of approximately 37% and 16.6% respectively; the Bank also ranks second in mid-term corporate debt securities. BRE Bank again took the first position in the ranking of dealers of Treasury securities organised by the Ministry of Finance (Q1 2007 ranking).

Thanks to its active presence in the financial markets, the Bank's market share was approximately 18.6% in interest rate derivative instruments and approximately 14.5% in trading in Treasury bonds and bills. Its share was 6.8% in spot and forward fx transactions and 17% in WIG-20 index options (at the end of May 2007).

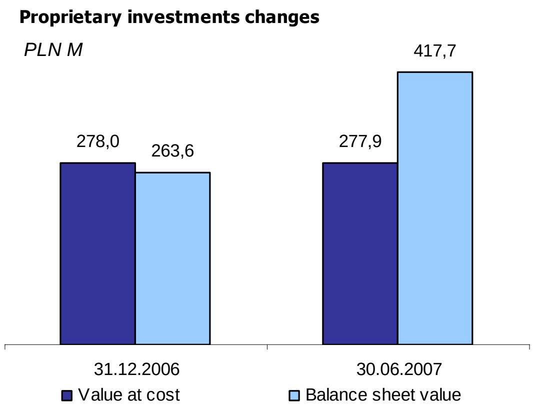
In the NBP Dealer Activity Index (IAD) ranking covering all banks in Poland which apply for the Money Market Dealer function, in 2006 BRE Bank ranked first in two categories:

- OIS market;
- FRA and IRS market.

BRE Bank's position reflects the Bank's share in the trading of the Polish inter-bank market; its first rank means that the Bank's portfolio is the largest. The NBP ranking is used to select the most active and professional banks as Money Market Dealers with the exclusive right to participate in auctions of government securities.

IV.3.2. Proprietary Investments Portfolio

At the end of June 2007, the proprietary investments portfolio was PLN 278 million at cost. It was stable (down by 0.05%) year to date.



The balance-sheet value of the proprietary investments portfolio was up by PLN 153 million year to date due to the revaluation of Vectra SA shares in the Bank's books at the end of H1 2007. The shares were restated in correspondence with the revaluation reserve, which did not affect the Bank's results.

The largest investments in the Bank's portfolio at the end of June 2007 included:

- 19.95% of shares of Vectra S.A. (11.2% of votes), balance-sheet value PLN 278.0 million;
- 0.76% of shares of PZU S.A., balance-sheet value PLN 74.0 million.

IV.4. Subsidiaries of the Trading and Investments Area

IV.4.1. Tele-Tech Investment Sp. z o.o. (TTI)

This is a special-purpose vehicle (SPV) whose core business includes:

a) Investment in securities, trading in debt;
b) Proprietary transactions in securities;
c) Management of controlled businesses;
d) Business and management consulting.

At the end of June 2007, TTI's portfolio included 30% of shares of BRE.locum Sp. z o.o., bonds of Autostrada Wielkopolska SA, and a notional stake in BRE Finance France SA (0.004%).

IV.4.2. BRE Finance France

BRE Finance France SA is another SPV whose core business was to raise funds for BRE Bank in international markets through issues of Euro Notes under a Euro Medium Term Notes (EMTN) programme up to EUR 1.5 billion.

At the end of June 2007, there were 3 outstanding tranches under the programme:

- EUR 225 million maturing in 2007 (18 October);
- US$ 10 million maturing in 2009;
- EUR 200 million maturing in 2008.

The company is not planning any further issues in 2007.

IV.4.3. Garbary Sp. z o.o.

The company is part of the Bank's portfolio since May 2004 following the restructuring of the Bank's investment in the debt securities of Tele-Tech Investment Sp. z o.o. Garbary's only asset is a piece of land with buildings at 101/111 Garbary St., Poznań, including a meat plant facility (not in use) subject to protection as historical monument. Due to on-going litigation and existing collateral, BRE Bank cannot dispose of the shares of Garbary Sp. z o.o. or use them as security.

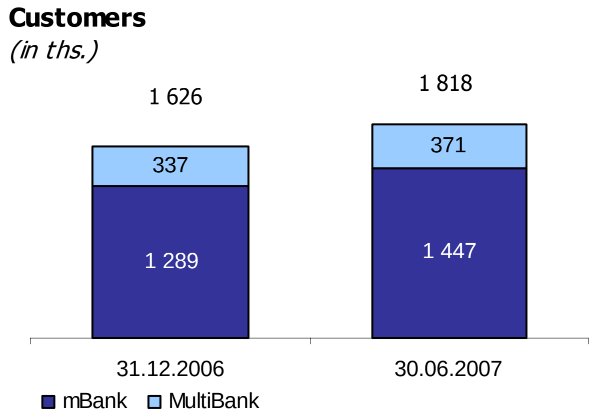
V. Retail Banking and Private Banking

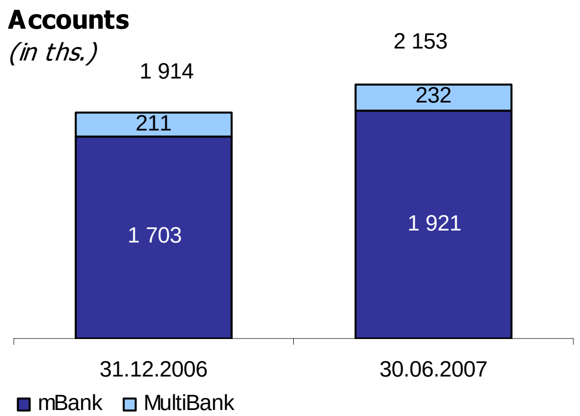
This business area includes retail customers' current accounts, savings accounts, term deposits, investment products, credit and debit cards, financial settlements, bill-of-exchange and cheque transactions, guarantees, mortgage and consumer loans. Customers mainly include private individuals as well as microenterprises (mBank) and SMEs (MultiBank). The area also covers Private Banking services.

V.1. Dynamic Growth of mBank and MultiBank

V.1.1. Customers and Accounts

BRE Bank's Retail Banking (mBank and MultiBank) served 1,818 thousand customers at the end of June 2007 (including 1,446.7 thousand at mBank and 371.3 thousand at MultiBank). The line acquired 191.9 thousand new customers year to date (157.2 thousand at mBank, 34.7 thousand at MultiBank). The line had 2,152.7 thousand accounts (1,921 thousand at mBank, 231.7 thousand at MultiBank). The number of accounts grew by 238.7 thousand year to date (217.9 thousand at mBank, 20.8 thousand at MultiBank).

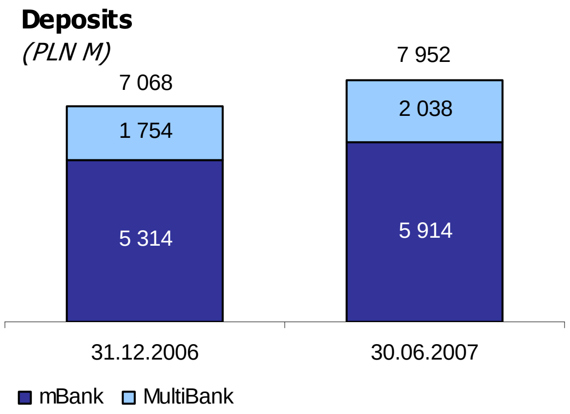


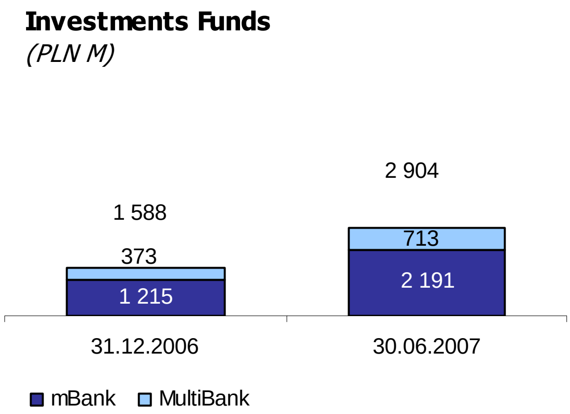


There were 206.6 thousand microenterprise customers (151.2 thousand at mBank, 55.4 thousand at MultiBank). The number of microenterprise customers grew by 21 thousand year to date (16.4 thousand at mBank, 4.6 thousand at MultiBank).

V.1.2. Deposits and Investment Funds

Deposits were PLN 7,952.3 million at the end of June 2007 (26.2% of BRE Bank's amounts due to customers). The deposits grew by 12.5% in H1 2007 (by PLN 884.4 million: PLN 600.9 million at mBank, PLN 283.5 million at MultiBank). The market share in household deposits was 2.9%.



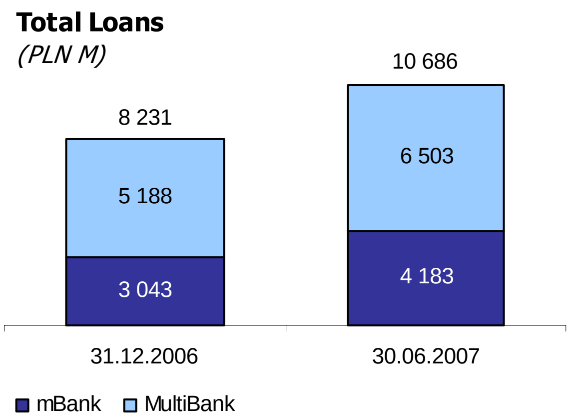


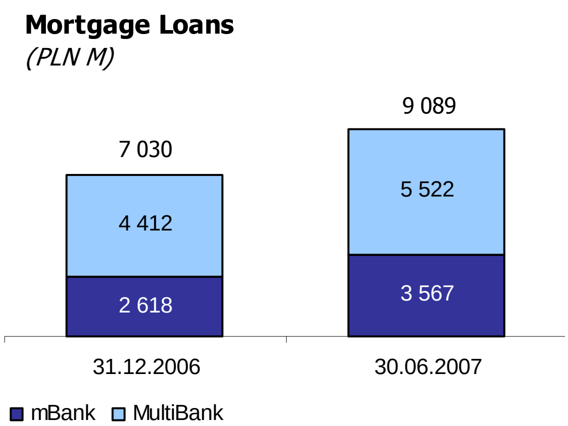
It must be stressed that deposits grew in parallel to a very fast 82.8% growth in retail customers' assets in investment funds. Those were PLN 2,904.1 million at the end of June 2007, up by PLN 1,316.3 million year to date (PLN 975.9 million at mBank, PLN 340.4 million at MultiBank). At the end of June 2007, assets invested via mBank and MultiBank represented 2.1% of total investment fund assets, compared to 1.4% at the end of 2006.

V.1.3. Loans

Loans continued to grow fast in H1 2007. They were PLN 10,685.5 million at the end of June 2007, up by 29.9% year to date. The loans grew by PLN 2,456 million year to date (PLN 1,140 million at mBank, PLN 1,316 million at MultiBank). Mortgage loans remained the largest loans category at 85% of the portfolio. Other loans include drawn credit lines, credit card debt, and consumer loans.

BRE Bank's market share in retail loans was 4.9% at the end of June 2007, compared to 4.4% at the end of 2006.





Balance-sheet mortgage loans were PLN 9,088.6 million at the end of June 2007 (mBank PLN 3,566.4 million, MultiBank PLN 5,522.2 million). The balance-sheet mortgage loans grew by PLN 2,058,3 million year to date (PLN 947,8 million at mBank, PLN 1,110.5 million at MultiBank). Retail mortgage loans were PLN 8,696.5 million at the end of June 2007 (PLN 3,553.9 million at mBank, PLN 5,142.6 million at MultiBank). FX loans (mainly CHF) were 80% of balance-sheet mortgage loans (84.8% at mBank, 81.9% at MultiBank).

BRE Bank was the third largest bank in terms of newly granted mortgage loans in H1 2007 (data for January-May 2007); its market share in housing loans grew from 9% at the end of 2006 to 9.5% at the end of May 2007.

The table below presents the profile of the retail loans portfolio:

	Total	PLN	FX
Balance-sheet value (PLN billion)	8.7	1.5	7.2
Average maturity (years)	23.1	20.7	23.6
Average value (PLN thou.)	165.7	189.7	164.0
Average LTV (loan to value) (%)	63.8%	57.4%	65.0
NPL (%)	0.4%	1.4%	0.2%

V.1.4. Cards

There were 194.7 thousand credit cards issued by BRE Bank's Retail Banking by the end of June 2007 (122.5 thousand at mBank, 72.7 thousand at MultiBank), up 43 thousand year to date (30.7 thousand at mBank, 12.3 thousand at MultiBank). There were 1,231.4 thousand debit cards issued by the end of June 2007 (928.2 thousand at mBank, 303.2 thousand at MultiBank).

V.1.5. eBroker and MultiBank Brokerage Service

There were 62.3 thousand eBroker accounts by the end of June 2007, up by 28.1 thousand in H1 2007. There were 9.4 thousand MultiBank Brokerage Service accounts, up by 5 thousand year to date. Trading in the accounts represented 25% of DI BRE's equities trading volume.

V.1.6. Car Insurance Sales

The Car Insurance Supermarket was launched on 13 February 2007. There were 10,112 insured cars by the end of June 2007 (year-end target: 18 thousand). Premiums written totalled PLN 7.5 million. The Supermarket offers a choice of 7 liability and accident insurance packages, each in 3 variants.

V.1.7. Expansion of the Branch Network

mBank

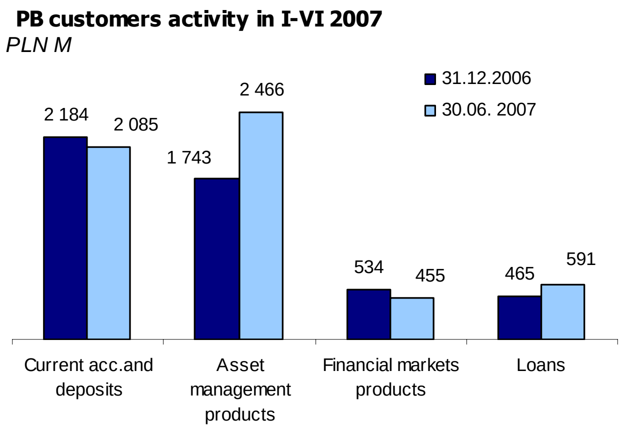
- At the end of June 2007, mBank had 71 outlets: 15 Financial Centres and 56 mKiosks (6 mKiosks were opened in H1 2007). The Financial Centres network did not change.

MultiBank

- At the end of June 2007, MultiBank had 102 outlets, compared to 84 at the end of 2006 (in H1 2007, the number of CUFs grew from 46 to 58 and the number of Partner Outlets from 38 to 44).

V.2. Growth of Private Banking

The Private Banking Department had 7,974 customers at the end of June 2007, up by 168 customers year to date. The table below shows changes in deposits, loans, and portfolio investments.



The portfolio grew by PLN 126 million (up by 27.1%) in H1 2007 as a result of active sales of credit products and better use of assigned broker credit limits.

Funds in current accounts and deposits were PLN 2,085 million at the end of June 2007, down modestly year to date. Assets under management (mainly in investment funds) grew significantly, by PLN 723 million, as a result of the good stock market.

The prestigious British *Euromoney Magazine* named BRE Bank the Best Private Bank in Poland. BRE Bank was awarded as the best bank for its offer for entrepreneurs, corporate executives, affluent and very affluent customers, and in the following categories: inheritance and succession planning, hedge fund investment, customer relationships management, privacy and security, user-friendly technology, equity portfolio management, structured products.

V.3. Subsidiaries of the Retail Banking Area

V.3.1. BRE Wealth Management SA

Asset under management of the company were PLN 503 million at the end of June 2007, down by PLN 12 million year to date (down by 2%). The assets fell due to the transfer of institutional customers' portfolios to Skarbiec TFI. The company offers 9 investment strategies, including equities, debt, fixed-income, conservative, and multiple asset categories (equities, debt, commodities, currencies). The company offers services to BRE Bank's Private Banking customers. BRE Wealth Management's core services include management of clients' securities portfolios. The company plans to offer new private banking services to existing and prospective customers, including financial planning, tax and investment advisory, art banking, real property advisory. Such services make up a comprehensive wealth management offering for affluent clients in countries with a long tradition of private banking.

In June 2007, BRE Wealth Management offered its customers a tax optimisation service of converting traditional asset management portfolios into an insurance equity fund. As a result, customers' taxes on capital gains will be deferred until the end of the lifetime of the investment.

The company generated a profit before tax of PLN 2.8 million in H1 2007.

V.3.2. emFinanse Sp. z o.o.

emFinanse Sp. z o. o. is a financial intermediary and advisor. The company sells banking and insurance products. emFinanse offers cash loans, car loans, mortgage loans, and insurance. The company will soon launch shares of investment funds.

The company has its head office in Łódź but operates across Poland with branches in 9 largest Polish cities. In addition to own branches, the company operates through a network of agents and partners.

The company reported a PLN 2.6 million loss in H1 2007.

VI. Asset Management: Discontinued Operations

This area includes the subsidiary PTE Skarbiec Emerytura. On 8 January 2007, the Bank sold the other company of the area, SAMH, to Polish Enterprise Fund V at a pre-tax profit of PLN 89.5 million.

PTE Skarbiec-Emerytura is also held for sale. On 29 June 2007, BRE Bank and Aegon Woningen Nova B.V. entered into a "PTE Ergo Hestia and PTE Skarbiec-Emerytura Merger Agreement" and an "Option Agreement". Under the Merger Agreement, the assets of PTE Skarbiec-Emerytura shall be taken over by PTE Ergo Hestia following all required legal approvals. The Option Agreement entitled the Parties to buy/sell all shares in the merged company held by BRE Bank SA after the merger.

In the presentation of the consolidated profit and loss account, this business is shown as discontinued operations at the pre-tax profit level and includes the profit on the sale of the subsidiary SAMH and the profit of the subsidiary PTE held for sale. In segment reporting, this business is shown under individual P&L items including intra-Group transactions.

According to the internal reporting format, the segment reported a pre-tax profit of PLN 85.6 million in H1 2007, compared to PLN 10.3 million in H1 2006. The growth in the operating profit of the business segment was mainly owed to the sale of SAMH.

VII. Other Consolidated Companies

VII.1. Centrum Rozliczeń i Informacji CERI Sp. z o.o. (CERI)

The company's core business includes settlements and filing services, in particular: electronic archives, paper archives, identification of mass payments, payments identification system, data feed, mass mail. The company provides also domestic and foreign settlements.

The company mainly provides its services to BRE Bank; however, pursuant to its strategy, it gradually grows the range of services provided to third-party customers. Income from external clients accounts for ca. 16% of the company's total income.

The company's income was PLN 16 million at the end of June 2007, and its profit before tax was PLN 0.5 million.

VII.2. BRE.locum Sp. z o.o.

BRE.locum Sp. z o.o. is a real estate developer which mainly invests in residential property and provides property management services. The company operates since 2001 in Łódź, Wrocław, Kraków and Warsaw.

In H1 2007, the company developed its land bank and gradually completed and sold apartments as a part of current projects. The balance-sheet value of development projects doubled year on year.

The company is running several projects at prestigious locations in the largest Polish cities (Warsaw, Poznań, Kraków, Łódź, Wrocław, Tricity). In H2 2007, the company is expecting to close the sale of the last phase of the Park Mokotów project in Warsaw and to sell apartments in Kraków and Łódź. A Port Praski residential project in Warsaw was initiated; a Brzozowy Park development was launched in Józefów together with the fund SKARBIEC Rynku Nieruchomości FIZ. In addition, the company acquired attractive land in the district of Żoliborz in Warsaw and will soon start selling apartments in Sopot.

The company's profit before tax was PLN 6.8 million in H1 2007 (under banking standards of accounting for interest income), compared to PLN 17.6 million in H1 2006 when the sale of most apartments of Park Mokotów Phase 2 was booked. In 2007, most apartment sales are expected to be booked in H2.

VIII. Financial Results of the BRE Bank Group in H1 2007

VIII.1. Changes in the Assets of the BRE Bank Group

The balance sheet total was PLN 48.9 billion at 30 June 2007, up by 15.6% year to date. The consolidated assets as at 30 June 2007 compared to 31 December 2006 are shown below.

ASSETS	30.06.2007		31.12.2006		Change
	PLN thou.	%	PLN thou.	%	%
Cash and transactions with the central bank	2 562 731	5.2%	3 716 607	8.8%	-31%
Bills eligible for rediscounting at the central bank	34 005	0.1%	26 725	0.1%	27.2%
Amounts due from banks	2 362 298	4.8%	2 844 124	6.7%	-16.9%
Trading securities	3 847 054	7.9%	3 516 149	8.3%	9.4%
Derivative financial instruments	1 611 801	3.3%	1 413 065	3.3%	14.1%
Loans and advances to customers	29 019 502	59.3%	23 044 694	54.4%	25.9%
Investment securities	3 990 997	8.2%	3 055 516	7.2%	30.6%
- Available for sale	3 990 997	8.2%	3 055 516	7.2%	30.6%
Fixed assets for sale	324 106	0.7%	385 194	0.9%	-15.9%
Assets under pledge	3 319 230	6.8%	2 702 180	6.4%	22.8%
Investment in affiliates	4 004	0.0%	5 356	0.0%	-25.2%
Intangible fixed assets	372 955	0.8%	381 111	0.9%	-2.1%
Fixed assets	591 243	1.2%	580 108	1.4%	1.9%
Deferred income tax assets	84 988	0.2%	65 112	0.2%	30.5%
Other assets	808 714	1.7%	594 640	1.4%	36.0%
Total assets	**48 933 628**	**100.0%**	**42 330 581**	**100.0%**	**15.6%**

Credits and loans (net) grew the fastest, by PLN 5,975 million. With the high growth at 25.9%, much above the growth in the balance sheet total, this asset category accounted for 59.3% of total assets, compared to 54.4% at the end of 2006.

The high growth in the loans portfolio was driven by a growing portfolio of corporate loans, up by PLN 2,895 million, and retail loans, up by PLN 2,331 million. Local government loans were also up by PLN 513 million year to date. Gross loans were up by 25.0% year to date. Meanwhile, despite the fast growth in loans, the balance-sheet loans provisions were PLN 3.6 million lower, resulting in a higher growth in the net loans portfolio at 25.9%.

The portfolio of trading securities was up by ca. PLN 331 million; the portfolio of investment securities grew by PLN 935 million.

As a result, cash with the central bank was down significantly by PLN 1,154 million year to date and amounts due from banks were down by PLN 482 million.

The fast growth in assets under pledge resulted from a growing volume of securities, mainly government bonds, sold under sell-buy-back contracts.

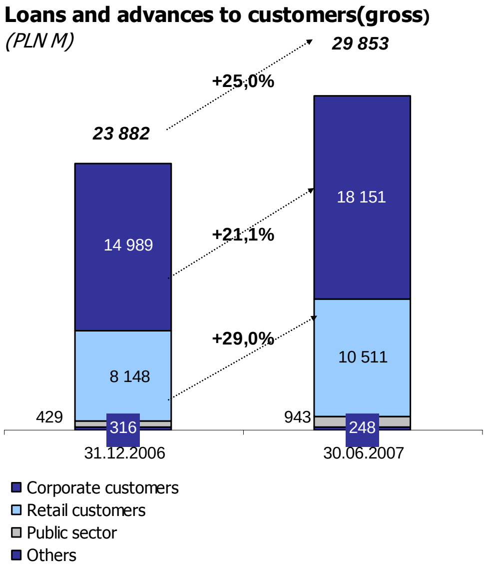
VIII.1.1. Description of the Loans Portfolio

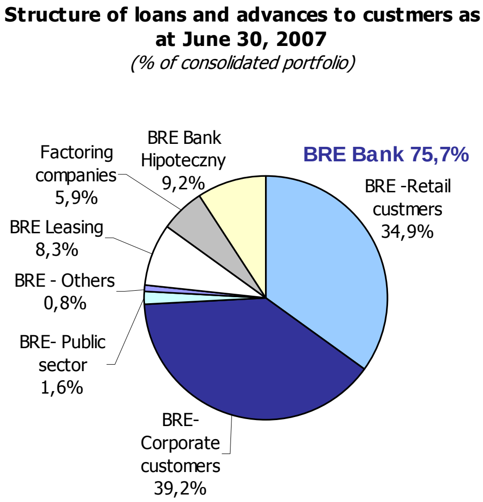
The largest item of the consolidated assets of the BRE Bank Group are credits and loans granted to customers. Their structure is shown in the chart below.

The largest share is that of corporate loans (60.8%). However, their share is slowly but steadily decreasing to the advantage of retail loans which were 35.2% of the portfolio at the end of June 2007, compared to 34.1% at the end of December 2006. Retail loans grew by 29.9% while corporate loans were up by 21.1%. Local government loans were up by 119.8% at the end of June 2007.

The structure of the BRE Bank Group's loan and credit portfolio by creditor is shown in the chart.

Over ¾ of all loans were granted by BRE Bank; here, the retail loans portfolio is now greater than the portfolio of corporate loans. About ¼ of total loans includes the BRE BH portfolio and the factoring and leasing portfolios. BRE BH is the second largest creditor after BRE Bank; its loans portfolio was PLN 2.7 billion at the end of June 2007. Credits and loans include amounts due under financial leasing at PLN 2.5 billion net.





The BRE Bank Group's credit provisions were PLN 833.5 million at 30 June 2007, or 2.8% of the gross credit and loans portfolio. Provisions were down compared to the end of 2006 (PLN 837.1 million). The largest part (PLN 694.0 million) were provisions against corporate loans; however, those went down from PLN 702.0 million at the end of 2006. Provisions against retail loans were PLN 139.2 million, up by PLN 6.5 million year to date.

The default ratio of BRE Bank's risk portfolio under IAS 39 and IAS 37 was 2.3% at the end of H1 2007, compared to 2.9% at the end of 2006.

The main factor of improvement in the quality of the credit risk portfolio in H1 2007 was a significant growth in the loans portfolio. In addition, the financial standing of companies financed by the Bank improved considerably, restructuring was enforced, and default loans were repaid. This helped to decrease the nominal default portfolio while new exposures were rated as default.

VIII.2. Liabilities of the BRE Bank Group

Changes in the Group's liabilities in H1 2007 are shown in the table below.

LIABILITIES AND EQUITY	30.06.2007		31.12.2006		Change
Cash and balances with central bank	-		-		
Liabilities to other banks	8 988 762	18.4%	7 972 386	18.8%	12.7%
Derivative financial instruments and other trading liabilities	1 559 834	3.2%	1 253 900	3.0%	24.4%
Liabilities to customers	29 305 716	59.9%	24 669 856	58.3%	18.8%
Liabilities under issued debt securities	3 503 245	7.2%	3 389 559	8.0%	3.4%
Subordinated liabilities	1 473 771	3.0%	1 547 354	3.7%	-4.8%
Other liabilities	792 828	1.6%	759 799	1.8%	4.3%
Current income tax liability	85 805	0.2%	20 047	0.0%	328.0%
Deferred income tax liability	26 152	0.1%	312	0.0%	8282.1%
Provisions	66 326	0.1%	70 168	0.2%	-5.5%
Liabilities for sale	10 318	0.0%	25 001	0.1%	-58.7%
Total liabilities	**45 812 757**	93.6%	**39 708 382**	93.8%	15.4%
Total equity	**3 120 871**	6.4%	**2 622 199**	6.2%	19.0%
Total liabilities and equity	**48 933 628**	100.0%	**42 330 581**	100.0%	15.6%

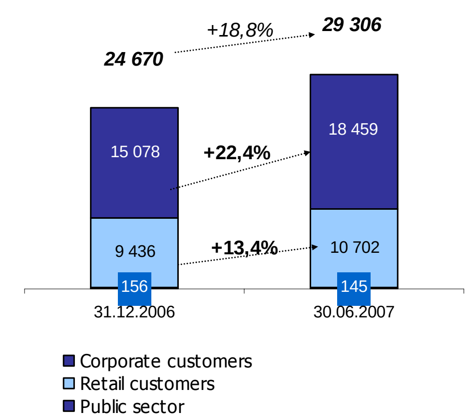
The Group's liabilities to customers grew significantly in H1 2007 (up by PLN 4,636 million or 18.8%); their share in total liabilities was close to 60%. However, the growth would be insufficient to offset the growth in the loans portfolio, up by PLN 5,975 million, and in other asset categories. Additional sources of financing included loans from other banks. Those were up by PLN 1,016 million in H1 2007 year to date. In addition, the Bank financed assets with issues of bonds and subordinated loans.

In order to match the currency structure of liabilities with that of assets, a large part of which are CHF loans, the Bank issued subordinated bonds in H1 2007. On 8 March 2007, the Bank issued 10-year variable interest subordinated bonds totalling CHF 400 million (PLN 968.4 million at the exchange rate of 8 March 2007) and was approved by the Banking Supervision Commission to include them in the Bank's supplementary capital. In view of the new issue, subordinated bonds totalling EUR 250 million maturing in 2012 (PLN 967.1 million at the exchange rate of 26 March 2007) were redeemed before maturity. At the end of June 2007, subordinated bonds totalled the equivalent of PLN 1,473.8 million, almost all of which (PLN 1,467.6 million) was added to the Bank's own funds in the calculation of the capital adequacy ratio.

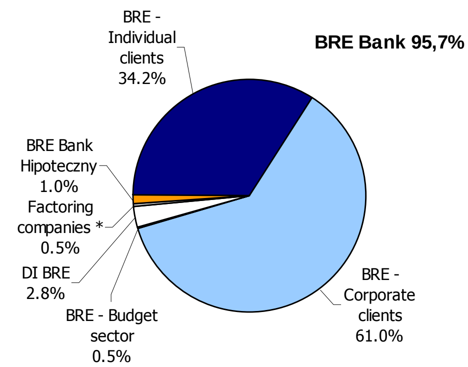
The share of equity in total sources of financing grew from 6.2% at the end of December 2006 to 6.4% at the end of H1 2007.

The charts below present the dynamics and structure of liabilities to customers. In H1 2007, corporate customers' funds grew faster, up by 22.4% (PLN 3,381 million) year to date. Retail customers' deposits grew by 13.4% (PLN 1,266 million) and represented 36.5% of total liabilities to customers at the end of H1 2007. Local governments' deposits fell from PLN 156 million to PLN 145 million, and had a notional share in liabilities to customers. The majority of total deposits (95.7%) were BRE Bank deposits.

Amounts due to customers
(PLN M)



Structure of amounts due to customers



VIII.2.1. Shareholders and Changes in the Equity of the Group

Commerzbank Auslandsbanken Holding AG is a shareholder holding more than 5% of the share capital and votes at the General Meeting; at 30 June 2007, it held 70.08% of the share capital and votes at the General Meeting of BRE Bank (70.20% at 31 December 2006).

In addition, the Bank received a letter dated 24 May 2007 from BZ WBK AIB Asset Management SA with a notification of exceeding 5% of votes at the General Meeting of BRE Bank SA. On 22 May 2007, the securities accounts of BZ WBK AIB Asset Management SA clients under management agreements included 1,486,325 shares of BRE Bank, representing 5.028% of the share capital and votes at the General Meeting of BRE Bank.

The equity of the Group grew by 19.0% in H1 2007 and accounted for 6.4% of the liabilities and equity at the end of H1 2007. Changes in the equity are shown in the table below and presented in more detail in the "Consolidated Financial Statements for H1 2007 under IFRS".

Equity (PLN thou.)	**30.06.2007**	**31.12.2006**	**Change %**
Equity excluding minority interests	3 023 655	2 530 766	19.5%
First-tier equity:	1 503 744	1 496 946	0.5%
- Registered share capital	118 256	118 064	0.2%
- Supplementary capital	1 385 488	1 378 882	0.5%
Revaluation reserve	88 869	5 110	1639.1%
Retained profits:	1 431 042	1 028 710	39.1%
Profits of previous years	1 027 176	607 452	69.1%
This year's profit	403 866	421 258	-4.1%
Minority interests	97 216	91 433	6.3%
Total equity	**3 120 871**	**2 622 199**	**19.0%**

Equity grew in H1 2007 mainly due to the net profit of 2006, retained in full, and the growth of the revaluation reserve. The latter grew mainly due to the valuation of Vectra shares, as discussed in the section on Proprietary Investments.

The registered share capital grew by PLN 192 thousand in H1 2007 due to the execution of the Management Stock Options Programme. The Second Management Stock Options Programme opened in May 2003 was in operation in H1 2007. The Programme provided for the allocation of 500,000 options to Bank Managers, exercisable gradually between 1 June 2005 and 30 June 2008. The options give the right to acquire 500,000 newly issued shares of the Bank. 373,902 shares were acquired by the end of June 2007 under the Programme, including 47,999 shares acquired in H1 2007 alone. Another 126,098 shares can be still acquired under the Programme.There were 29,564,034 ordinary shares at 30 June 2007.

VIII.2. Profit and Loss Account of the BRE Bank Group

The BRE Bank Group generated a profit before tax of continued and discontinued operations at PLN 530.6 million in H1 2007, compared to PLN 249.1 million in H1 2006, up by 113.0% year on year. The net profit was PLN 403.9 million, compared to PLN 180.4 million in H1 2006.

As the discontinued operations are shown separately under the profit before tax, the individual profit and loss account items are discussed below for the continued operations. The comparative data of H1 2006 are converted to take account of changes in presentation introduced in the current financial year.

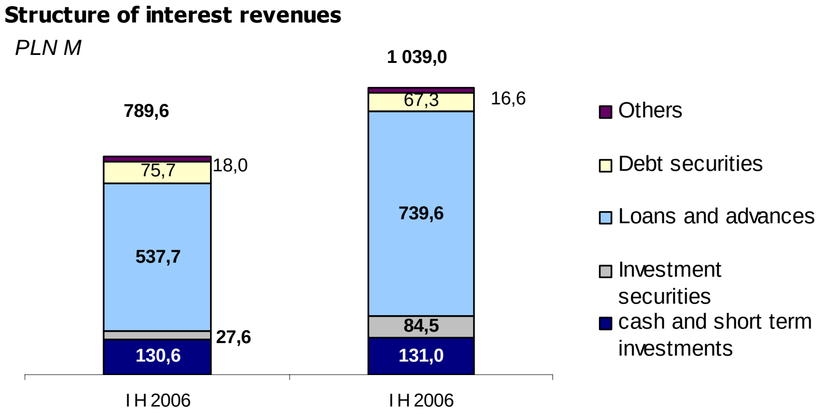
Consolidated Profit and Loss Account *PLN'000*	**H1 2007**	**H1 2006**	**Change %**
Interest income	1 039 001	789 588	31,6%
Interest cost	(570 071)	(458 315)	24,4%
Net interest income	**468 930**	**331 273**	**41,6%**
Commission income	386 075	265 187	45,6%
Commission cost	(96 587)	(81 188)	19,0%
Net commission income	**289 488**	**183 999**	**57,3%**
Dividend income	2 159	5 024	-57,0%
Trading income, including:	258 282	196 104	31,7%
FX income	*208 443*	*184 690*	*12,9%*
Other trading income	*49 839*	*11 414*	*336,6%*
Income from investment securities	*7 161*	10 201	-29,8%
Other operating income	*76 928*	146 917	-47,6%
Net credit impairment provisions	*(5 866)*	(32 792)	-82,1%
Overhead costs	*(521 919)*	(416 808)	25,2%
Amortisation and depreciation	*(88 344)*	(80 420)	9,9%
Other operating costs	*(50 413)*	(112 896)	-55,3%
Operating profit	**436 406**	**230 602**	89,2%
Share in profits (losses) of affiliates	-	(112)	-100,0%
Profit (loss) before tax of continued operations	**436 406**	**230 490**	**89,3%**
Income tax	(90 949)	(52 155)	74,4%
Net profit (loss) of continued operations, including the profit (loss) of minority shareholders	**345 457**	**178 335**	**93,7%**
<u>Discontinued operations</u>			
Profit (loss) before tax of discontinued operations	**94 199**	**18 629**	**405,7%**
Income tax	(20 037)	(2 474)	709,9%
Net profit (loss) of discontinued operations, including the profit (loss) of minority shareholders	**74 162**	**16 155**	**359,1%**
Net profit (loss) of continued and discontinued operations, including the profit (loss) of minority shareholders, including:	**419 619**	**194 490**	**115,8%**
Profit (loss) of minority shareholders	15 753	14 091	11,8%
Net profit (loss)	**403 866**	**180 399**	**123,9%**

The consolidated profit before tax of continued operations was up by 89.3% in H1 2007 with a contribution of nearly all P&L items.

The net interest income grew significantly, by over 42% year on year, and was PLN 468.9 million, compared to PLN 331.3 million in 2006. The higher net interest income was possible thanks to fast growth both at the Bank and the subsidiaries.
The BRE Bank Group's interest margin (net interest income to average interest-earning assets) was 2.3% p.a. in H1 2007, compared to 2.05% p.a. in H1 2006.

The net interest income in 2007 was helped by changes in the BRE Bank Group's balance sheet structure. A more effective balance sheet structure was possible through a higher contribution of Retail Banking to the Bank's assets and liabilities, as well as a growing portfolio of corporate loans. The growing income from lending and a positive change in the structure of financing enabled a significant growth in net interest income and profitability as measured by the interest margin. The BRE Bank Group's net interest income was driven by Corporations and Financial Markets (+ PLN 67.1 million) and Retail Banking (up by PLN 66.2 million).

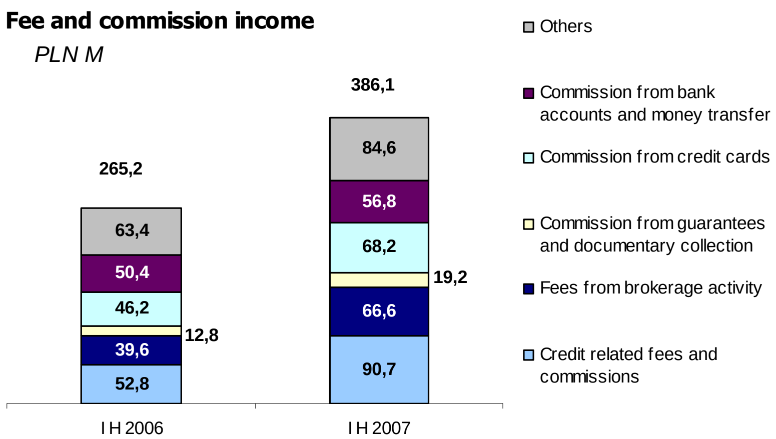
The chart below presents the sources of net interest income in H1 2006 and H1 2007; it is clear that credit and loans are the largest and fastest growing source.



The net commission income grew by a similar amount and by an even higher percentage at 57.3%. It remained the second largest income item of the Group at PLN 289.5 million, compared to PLN 184 million in H1 2006. The net commission income grew fast year on year both at the Bank and the subsidiaries. Retail Banking reported the highest growth in the net commission income, followed by Corporations thanks to active investor trading on the Warsaw Stock Exchange, which boosted the income of DI BRE.

Corporations and Financial Markets again made the largest contribution to the net commission income at 63% of the Group's income. Thanks to a high growth at over 216% year on year, the contribution of Retail Banking to the Group's net commission income grew steadily to 32.5% at the end of June 2007.

The chart below show the structure of the net commission income by product category.



Lending fees and commissions were the largest and fastest growing commission income category. Importantly, payment card fees were growing very fast, by PLN 22 million year on year. Brokerage fees were up by PLN 27 million, constituting the third largest commission income category.

Trading income was high in H1 2007 (PLN 258.3 million), up by 31.7% year on year. Trading and Investments made the largest contribution at 42.4%. An increasing share of trading income is generated by Retail Banking (19%) and by Corporates and Institutions (38.2%) mainly through fx margins.

Trading income was mainly generated by the Bank which contributed the overwhelming 97% of the Group's income.

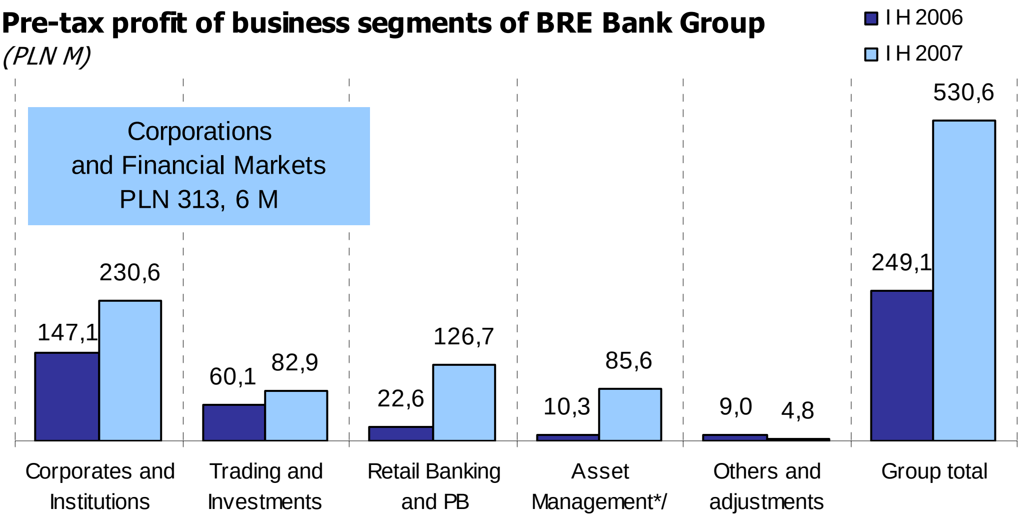
Net credit impairment provisions were PLN 5.9 million in H1 2007, mainly at the subsidiaries. The Bank's net credit provisions were at a positive PLN 0.2 million. The Bank released provisions thanks to on-going improvement in the quality of the loans portfolio helped by the strong financial standing of companies financed by the Bank, enforcement measures, and repayment of default loans.

Consolidated overhead costs were up by approximately PLN 105.1 million or 25.2% year on year in H1 2007. The highest growth occurred in payroll costs, up by PLN 60 million or 26.9% year on year due to business expansion and headcount growth as well as set up bonus provisions. Maintenance costs grew by 22% or ca. PLN 40.3 million year on year mainly as a result of the expanding branch network and the expansion of business operations of the Bank and the subsidiaries.

VIII.3. Financial Results by Business Segment

The presented results of the BRE Bank Group's business segments refer to the report which presents both continued and discontinued operations under the relevant result categories.
The analysis of segment results is based on the business classification changed in 2007 at the BRE Bank Group, as discussed in section II, "The Composition of the BRE Bank Group". The H1 2006 data were converted to ensure comparability.

Pre-tax profit of business segments of BRE Bank Group
(PLN M)



VIII.3.1. Results of Corporations and Financial Markets

The business segment which covers lending and investment banking products sold to corporate customers generated a profit before tax of PLN 313.6 million in H1 2007. The segment made the largest contribution to the Group's profit at 59.1%. Nearly all profit components improved year on year but the core business grew the most. The profit was up PLN 106.4 million year on year. This was helped by ongoing positive sales trends, the improving quality of the loans portfolio, and high efficiency.

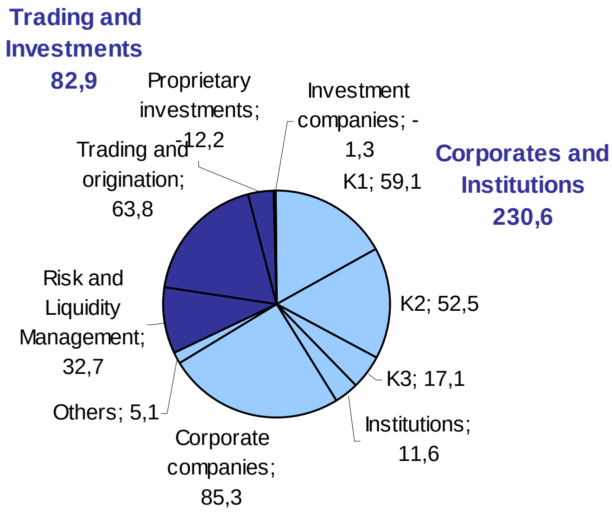
Both assets (Corporations and Financial Markets assets up by 12.9% from PLN 35.3 billion to PLN 39.9 billion) and liabilities (Corporations and Financial Markets liabilities up by 22.8% from PLN 31.6 billion to PLN 38.1 billion) grew significantly in H1 2007. The dynamic growth of business was mainly reflected in the high net interest income (PLN 281 million) and net commission income (PLN 191.5 million). The ongoing positive trends in financial and fx markets enabled a high trading profit (PLN 208.2 million) including fx transactions and profit on fx financial instruments.

The Corporations and Financial Markets area includes sub-segments: Corporates and Institutions which covers the key area of customer relations, and Trading and Investments, the area of liquidity and risk management.

The chart presents the structure of the profit before tax of Corporations and Financial Markets. The largest part, almost ¾, was generated by transactions with corporate customers and institutions. The contribution of the subsidiaries was high at PLN 84 million or ca. 27% (including the cost of financing and consolidation adjustments). The largest contributions came from DI BRE, BRE Leasing Sp. z o.o., BRE Bank Hipoteczny S.A., and Intermarket Bank AG.

Trading income and profits on arranged issue of corporate debt made a significant contribution of PLN 63.8 million.

Pre-tax profit structure of Corporations and Financial Markets



The negative result of proprietary investments at PLN 12.2 million was due to the cost of financing and operation and the lack of gains on sale in H1 2007.

Corporates and Institutions

The profit before tax at PLN 230.6 million generated in H1 2007 was up by approximately PLN 83.5 million year on year, mainly thanks to a higher income on the core business. Particularly high year-on-year growth was reported for net interest income (up by ca. PLN 47 million) due to a strong growth in lending. In addition, credit risk provisions charged were down year on year while the growth in costs was relatively low, helping the productivity of business.

Trading and Investments

The area's profit before tax at PLN 82.9 million generated in H1 2007 was much higher than in H1 2006 (PLN 60.1 million). The net interest income was up PLN 20 million and the trading profit was up by ca. PLN 19 million year on year.

The results of the area were mainly generated by the Bank while the subsidiaries (BFF, Tele-Tech Investment, Garbary) jointly reported a loss of PLN 1.3 million in H1 2007.

VIII.3.2. Results of Retail Banking and Private Banking

The Retail Banking and Private Banking Line, which was growing the fastest, reported a profit before tax of PLN 126.7 million in H1 2007, compared to PLN 22.6 million in H1 2006. The contribution of the area to the Group's pre-tax profit was up from 9% in 2006 to nearly 24%. Both its net interest income (up by 51%) and net commission income (up by 216.6%) grew faster than the Group average.

The area's contribution to the Group's total net interest and commission income grew from 28.6% in H1 2006 to 38.1% in 2007.

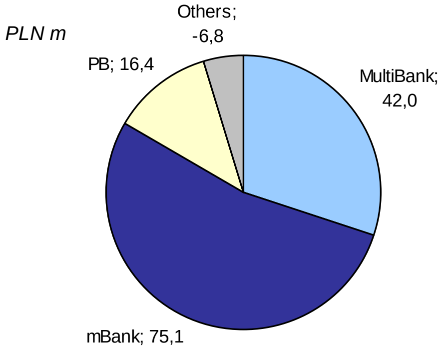
Thanks to dynamic expansion of the branch network, Retail Banking reported a significant increase in overhead costs, up by approximately 37%, more than the Group's average but much less than the growth rate of income (over 86%).

The significant growth in profit was mainly driven by the dynamic growth in the loans portfolio, mainly the portfolio of mortgage loans carrying a low credit risk (assets up by 77.2% or PLN 5.1 billion year on year), which boosted a sharp growth in net interest and commission income offsetting the ongoing credit margin squeeze.

As shown in the chart, the main contribution to the profit came from mBank which generated 59.3% of the area's profit before tax.

MultiBank contributed 33.1% and Private Banking 12.9% of the profit before tax. The item "Other" includes the results of the subsidiaries (BWM reported a profit of PLN 2.8 million, emFinanse reported a loss of PLN 2.5 million) and the cost of financing and consolidation adjustments.

Structure of Retail Banking and PB pre-tax profit



VIII.3.3. Asset Management: Discontinued Operations

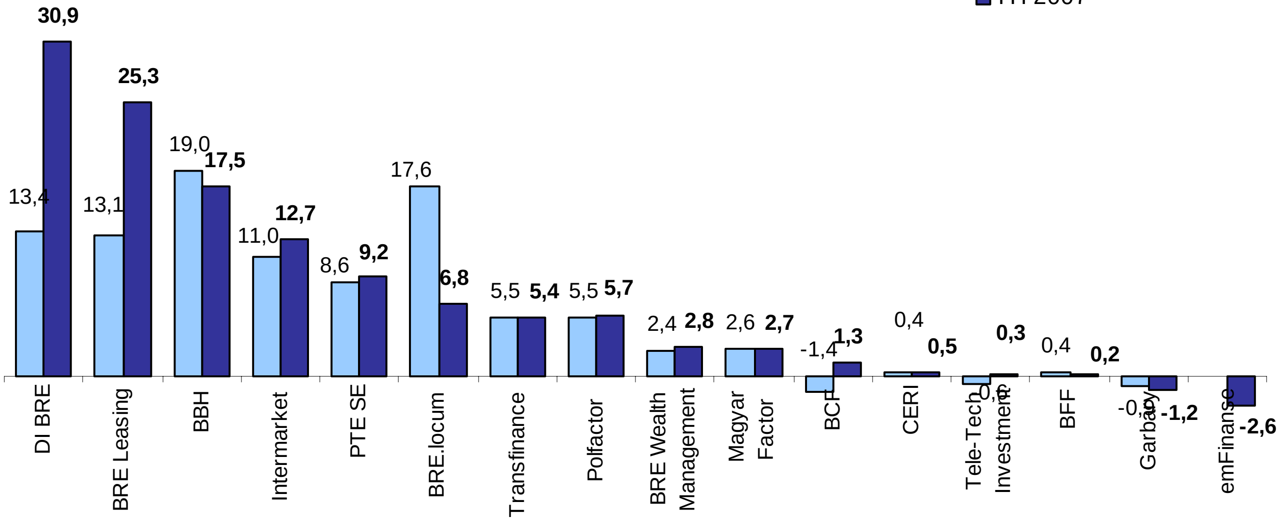
In the presentation of the consolidated profit and loss account, this business is shown as discontinued operations at the pre-tax profit level and includes the profit on the sale of the subsidiary SAMH and the profit of the subsidiary PTE held for sale. In segment reporting, this business is shown under individual P&L items including intra-Group transactions.

According to the internal reporting format, the segment reported a pre-tax profit of PLN 85.6 million in H1 2007, compared to PLN 10.3 million in H1 2006. The growth in the operating profit of the business segment was mainly owed to the sale of SAMH. The Bank sold SAMH to Polish Enterprise Fund V at a pre-tax profit of ca. PLN 89.5 million on 8 January 2007.

VIII.4. Financial Results of Consolidated Companies

In H1 2007, most of the subsidiaries of the BRE Bank Group reported better results than in H1 2006, as shown in the chart below.

Pre-tax profit of consolidated companies
(from individual P&L accounts, PLN M)



DI BRE reported the highest growth: thanks to a very strong stock market, the company's profit was up by 130.6% year on year. BRE Leasing reported a two-fold growth in profitability. The results of BRE.locum, much lower than in H1 2006, resulted from the seasonality of the real property market: in 2006, most apartments were completed in H1 when the company achieved 98% of its annual profit target; in 2007, most apartment sales are expected to be booked in H2.

BRE BK generated a profit before tax of PLN 17.5 million in H1 2007, compared to PLN 19 million in H1 2006. However, it must be remembered that the company made a number of one-off transactions before 30 June 2006, and released ca. PLN 2.5 million of provisions; in H1 2007, BRE BH set up PLN 1 million of provisions.

The consolidated subsidiaries reported a total profit before tax of PLN 117.6 million in H1 2007, up by 21.7% year on year. The same subsidiaries had generated a profit before tax of PLN 96,6 million in H1 2006.

VIII.5. Key Performance Indicators

The BRE Bank Group's key performance indicators (jointly for continued and discontinued operations) at the end of H1 2007 were as follows:

	H1 2007	H1 2006
ROA	1.8%	1.1%
ROE before tax	40.7%	23.6%
ROE net	32.2%	18.4%
CIR	53.4%	64.7%
Capital adequacy ratio	10.4%	10.4%

ROA= Net profit (including minority shareholders) / Balance sheet total

ROE before tax = Profit before tax / Equity (including minority shareholders, excluding this year's profit)

ROE net = Net profit (including minority shareholders) / Equity (including minority shareholders, excluding this year's profit)

CIR = Overhead costs + amortisation and depreciation / Income (including net other income and cost)

IX. BRE Bank Group's Lending and Guarantee Policy

The main objective of the lending and guarantee policy of BRE Bank and the strategic subsidiaries of the BRE Bank Group is top-quality comprehensive customer service including credit-risk products. In pursuing its lending and guarantee policy, the Group strives to maximise profits by expanding its lending business while actively mitigating credit risk. The guiding principles of the policy derive from the Bank's By-laws and the Banking Law.

The Bank's offer of credit-risk products is addressed to corporate customers, local governments, financial institutions, and retail clients.

The Bank grants PLN and fx corporate loans:
- to finance current business;
- to finance investments.

Investment loans should not, as a rule, be more than 60% of the total planned investment. In the case of projects with exceptional returns and appropriate collateral, loans may account for up to 75% of total investment. Any exposure beyond that level must be approved unanimously by a higher decision-making body.

The corporate banking offer is complemented by products provided by the strategic subsidiaries of the BRE Bank Group:
- operating and financial leasing (vehicles, plant and machinery, etc.);
- car fleet management;
- domestic and international factoring, with recourse and with acceptance of risk of illiquidity;
- mortgage loans (purchase of real estate, financing of investment, etc.).

The Bank's retail loans include:
- retail consumer loans (overdraft, credit cards, cash loans, car loans, mortgage loans, etc.);
- retail housing loans (backed by mortgage);

- microenterprise loans (working capital loans, investment loans, cash loans);
- retail loans to finance investments by private individuals (purchase of real estate, loans to finance equity investment, etc.).

The Bank buys cash receivables from companies and financial institutions under trade contracts (domestic and international), and other. In addition, the Bank:
- issues PLN and FX guarantees and carries out other documentary transactions;
- opens letters of credit carrying credit risk;
- offers forward instruments hedging against fx and interest rate risk;
- arranges and participates in syndications to finance large investment projects;
- issues debt securities and offers other money market and capital market instruments;
- offers credit-risk products to other banks;
- offers credit-risk products via special external companies and through modern distribution channels (internet, telephone, etc.).

Credit decisions involving risk products are made by decision-making bodies whose composition, tasks and regulations, including limits of authority, are set by the President of the Management Board in a Regulation notified to the Executive Committee of the Supervisory Board. Decisions of special importance to the quality of the Bank's credit risk portfolio require the opinion of a Senior Credit Officer, a credit risk assessment specialist. The amount of exposure and risks of the customer or the transaction are those parameters which escalate the case to the competent decision-making body.

The decision-making process in the strategic subsidiaries of the BRE Bank Group is organised similar to the Bank. Decision-making bodies, also at the owners' level (Bank officers, Supervisory Board Members), make decisions on the granting of credit risk products. The level of decision-making authority is set by the company's Supervisory Board. In some subsidiaries, decisions on the largest exposures impacting the quality of the portfolio require the opinion of a Senior Lender, a Bank officer delegated to monitor the company's portfolio. Like in the Bank, the amount of exposure to the customer or group of associated customers and risks of the customer or the transaction are those parameters which escalate the case to the competent decision-making body.

The Bank strives to mitigate credit risk of the BRE Bank Group through diversification of the loans portfolio. This is based, among others, on analyses of the structure of the risk portfolio including conclusions regarding exposure to selected economic sectors and geographic markets.

Since 2006, the factoring subsidiaries use a single system of customer and transaction risk rating in line with the Basel II requirements and single risk procedures approved by the Bank's Head Office. The other subsidiaries have started to adjust their risk rating solutions to the single risk management concept of the BRE Bank Group. The expected deadline of implementation of the new solutions is the turn of 2007/2008.

BBH's lending principles are defined in the "Policy of Risk Management of the Portfolio of Mortgage-backed Credit Exposures and Local Government Exposures – General Rules" which entered into force in December 2006. The document incorporates Recommendation S of the Banking Supervision Commission and defines:
- general rules of financing investment projects and residential property developers;
- refinancing and financing of commercial real estate;
- financing of residential property developers;
- financing of purchase of land;
- financing of local governments;
- financing of public and non-public health care institutions;
- fx risk and interest rate risk of the debtor;
- collateral;
- decision-making;
- customer relations.

As a rule, the Bank does not grant housing loans to retail customers. The negative list of financed projects includes, among others, purely industrial projects, gas stations, agro-tourism, individual leisure facilities, housing co-operatives, social housing associations (TBS), projects with a negative environmental impact.

X. Main Risks of the BRE Bank Group's Business

BRE Bank attaches major importance to mitigation and monitoring of the risks in its business. This is dealt with on a current basis by the respective organisational units of the Bank, including the Financial Risk Department, the Corporate Loans Department, the Retail Loans Department, the Credit Administration Department, the Treasury

Department (liquidity monitoring), the Financial Transactions Controlling Bureau. For the same purpose, respective committees have been established, including representatives of the Management Board and top management staff. At the end of June 2007, the particular risk areas were dealt with by the following Credit Committees: Credit Committee of the Management Board, Credit Committee of Retail Banking and Private Banking, the Capital, Assets and Liabilities Management Committee of the BRE Bank Group, as well as the BRE Bank Risk Committee. There is also a Risk Committee at the Supervisory Board level.

Detailed descriptions of the risks in the business of the BRE Bank Group as well as their measurement are contained in Section 3 "Financial Risk Management" of the Consolidated Financial Statements for H1 2007 under the International Financial Reporting Standards. These include the following risks: credit risk, market risk, fx risk, interest rate risk, and liquidity risk. Operating risk is also monitored.

X.1. Credit Risk

One of the methods of credit risk mitigation consists of a system of credit related decision-making by the competent decision-making bodies. The criterion qualifying any given case to be considered by the appropriate decision-making body is the amount of exposure and the level of risk assigned to the customer and to the realised transaction. In addition, BRE Bank controls credit risk through diversification of the loan portfolio. This is supported, among others, by the analysis of the structure of the Bank's portfolio and the resulting conclusions, guidelines and recommendations concerning the Bank's exposure to selected sectors and markets.

The Bank applies credit portfolio risk measurement methods based on estimation of Expected Loss and Credit Value at Risk based on the CreditRisk+ model widely used in banking both in Poland and abroad. Daily monitoring of credit risk involves the verification of internal ratings and events of default as defined by the Basel II Accord and the IFRS.

In managing the credit risk of the retail business, the Bank focuses on the centralisation and automation of credit processes and intensive use of all available customer information. The Bank's policy for this customer segment is based on statistical rating methods developed in co-operation with Commerzbank and recognised international advisors. In the case of top customers, the Bank develops its loans portfolio through cross-selling, thus improving its quality. The Bank's credit policy towards other customers is appropriately conservative.
In 2007, the Bank plans to continue developing IT tools of retail customer credit risk rating, including among others a centralised customer information management system.

In connection with the launch of retail operations in the Czech Republic and Slovakia in 2007s, it is a goal to retain a centralised credit risk management system, organisationally independent of the business activities.

BRE Bank also monitors the credit risk of the Group subsidiaries which generate credit risk. The monitoring involves two areas: direct personal supervision, and procedures and reports. Direct personal supervision of risk consists in representation of the risk services on the supervisory boards of the relevant subsidiaries.

The other area of controls relies on safe credit risk procedures and on controlling of existing credit risk through a system of reports and analyses. Credit risk procedures applied by the subsidiaries of the Group are based on the Bank's solutions and always consulted with the Head Office of the Bank.

X.2. Liquidity Risk

The purpose of liquidity risk management is to assure and maintain the capacity of the Bank to honour both its current and future liabilities, taking into the account the costs of achieving liquidity. BRE Bank monitors financial liquidity on a daily basis, using cash flow analysis methods. Liquidity risk measurement is based on an in-house model developed on the basis of analysis of the Bank's specificity, deposit base volatility, concentration of financing, and planned developments of particular positions. Daily monitoring covers the following items: the value of cash flow gaps in specific time intervals (mismatch), the level of liquidity reserves of the Bank, and the degree of utilisation of internal liquidity limits. The Bank assesses its liquidity position and the probability of its deterioration based on scenario methodologies, including stress-testing.

The Bank carries out on-going monitoring of the concentration of financing, especially the deposit base and the liquidity reserves. The Bank has put in place contingency procedures in case of a significant deterioration of the liquidity position of the Bank. In H1 2007, the liquidity of the Bank remained at a safe and stable level.

X.3. Market Risk

In its business, the Bank is exposed to market risk, consisting of interest rate risk, fx risk, and risk attached to changing prices of securities held by the Bank, as well as other risks resulting from variations of market parameters. Market risk is quantified by means of measurement of Value at Risk (VaR) and by applying stress tests and scenario analyses. In order to limit the level of exposure to market risk, the Risk Committee sets binding VaR limits and stress test limits (control figures).

In H1 2007, the market risk of the trading portfolio and the banking portfolio measured by VaR remained at a safe moderate level in relation to the market risk limits and control figures. According to the regularly conducted stress tests, the level of market risk remained within a safe range of values below the limit.

For the estimation of the interest rate risk of the banking portfolio, i.e., its vulnerability to interest rate volatility, the Bank applies methods based on the maturity gap analysis of instruments contained in the banking portfolio. One of the aggregate measures used is the Earnings at Risk (EaR) method. The EaR indicator determines the potential loss (decrease of interest income) which might result from adverse changes of interest rates, assuming that the portfolio is held unchanged for a period of one year. The rate of utilisation of internal interest rate risk limits of the banking portfolio is monitored on a daily basis.

In H1 2007, the level of the interest rate risk was moderate for the positions held in PLN and low for positions in US$ and EUR owing to the relatively small gaps in interest rate positions maintained in these currencies.

X.4. Operating Risk

As of July 2003, every organisational unit of the Bank is required to identify and record operating losses in a central database created and supervised by the Financial Risk Department. The main purpose is to develop a sufficiently extensive set of historical data concerning loss events occurring at the Bank in order to be able to identify, analyse, monitor, and control operating events and losses which occur in particular business areas of the Bank. This approach is consistent with the requirements of the New Capital Accord (Basel II).

Depending on the value of losses relating to the respective loss event, the organisational units of the Bank which were involved in the generation of the loss-related event are required to determine actions to be taken in order to prevent the occurrence of similar losses in the future. Such actions comprise, depending on the magnitude of the loss arisen, the definition of control mechanisms intended to prevent the emergence of similar events in the future, development of new operating procedures, and independent process audits conducted at the respective organisational units by the Internal Audit Department. Operating loss data are collected for the Bank as well as the entire Capital Group.

BRE Bank has implemented the process of self-assessment of operating risk, which is carried out regularly in all organisational units of the Bank on an annual basis. The self-assessment process will cover the subsidiaries of the Capital Group in the nearest future.
BRE Bank also collects data and reports with a set of key operating risk factors related to the Bank's business. The set of risk factors is gradually expanded to include other factors used in current monitoring of risks.

BRE Bank carries out a monitoring process of credit risk, operating risk, market risk, liquidity risk, and interest rate risk of the banking portfolio across the BRE Bank Group based on risk measures used by BRE Bank and taking account of differences due to the business profile and scale of operation of the Group subsidiaries.

XI. Financial Rating of BRE Bank and Group Subsidiaries

XI.1 Fitch Ratings

Fitch did not change BRE Bank's ratings in H1 2007. At the end of June 2007, Fitch rating of BRE Bank was as follows:

- long-term rating **A-** (third best grade on a scale of 12);
- short-term rating **F2** (second best grade on a scale of 6);

- individual rating **D** (seventh grade on a scale of 9);
- support rating **1** (top grade on a scale of 5);
- long-term rating outlook for BRE Bank – stable.

After the end of H1 2007, on 5 July 2007, Fitch raised BRE Bank's individual rating from D to C/D (sixth grade on a scale of 9).

BRE Leasing also has a Fitch rating. It remained unchanged in H1 2007 as follows: long-term rating A-, short-term rating F2, support rating 1, outlook stable.

XI.2. Moody's Investors Service

In H1 2007, Moody's twice raised BRE Bank's rating: in February, the financial strength rating was raised from D- to D; in May, the long-term deposit rating was raised from A3 to A2 and the short-term rating of deposits from P2 to P1. As a result, at the end of June 2007, BRE Bank had the following Moody's rating:

- long-term deposit rating **A2** (sixth grade on a scale of 21);
- short term deposit rating **P-1** (top grade on a scale of 4), outlook stable;
- financial strength rating **D** (on a scale from A to E), outlook stable.

After the end of H1 2007, on 10 August 2007, Moody's raised the outlook of the financial strength rating D from stable to positive.

The following BRE Bank subsidiaries also hold Moody's rating:

- BRE Bank Hipoteczny SA: long-term and short-term deposits rating A3 and P-2, financial strength rating D-, rating A2 for mortgage bonds in the local currency and in foreign currencies already issued by the Bank, A2 for the Programme of Mortgage Bonds publicly traded worth PLN 500 million at par. On 25 June 2007, Moody's published a temporary ratting (P) Aa3 for the public mortgage bonds to be issued under the Mortgage Bonds Issue Programme worth PLN 2 billion. The rating of the individual series of the public mortgage bonds will be confirmed on the date of issue of each series;
- BRE Finance France SA: A2 rating of Euro Notes issued by the BRE Finance France;
- Intermarket Bank AG: A2 rating of long-term deposits, P-1 rating of short-term deposits, C rating of financial strength.

In addition to Fitch and Moody's rating, BRE Bank holds **Standard&Poor's BBBpi** credit rating (based on publicly available information), the fourth best grade on a scale of 8. The rating did not change in H1 2007.

XII. Appointment of the Auditor

On 16 March 2007, the Bank's Ordinary General Meeting, acting pursuant to § 11(n) of the Bank's By-laws, appointed PricewaterhouseCoopers Sp. z o.o. ("PwC") as Auditor to audit the financial statements of the Bank and the consolidated financial statements of the BRE Bank SA Group for 2007.

The PwC agreement provides for the audit of the financial statements of the BRE Bank and the BRE Bank Group for the period starting 1 January 2007 and ending 31 December 2007 and the review of the financial statements of the BRE Bank and the BRE Bank Group for the period starting 1 January 2007 and ending 30 June 2007. The agreement was signed by the Bank and the Auditor on 17 July 2006.

PwC (with its seat at 14, Al. Armii Ludowej, 00-638 Warsaw), is Registered Auditor No. 144 authorised to audit financial statements. The Bank has used PwC's audit services in the past years.

PwC audits the financial statements of the Bank's strategic shareholder. According to BRE Bank's commentary to Rule 42 of the "Good Practices in Public Companies," the existing auditor of the Bank's financial statements may be replaced depending on the change of auditor of the financial statements of the Bank's strategic shareholder.

XIII. Changes on the Authorities of BRE Bank

The composition of the Supervisory Board changed in H1 2007. Mr Krzysztof Szwarc, a co-founder of BRE Bank, its long-time President, and Member of the Supervisory Board over the past 8 years (including 6 years in the position of Chairman), resigned from the Supervisory Board as of 28 February 2007.

Otherwise, the composition of the Supervisory Board and the functions of its Members did not change compared to the end of 2006. The composition of the Supervisory Board was as follows:

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

The following are Independent Members of the Supervisory Board: Maciej Leśny, Jan Szomburg, Gromosław Czempiński, Teresa Mokrzysz. The strategic shareholder Commerzbank is represented by: Martin Blessing, Nicholas Teller, Achim Kassow, Michael Schmid.

The Supervisory Board has 3 Committees: the Executive Committee, the Risk Committee, and the Audit Committee. The composition of the Committees at 30 June 2007 was as follows:

Executive Committee	Maciej Leśny – Chairman Martin Blessing – Deputy Chairman Jan Szomburg – Member Nicholas Teller – Member
Risk Committee	Michael Schmid – Chairman Maciej Leśny – Member Nicholas Teller – Member
Audit Committee	Achim Kassow – Chairman Martin Blessing – Member Maciej Leśny – Member Jan Szomburg – Member

At the end of June 2007, the composition of the Management Board of BRE Bank and the distribution of responsibilities did not change compared to the end of 2006 and was as follows:

1. Sławomir Lachowski – President of the Management Board, General Director, acting Managing Director for Retail Banking
2. Jerzy Jóźkowiak – Management Board Member, Managing Director for Finance
3. Bernd Loewen – Management Board Member, Managing Director for Investment Banking
4. Rainer Ottenstein – Management Board Member, Managing Director for Operations and IT
5. Wiesław Thor – Management Board Member, Managing Director for Risk Management
6. Janusz Wojtas – Management Board Member, Managing Director for Corporate Banking.

At its meeting on 28 June 2007, the Supervisory Board appointed a new BRE Bank Management Board Member, Mr Jarosław Mastalerz, as of 1 August 2007. Mr Mastalerz was appointed Managing Director for Retail Banking.

XIV. Statements of the Management Board of the Bank

True and Fair Picture in the Presented Reports

The Management Board of BRE Bank SA declares that according to its best knowledge:

- The semi-annual financial statements and the comparative figures were prepared in compliance with the binding accounting principles and present a true, fair and clear picture of the financial position and the condition of the assets of the BRE Bank Group as well as its financial performance;
- The report of the Management Board concerning the business activities in H1 2007 presents a true picture of the developments, achievements, and situation of the BRE Bank Group, including a description of the main risks and threats.

Appointment of the Auditor

The Auditor authorised to audit the financial statements performing the review of the semi-annual financial statements of the BRE Bank SA Group was appointed in compliance with legal regulations. The audit company and its auditors fulfilled the conditions necessary for an impartial and independent review report in compliance with respective provisions of the Polish law.

Signatures of Members of the Management Board of BRE Bank SA

Date	Name	Position	Signature
10.09.2007	Sławomir Lachowski	President of the Management Board, General Director of the Bank	
10.09.2007	Jerzy Jóźkowiak	Member of the Management Board, Managing Director for Finance	
10.09.2007	Jarosław Mastalerz	Member of the Management Board, Managing Director for Retail Banking	
10.09.2007	Bernd Loewen	Member of the Management Board, Managing Director for Investment Banking	
10.09.2007	Rainer Ottenstein	Member of the Management Board, Managing Director for Operations and IT	
10.09.2007	Wiesław Thor	Member of the Management Board, Managing Director for Risk Management	
10.09.2007	Janusz Wojtas	Member of the Management Board, Managing Director for Corporate Banking	