BRE BANK SA

BRE Bank SA

Concise IFRS Financial Statements for the First Half of 2007

Contents

1. Selected financial data

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

	SELECTED FINANCIAL DATA FOR THE BANK	in'000 PLN (functional currency)		in'000 EUR	
		1st half of 2007 from 2007-01-01 to 2007-06-30	1st half of 2006 from 2006-01-01 to 2006-06-30	1st half of 2007 from 2007-01-01 to 2007-06-30	1st half of 2006 from 2006-01-01 to 2006-06-30
I.	Interest income	818 613	618 708	212 704	158 635
II.	Fee and commission income	272 228	188 430	70 734	48 313
III.	Net trading income	250 613	187 507	65 118	48 076
IV.	Operating profit	509 918	151 621	132 494	38 875
V.	Profit before income tax	509 918	151 621	132 494	38 875
VI.	Net profit	422 224	119 125	109 708	30 543
VII.	Cash flows from operating activities	(1 394 541)	(1 379 401)	(362 350)	(353 674)
VIII.	Cash flows from investing activities	116 433	(272 386)	30 253	(69 839)
IX.	Cash flows from financing activities	25 831	456 397	6 712	117 019
X.	Net decrease in cash and cash equivalents	(1 252 277)	(1 195 390)	(325 385)	(306 495)
XI.	Total assets	42 371 546	33 941 408	11 251 672	8 394 274
XII.	Amounts due to the Central Bank	-	2 146	-	531
XIII.	Amounts due to other banks	5 488 890	4 353 877	1 457 563	1 076 786
XIV.	Amounts due to customers	30 390 913	24 039 672	8 070 241	5 945 410
XV.	Equity	2 865 667	2 106 236	760 972	520 907
XVI.	Share capital	118 256	117 500	31 403	29 060
XVII.	Number of shares	29 564 034	29 374 947	29 564 034	29 374 947
XVIII.	Book value per share (in PLN/EUR per share)	96.93	71.70	25.74	17.73
XIX.	Diluted book value per share (in PLN/EUR per share)	96.52	71.24	25.63	17.62
XX.	Capital adequacy ratio	10.95	11.62	10.95	11.62
XXI.	Earnings per 1 ordinary share (in PLN/EUR per share) (for 6 months)	14.30	4.08	3.71	1.05
XXII.	Diluted earnings per 1 ordinary share (in PLN/EUR per share) (for 6 months)	14.23	4.05	3.70	1.04
XXIII.	Declared or paid dividend per share (in PLN/EUR per share)	-	-	-	-

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

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

Concise IFRS Financial Statements for the First Half of 2007 PLN (000's)

2. Concise financial data

Income Statement

	the period from 01.01.2007 to 30.06.2007	the period from 01.01.2006 to 30.06.2006
Interest income	818 613	618 708
Interest expense	(461 937)	(375 788)
Net interest income	**356 676**	**242 920**
Fee and commission income	272 228	188 430
Fee and commission expense	(78 981)	(65 859)
Net fee and commission income	**193 247**	**122 571**
Dividend income	37 558	23 329
Net trading income	250 613	187 507
Foreign exchange result	*206 456*	*170 219*
Other trading income	*44 157*	*17 288*
Gains less losses from investment securities	135 787	9 387
Other operating income	18 549	19 103
Impairment losses on loans and advances	163	(22 567)
Overhead costs	(402 947)	(331 046)
Amortization and depreciation	(70 539)	(66 686)
Other operating expenses	(9 189)	(32 897)
Operating profit	**509 918**	**151 621**
Profit before income tax	**509 918**	**151 621**
Income tax expense	(87 694)	(32 496)
Net profit	**422 224**	**119 125**
Net profit	**422 224**	**119 125**
Weighted average number of ordinary shares	**29 535 896**	**29 220 150**
Earnings per 1 ordinary share (in PLN per share)	**14.30**	**4.08**
Weighted average number of ordinary shares for diluted earnings	**29 661 994**	**29 412 575**
Diluted earnings per 1 ordinary share (in PLN per share)	**14.23**	**4.05**

Concise IFRS Financial Statements for the First Half of 2007 PLN (000's)

Balance Sheet

	30.06.2007	31.12.2006	30.06.2006
ASSETS			
Cash and balances with Central Bank	2 555 019	3 710 737	1 131 324
Debt securities eligible for rediscounting at the Central Bank	34 005	26 725	25 161
Loans and advances to banks	2 424 084	3 003 226	3 800 103
Trading securities	4 008 700	3 519 954	3 370 081
Derivative financial instruments	1 611 247	1 411 030	1 785 319
Loans and advances to customers	22 752 668	17 689 756	16 697 206
Investment securities	3 877 987	2 957 221	2 776 200
- Available for sale	3 877 987	2 957 221	2 776 200
Non-current assets held for sale	335 819	361 855	310 510
Pledged assets	3 318 439	2 701 491	2 469 714
Investments in subsidiaries	451 870	433 343	511 916
Intangible assets	348 477	356 136	363 646
Tangible fixed assets	463 096	470 926	468 722
Deferred income tax assets	-	9 720	45 734
Other assets	190 135	210 110	185 772
Total assets	**42 371 546**	**36 862 230**	**33 941 408**
EQUITY AND LIABILITIES			
Amounts due to the Central Bank	-	-	2 146
Amounts due to other banks	5 488 890	5 186 286	4 353 877
Derivative financial instruments and other trading liabilities	1 569 675	1 267 825	1 554 254
Amounts due to customers	30 390 913	25 934 634	24 039 672
Debt securities in issue	36 490	36 215	62 145
Subordinated liabilities	1 473 771	1 547 354	1 429 441
Other liabilities	380 765	457 926	315 734
Current income tax liabilities	76 529	11 543	10
Deferred income tax liabilities	25 442	-	-
Provisions	63 404	67 374	77 893
Total liabilities	**39 505 879**	**34 509 157**	**31 835 172**
Equity			
Share capital	**1 503 744**	**1 496 946**	**1 477 157**
- Registered share capital	118 256	118 064	117 500
- Share premium	1 385 488	1 378 882	1 359 657
Revaluation reserve	**89 065**	**3 959**	**(21 828)**
Retained earnings:	**1 272 858**	**852 168**	**650 907**
- Profit for the previous years	850 634	527 974	531 782
- Net profit for the current year	422 224	324 194	119 125
Total equity	**2 865 667**	**2 353 073**	**2 106 236**
Total equity and liabilities	**42 371 546**	**36 862 230**	**33 941 408**
Capital adequacy ratio	**10.95**	**11.07**	**11.62**
Book value	**2 865 667**	**2 353 073**	**2 106 236**
Number of shares	**29 564 034**	**29 516 035**	**29 374 947**
Book value per share (in PLN)	**96.93**	**79.72**	**71.70**
Diluted number of shares	**29 690 132**	**29 690 132**	**29 567 372**
Diluted book value per share (in PLN)	**96.52**	**79.25**	**71.24**

Concise IFRS Financial Statements for the First Half of 2007 PLN (000's)

Statements of changes in equity

Changes in equity from 1 January 2007 to 30 June 2007	Share capital		Other reserves	Retained earnings					Total equity
	Registered share capital	Share premium		Supplementary capital	Other reserve capital	General risk fund	Profit from the previous years	Profit for the current year	
Equity as at 1 January 2007	**118 064**	**1 378 882**	**3 959**	**12 388**	**7 275**	**558 000**	**274 505**	**-**	**2 353 073**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-
- adjustment of errors	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2007	**118 064**	**1 378 882**	**3 959**	**12 388**	**7 275**	**558 000**	**274 505**	**-**	**2 353 073**
Net change in investments available for sale, net of tax	-	-	86 635	-	-	-	-	-	86 635
Currency translation differences	-	-	(1 529)	-	-	-	-	-	(1 529)
Net profit not recognised in income statement	**-**	**-**	**85 106**	**-**	**-**	**-**	**-**	**-**	**85 106**
Net profit	-	-	-	-	-	-	-	422 224	**422 224**
Total profit recognised in current year	**-**	**-**	**85 106**	**-**	**-**	**-**	**-**	**422 224**	**507 330**
Transfer to supplementary capital	-	-	-	274 505	-	-	(274 505)	-	-
Issue of shares	192	4 424	-	-	-	-	-	-	4 616
Stock option program for employees	**-**	**2 182**	**-**	**-**	**(1 534)**	**-**	**-**	**-**	**648**
- value of services provided by the employees	-	-	-	-	648	-	-	-	648
- settlement of exercised options	-	2 182	-	-	(2 182)	-	-	-	-
Equity as at 30 June 2007	**118 256**	**1 385 488**	**89 065**	**286 893**	**5 741**	**558 000**	**-**	**422 224**	**2 865 667**

Changes in equity from 1 January 2006 to 31 December 2006	Share capital		Other reserves	Retained earnings					Total equity
	Registered share capital	Share premium		Supplementary capital	Other reserve capital	General risk fund	Profit from the previous years	Profit for the current year	
Equity as at 1 January 2006	**115 936**	**1 307 907**	**(2 637)**	**12 388**	**12 967**	**558 000**	**(49 690)**	**-**	**1 954 871**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-
- adjustment of errors	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2006	**115 936**	**1 307 907**	**(2 637)**	**12 388**	**12 967**	**558 000**	**(49 690)**	**-**	**1 954 871**
Net change in investments available for sale, net of tax	**-**	**-**	**6 158**	**-**	**-**	**-**	**-**	**-**	6 158
Currency translation differences	**-**	**-**	**438**	**-**	**-**	**-**	**-**	**-**	438
Net profit not recognised in income statement	**-**	**-**	**6 596**	**-**	**-**	**-**	**-**	**-**	**6 596**
Net profit	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**324 194**	**324 194**
Total profit recognised in current year	**-**	**-**	**6 596**	**-**	**-**	**-**	**-**	**324 194**	**330 790**
Issue of shares	2 128	63 231	-	-	-	-	-	-	65 359
Other changes	-	(160)	-	-	-	-	1	-	(159)
Stock option program for employees	**-**	**7 904**	**-**	**-**	**(5 692)**	**-**	**-**	**-**	**2 212**
- value of services provided by the employees	-	-	-	-	2 212	-	-	-	2 212
- settlement of exercised options	-	7 904	-	-	(7 904)	-	-	-	-
Equity as at 31 December 2006	**118 064**	**1 378 882**	**3 959**	**12 388**	**7 275**	**558 000**	**(49 689)**	**324 194**	**2 353 073**

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Changes in equity from 1 January 2006 to 30 June 2006	Share capital		Other reserves	Retained earnings					Total equity
	Registered share capital	Share premium		Supplementary capital	Other reserve capital	General risk fund	Profit from the previous years	Profit for the current year	
Equity as at 1 January 2006	**115 936**	**1 307 907**	**(2 637)**	**12 388**	**12 967**	**558 000**	**(49 690)**	**-**	**1 954 871**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-
- adjustment of errors	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2006	**115 936**	**1 307 907**	**(2 637)**	**12 388**	**12 967**	**558 000**	**(49 690)**	**-**	**1 954 871**
Net change in investments available for sale, net of tax	-	-	(21 538)	-	-	-	-	-	(21 538)
Currency translation differences	-	-	2 347	-	-	-	-	-	2 347
Net loss not recognised in income statement	**-**	**-**	**(19 191)**	**-**	**-**	**-**	**-**	**-**	**(19 191)**
Net profit	-	-	-	-	-	-	-	119 125	**119 125**
Total profit/(loss) recognised in the current year	**-**	**-**	**(19 191)**	**-**	**-**	**-**	**-**	**119 125**	**99 934**
Issue of shares	1 564	48 920	-	-	-	-	-	-	50 484
Other changes	-	(160)	-	-	-	-	1	-	(159)
Stock option program for employees	**-**	**2 990**	**-**	**-**	**(1 884)**	**-**	**-**	**-**	**1 106**
- value of services provided by the employees	-	-	-	-	1 106	-	-	-	1 106
- settlement of exercised options	-	2 990	-	-	(2 990)	-	-	-	-
Equity as at 30 June 2006	**117 500**	**1 359 657**	**(21 828)**	**12 388**	**11 083**	**558 000**	**(49 689)**	**119 125**	**2 106 236**

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Cash Flow Statement

	from 01.01.2007 to 30.06.2007	from 01.01.2006 to 30.06.2006
A. Cash flow from operating activities - indirect method	**(1 394 541)**	**(1 379 401)**
Profit before income tax	**509 918**	**151 621**
Adjustments:	***(1 904 459)***	***(1 531 022)***
Income taxes paid (negative amount)	(8 593)	32 977
Amortisation	70 539	66 686
Foreign exchange gains (losses)	(77 838)	85 476
Gains (losses) on investing activities	(92 370)	(5 826)
Impairment of financial assets	-	1 308
Dividends received	(36 200)	(9 022)
Interest paid	528 970	478 381
Net (increase)/decrease in loans and advances to banks	24 301	(344 597)
Net (increase)/decrease in trading securities	(660 723)	1 402 259
Net (increase)/decrease in derivative financial instruments	(200 217)	(520 819)
Net (increase) in loans and advances to customers	(5 062 912)	(3 717 901)
Net (increase) in investment securities	(846 437)	(1 708 241)
Net decrease in other assets	16 169	40 717
Net (decrease) in amounts due to other banks	195 744	1 548 827
Net (decrease) in financial instruments and other trading liabilities	301 850	283 840
Net increase in amounts due to customers	4 023 466	882 573
Net (decrease) in debt securities in issue	275	600
Net (decrease) in provisions	(3 970)	(216)
Net increase in other liabilities	(76 513)	(48 044)
Net cash from operating activities	**(1 394 541)**	**(1 379 401)**
B.Cash flows from investing activities	**116 433**	**(272 386)**
Investing activity inflows	**204 602**	**20 925**
Disposal of shares in associates	-	10 944
Disposal of shares in subsidiaries, net of cash disposed	165 600	173
Proceeds from sale of intangible assets and tangible fixed assets	2 802	247
Other investing inflows	36 200	9 561
Investing activity outflows	**88 169**	**293 311**
Acquisition of associates	-	38
Acquisition of subsidiaries, net of cash acquired	29 053	218 540
Purchase of intangible assets and tangible fixed assets	36 241	38 016
Other investing outflows	22 875	36 717
Net cash used in investing activities	**116 433**	**(272 386)**
C. Cash flows from financing activities	**25 831**	**456 397**
Financing activity inflows	**1 201 966**	**1 544 542**
Proceeds from loans and advances from other banks	228 910	1 494 058
Increase of subordinated liabilities	968 440	-
Issue of ordinary shares	4 616	50 484
Financing activity outflows	**1 176 135**	**1 088 145**
Repayments of loans and advances from other banks	119 068	987 756
Repayments of other loans and advances	9 833	24 910
Redemption of debt securities	-	30 000
Decrease of subordinated liabilities	967 075	-
Other financing outflows	80 159	45 479
Net cash from financing activities	**25 831**	**456 397**
Net increase / decrease in cash and cash equivalents (A+B+C)	**(1 252 277)**	**(1 195 390)**
(Decrease)/increase in cash and cash equivalents in respect of foreign exchange gains and losses	(5 985)	15 001
Cash and cash equivalents at the beginning of the reporting period	8 951 008	8 139 020
Cash and cash equivalents at the end of the reporting period	**7 692 746**	**6 958 631**

3. Description of Relevant Accountig Policies

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

3.1. Accounting Basis

These Financial Statements of BRE Bank have been prepared for the the 6 month period ended 30 June 2007.

The presented H1 2007 Report fulfils the requirements of the IAS34 "Interim Financial Reporting", concerning interim financial statements.

Since 1 January 2007 BRE Bank has applied the provisions of International Financial Reporting Standard 7, Financial Instruments: Disclosures, which has been binding as from that date and the amended provisions of International Accounting Standard 1. Since 1 January 2007 the BRE Bank Group has applied where neccessary the provisions of International Financial Reporting Standard 7 in the preparation of quarterly financial statements which include disclosure requirements of International Accounting Standard 34. All disclosures according to IFRS 7 for the BRE Bank will be prezented in financial statements as at and for the period ended 31 December 2007. All disclosures in accordance with IFRS 7 was presented in the consolidated financial statements for the first half of 2007.

The consolidated financial statements are publicly available together with this concise financial statements. This concise financial statements should be read in conjunction with the consolidated financial statements to obtain a complete understanding of result and financial position of the issuer.

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

3.2. Interest Income and Expenses

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

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

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

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

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

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

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

3.3. Fee and Commission Income

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

Commissions comprise payments collected by the Bank on account of cash management operations, keeping of customer accounts, managing bank transfers and providing letters of credit.

3.4. Financial Assets

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

Financial assets valued at fair value

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

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

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

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

If a contract contains one or more embedded derivatives, the Bank designates the entire hybrid (combined) contract as a financial asset or financial liability at fair value through the Profit and Loss Account unless:
a) the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or
b) it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited, such as a prepayment option embedded in a loan that permits the holder to prepay the loan for approximately its amortised cost.

The Bank also designates the financial assets / liabilities at fair value through profit or loss when doing so results in more relevant information, because either
a) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

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

Interest income/expense on financial assets designated at fair value, except for derivatives the recognition of which is discussed in Note 3.10, is recognized in net interest income. The valuation and result on disposal of financial assets designated at fair value are recognized in net trading income.

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

<u>Loans and Receivables</u>

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

<u>Held to Maturity Investments</u>

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

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

In all periods presented in these financial statements, there were not financial assets held to maturities in the Bank.

<u>Available for Sale Investments</u>

Available for sale investments consist of investments which the Bank intends to hold for an undetermined period of time. They may be sold, e.g., in order to improve liquidity, in reaction to changes of interest rates, foreign exchange rates, or prices of equity instruments.

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

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

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

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

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

Investments in subsidiaries and associaties are presented at cost less any impairment loss.

3.5. Offsetting Financial Instruments

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

3.6. Impairment of Financial Assets

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

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

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

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

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

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

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

Future cash flows concerning groups of financial assets assessed collectively in terms of their possible impairment are estimated on the basis of contractual cash flows and historical loss experience for assets with credit risk characteristics similar to those in the Bank.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

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

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

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

Assets Measured at Fair Value

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

Renegotiated agreements

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

3.7. Financial Guarantee Contracts

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

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

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

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

3.8. Cash and Cash Equivalents

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

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

3.9. Sell-buy-back Contracts

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

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

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

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

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

3.10. Derivative Financial Instruments and Hedge Accounting

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

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

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

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

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

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

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

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

Fair Value Hedges

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

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

Cash Flow Hedges

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

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

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

Derivative Instruments Not Fulfilling the Criteria of Hedge Accounting

Changes of the fair value of derivative instruments that do not meet the criteria of hedge accounting are recognised in the Profit and Loss Account of the current period.

The Bank holds the following derivative instruments in its portfolio:

Market risk instruments:

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

Interest rate risk instruments:

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

Foreign exchange risk instruments:

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

3.11. Gains and losses on initial recognition

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

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

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

3.12. Borrowings

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

3.13. Intangible Assets

Intangible assets are recognised at their cost of acquisition adjusted by the costs of improvement (rearrangement, development, reconstruction, adaptation or modernisation) and accumulated amortisation. Accumulated amortisation is accrued by the straight line method taking into account the expected period of economic useful life of the respective intangible assets.

Computer software

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

Capitalised costs attached to the development of software are amortised over the period of their estimated useful life. Computer software directly connected with the functioning of specific information technology hardware is recognised as "Tangible fixed assets".

Development costs

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

Development costs' useful lives are finite and the amortization period does not exceed 3 years. Amortization rates are adjusted to the period of economic utilization.The Bank shows separately additions from internal development and separately those acquired through business combinations.

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

Intangible assets are tested in terms of possible impairment always after the occurrence of events or change of circumstances indicating that their carrying value in the Balance Sheet might not be possible to be recovered.

3.14. Tangible Fixed Assets

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

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

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

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

- Buildings and constructed structures	25-40 years,
- Technical plant vehicles	5-10 years,
- Transport vehicles	5 years,
- Information technology hardware	3.33-5 years,
- Investments in the third party's (leased) fixed assets	10-40 years or the period of the lease contract,
- Offiice equipment, furniture	5-10 years.

Land and buildings consist mainly of branch outlets and offices. Residual values and estimated useful life periods are verified at each Balance Sheet date and adjusted accordingly as the need arises.

Depreciable fixed assets are tested in terms of possible impairment always after the occurrence of events or change of circumstances indicating that their carrying value in the Balance Sheet might not be possible to be recovered. The value of a fixed asset carried in the Balance Sheet is reduced to the level of its recoverable value if the carrying value in the Balance Sheet exceeds the estimate recoverable amount. The recoverable value is the higher of two amounts: the fair value of the fixed asset reduced by its selling costs and the value in use.

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

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

3.15. Non Current Assets Held for Sale and Discontinued Operation

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

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

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

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

Discontinued operations are a component of the Bank that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operation, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. The classification to this category takes places at the moment of sale or when the operation meets criteria of the operation classified as held for sale, if this moment took place previously. Disposal group which are to be backed out of usage may also be classified as discontinued operation.

3.16. Deferred Tax Assets and Liabilities

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

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

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

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

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

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

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

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

3.17. Assets repossessed for debt

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

At subsequent measurement the initial amount is tested for impairment.

3.18. Prepayments, Accruals and Deferred Income

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

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

3.19. Leasing

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

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

3.20. Provisions

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

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

3.21. Retirement Benefits and Other Employee Benefits

Retirement Benefits

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

Benefits Based on Shares

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

3.22. Equity

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

Registered share capital

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

a) Share Issue Costs

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

b) Dividends

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

c) Own Shares

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

Share premium

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

Revaluation reserve

Revaluation reserve is formed as a result of:

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

Retained earnings

Retained earnings include:

- other supplementary capital,
- other reserved capital,
- general banking risk fund,
- undistributed profit for the previous year,
- net profit (loss) for the current year.

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

3.23. Valuation of Items Denominated in Foreign Currencies

Functional Currency and Presentation Currency

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

Transactions and Balances

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

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

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

3.24. Custody Services Business

BRE Bank SA operates a custody business including domestic and foreign securities and services provided to investment and pension funds. These assets were not presented in this financial statements because they do not belong to the Bank.

3.25. Standards, Interpretations and Amendments to Published Standards

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

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

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

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

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

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

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

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

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

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

Impairment of loans and advances
The Bank reviews its loan portfolio in terms of possible impairments at least once per quarter. In order to determine whether any impairment loss should be recognised in the Profit and Loss Account, the Bank assesses, whether any evidence exists that would indicate some measurable reduction of estimated future cash flows attached to the loan portfolio, before such a decrease will be able to be attributed to a specific loan. The estimates may take into account any observable indications pointing at the occurrence of an unfavourable change in the solvency position of debtors belonging to any particular group or in the economic situation of a given country or part of a country, which is associated with the problems appearing in that group of assets. The Management plans future cash flows based on estimates drawing on historical experience of losses incurred on assets featuring the traits of credit risk exposure and objective impairment symptoms similar to those, which characterise the portfolio. The methodology and the assumptions on the basis of which the estimated cash flow amounts and their anticipated timing will be regularly reviewed in order to reduce the discrepancies between the estimated and the actual magnitude of the impairment losses concerned. If the current value of estimated cash flows for portfolio of loans and advances, individually impaired, changed by +/-10%, estimated loans and advances impairment would either decrease by PLN 8.5 million or increase by PLN 10.3 million relatively. The above indicated estimation was performed for portfolio of loans and advance impaired on the basis of individual analysis of future cash flows due to repayments and recovery from collateral.

Fair value of derivative instruments

The fair value of financial instruments not listed on active markets is determined by applying valuation techniques. All the models are approved prior to being applied and they are also calibrated in order to assure that the obtained results indeed reflect the actual data and comparable market prices. As far as possible, the models applied resort exclusively to observable data, originating from an active market. The matter with impact of changes in market conditions on valuation of trading book of the Bank (containing inter alia derivatives) was presented in Note 3.4. of the consolidated financial statements.

Impairment of equity securities available for sale
Impairment is regarded to occur if over a period of at least three months the listed price of the given security continues to be lower than the cost of its acquisition or the issuer incurs loss not covered by its equity within the period of one year, as well as the occurrence of other facts and circumstances providing indications of the impairment of value. In addition, objective evidence of impairment for an investment in an equity instrument includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment.

The matter with valuation of shares of PZU SA was presented in Note 3.8 of the consolidated financial statements.

Impairment of debt instruments available for sale

Impairment and increase in value of debt securities available for sale is determined at the date of valuation, i.e. the Balance Sheet date, separately for each category of debt security. Impairment is recognised, if over a period of at least three months the listed price of the given security persists at a level lower than its cost of acquisition and results from higher credit risk, if the issuer incurs a loss not covered by his equity capital over a period of one year or in the event of other circumstances indicating impairment. If in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement. Had all the declines in fair values of financial available for debt instruments below acquisition cost been considered significant or prolonged, the estimated impairment of available for sale debt instruments portfolio would amount to PLN 0.4 million, being the transfer that should be recognized in the income statement of the Bank in correspondence with revaluation reserve. For the purpose of the analysis, the declines in particular securities ratings that decreased by four rating classes within the period longer than 3 months were assumed to be significant and prolonged declines in fair values of financial available for sale debt securities.

<u>Deferred tax</u>
The Bank analysed the requirements of IAS 12 „Income Taxes" and based on the paragraph 44 did not recognize deferred tax asset in relation to provision for impairment of shares of PTE in the accounting ledgers of the Bank. If the deferred tax was recognized, the Bank would found the asset in the amount of PLN 76.9 thousand.

5. Selected explanatory information

5.1. Compliance with International Financial Reporting Standards (IFRS)

The presented H1 2007 Report fulfils the requirements of the International Accounting Standard (IAS) 34 concerning interim financial reporting.

5.2. Consistency of accounting principles and calculation methods applied to the drafting of the half-year report and the last annual financial report

A detailed description of the accounting policy principles of the Bank are presented under items 3 of the concise Financial Statements for the first half of 2007. The accounting policies were applied consistently over all of the presented periods.

5.3. Seasonal or cyclical nature of the business

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

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

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

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

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

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

  The Bank considered investment in shares of SAMH as a long-term investment.

  Total impact of the transaction on profit before tax of BRE Bank in 2007 amounted to PLN 96 118 thousand.

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

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

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

- On 4 June 2007 Bank entered into loan agreement with Bayerische Landesbank. Bank got a loan amounting to CHF 100 000 000 (PLN 229 710 000 at average rate of exchange announced by National Bank of Poland as at 4 th June 2007) for the purposes of fulfilling general financial needs of Bank. The loan is granted for 2 years and one day, interest rate 0.15 % p.a. plus LIBOR.

- On 29 June 2007 BRE Bank SA (Bank) entered into loan agreement with Commerzbank AG. Bank got a loan amounting to CHF 500 000 000 (PLN 1 136 500 000 at average rate of exchange announced by National Bank of Poland as at 29 th June 2007) for the purposes of fulfilling general financial needs of Bank. The loan is granted for 3 years, interest rate 0.155 % p.a. plus LIBOR.

- On June 29, 2007, BRE Bank, which holds 100% of shares in Powszechne Towarzystwo Emerytalne Skarbiec-Emerytura S.A. ("PTE Skarbiec-Emerytura"), entered into "Agreement to Merge PTE Ergo Hestia and PTE Skarbiec-Emerytura" and the "Option Agreement" with Aegon Woningen Nova B.V., which holds 100% of shares in Powszechne Towarzystwo Emerytalne Ergo Hestia S.A. ("PTE Ergo Hestia"). The merger will be performed pursuant to Article 492, § 1, Item 1 of the Commercial Companies' Code, by way of PTE Ergo Hestia's taking over of the assets of PTE Skarbiec-Emerytura.

  After the merger, BRE Bank SA's share in the share capital and votes at the General Meeting of PTE Ergo Hestia will amount to 49.7%.The companies' merger will be effected on condition of obtaining a consent from the Commission for Financial Supervision (Komisja Nadzoru Finansowego - ("KNF") and the Competition and Consumers Protection Office (Urząd Ochrony Konkurencji i Konsumentów - ("UOKiK")).

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

  The sale of shares as a consequence of acceptance of the offer and payment for the shares may take place once the consent from KNF is obtained.

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

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

- At the end of the first half of 2007, in relation to negotiations on sale of shares of Vectra SA, Bank revaluated held shares from the acquisition price (PLN 124 963 thousand) to the fair value (PLN 278 000 thousand). The revaluation effect amounted to PLN 153 037 thousand was recognised in correspondence with revaluation reserve. Simultaneously, in relation to the revaluation, Bank founded deferred tax provision amounted to PLN 29 077 thousand, in correspondence with revaluation reserve. As a result, the amount of revaluation reserve rose by the net amount of PLN 123 96 thousand. The revaluation had no impact on profit/(loss) for the current period.

5.5. The nature and the amounts of changes in estimate values of items, which were presented in previous interim periods of the current reporting year, or changes of accounting estimates indicated in prior reporting years, if they bear a substantial impact upon the current interim period

In the first half of 2007 there were no significant changes in estimate values of items presented in the previous financial periods.

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

In the first half of 2007 BRE Bank issued subordinated bonds amounting to CHF 400 000 thousand (PLN 968 440 thousand, according to the average NBP rate of exchange of 8 March 2007). In the same time the Bank repurchased subordinated bonds in amount of EUR 250 000 thousand (PLN 967 075 thousand, according to the average NBP rate of exchange of 26 March 2007). The Bank concluded both transactions with Commerzbank AG.

5.7. Dividends paid (or declared), broken down by ordinary shares and other shares

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

5.8. Income and profit by business segment

Income and profit by business segment within the Bank are presented in item 5 of the Notes to the Consolidated Financial Statements prepared for the first half of 2007 on consolidated level.

5.9. Significant events after the end of the first half of 2007, which were not reflected in the financial statement

The were no events after the Balance Sheet date that would affect the financial statements of the Bank.

5.10. The effect of changes in the structure of the entity in the first half of 2007, including business combinations, acquisitions or disposal of subsidiaries, and long-term investments, restructuring, and discontinuation of business activities

Excluding the changes described in point 5.4 of Selected financial data, concerning the sale of shares of SAMH in the first half of 2007, the above events did not occur in material range from the Bank's point of view.

5.11. Changes in Contingent Liabilities and Commitments

In the first half of 2007 there were no changes in contingent liabilities and commitments of a credit nature, i.e., guarantees, letters of credit or unutilised loan amounts, other than resulting from current operating activities of the Bank. There was no single case of granting of guarantees or any other contingent liability of any material value for the Bank.

5.12. Write-offs of the value of inventories down to net realisable value and reversals of such write-offs

The above indicated events did not occur in the Bank.

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

In the first half of 2007 no significant impairment losses were recorded in relation to any tangible fixed assets, intangible assets, and other assets, nor were any reversals on such account recorded within the Bank.

5.14. Reversals of provisions against restructuring costs

The above indicated events did not occur in the Bank.

5.15. Acquisitions and disposals of tangible fixed asset items

In the first half of 2007 there were no material transactions of acquisition or disposal of any tangible fixed assets, except of tipical operations of Group entities performing leasing and real estate development activities.

5.16. Liabilities assumed on account of acquisition of tangible fixed assets

The above indicated events did not occur in the Bank.

5.17. Corrections of errors from previous reporting periods

In the first half of 2007 there were no corrections of errors from previous reporting periods.

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

The above indicated events did not occur in the Bank.

5.19. Position of the Management on the probability of performance of previously published profit/loss forecasts for the year in the light of the results presented in the half-year report compared to the forecast

BRE Bank did not publish a performance forecast for 2007. The description of the business strategy and goals of the Bank published in current report no. 25/2007 is not a performance forecast in the sense of article 5 item 1 point 25 of the Regulation on current and periodic reports published by issuers of securities (Journal of Laws from 2005, No. 209, item 1744).

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5.20. Registered share capital

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

Issue of 47 999 shares in the first half of 2007 resulted from realization of the options program.

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

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

5.21. Material share packages

There was a change in the holding of material share packages of BRE Bank SA in the first half of 2007.

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

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

5.22. Earnings per share (stand alone data)

Earnings per share for 6 months

the period	from 01.01.2007 to 30.06.2007	from 01.01.2006 to 30.06.2006
Basic:		
Net profit	422 224	119 125
Weighted average number of ordinary shares	29 535 896	29 220 150
Net basic profit per share (in PLN per share)	**14.30**	**4.08**
Diluted:		
Net profit applied for calculation of diluted earnings per share	422 224	119 125
Weighted average number of ordinary shares	29 535 896	29 220 150
Adjustments for:		
- stock options for employees (in thousand PLN)	126 098	192 425
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 661 994	29 412 575
Diluted earnings per share (in PLN per share)	**14.23**	**4.05**

5.23. Proceedings before a court, arbitration body, or public administration authority

As at 30 June 2007, BRE Bank was not involved in any proceedings before a court, arbitration body, or public administration authority concerning liabilities of the Bank or its subsidiaries which value would be equal to or greater than 10% of the Bank's equity. The total value of claims concerning liabilities of the Bank in all proceedings before a court, an arbitration body or a public administration authority underway at 30 June 2007 was PLN 401 628 thousand, equal to 14.02 % of the issuer's equity.

Report on major proceedings concerning contingent liabilities of the Bank or its subsidiaries

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

   Claim was filed on 30 August 1994. On 26 July 2004 the Court of the first instance adopted a decision in favour of the Bank. Pursuant to the decision, the original claims for PLN 99.1 million plus statutory interest accrued since 1991 were dismissed by the Court as in the course of the proceedings the claimant withdrew the claims and presented a new calculation of losses and a new factual basis of the claims. The claims for PLN 17.4 million raised in the course of the proceedings were dismissed due to limitation and lack of sufficient evidence. On 4 July 2005, the Appeal Court in Warsaw dismissed the entire appeal of the claimant. The amount of claim in the proceedings of the second instance was PLN 17.4 mln. The claimant filed the last resort appeal for the ruling of the Court of Appeal. The Highest Court on the May 17, 2006 issued the verdict, according to which the claims of ART-B in the amount of PLN 3 697 thousand was sent back for further recognition to the Court of Appeal and the claims above that amount were dismissed. On Nevember 8, 2006, the Court of Appeal dismissed the claim in part, which was send back for further recognition by the Supreme Court. The claimant filed the last resort appeal for the ruling of the Supreme Court on 17 February 2007. On 18 May 2007 The Highest Court dismissed the ruling from 8 November 2006 of the Court of Appeal and referred the case back to the Court of Appeal in Warsaw.

   Proceedings for the claims were also opened against BRE Bank SA in the Court of Jerusalem, Israel, and the value of the dispute is USD 43.4 million (PLN 121.5 million according to the average exchange rate of the National Bank of Poland on 30 June 2007). In these proceedings, BRE Bank SA assists the main defendant, Bank Leumi Le Israel. BRE Bank SA's liability is under recourse, and depends on whether the court grants ART-B's claims against Bank Leumi. Only then will the court consider Bank Leumi's claims against BRE Bank SA. The Israeli proceedings are still at the pre-trial stage (prior to the first hearing). Bank Leumi and ART-B have come to an agreement concerning arbitration. For reasons of procedure, BRE Bank SA has joined the process, which does not imply its acceptance of the claims or readiness to make a settlement. The probability of dismissal of the claims against BRE Bank SA by the court in Israel has increased considerably in connection with the decision of the Polish court in favour of BRE Bank SA.

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

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

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

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

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

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

   According to the Bank and its legal counsel, the sentence of the Appeal Court does not have any influence on the current risk estimation. Taking into account the amount adjudged to plaintiffs by the Appeal Court, the legal risk posed by the case is estimated at not more than PLN 1.5 million.

Legal proceedings the Bank considers as contingent commitments.

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

Taxes

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

The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Bank's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

The last tax audit was carried out in 2002.

5.24. Off-balance Sheet Liabilities

Off-balance sheet liabilities as at 30 June 2007, 31 December 2006 and 30 June 2006

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30.06.2007	**up to 1 year**	**1 - 5 years**	**over 5 years**	**Total**
Contingent liabilities granted and received	**12 831 009**	**2 979 941**	**512 944**	**16 323 894**
Commitments granted	**12 151 152**	**1 812 513**	**491 336**	**14 455 001**
1. Financing	**8 942 277**	**895 398**	**433 793**	**10 271 468**
a) Lending commitments	8 915 515	812 396	301 245	10 029 156
b) Operating lease commitments	26 762	83 002	132 548	242 312
2. Guarantees and other financial facilities	**3 113 046**	**917 115**	**57 543**	**4 087 704**
a) Banker's acceptances	14 424	-	-	14 424
b) Guarantees and standby letters of credit	2 914 647	917 115	57 543	3 889 305
c) Documentary and commercial letters of credit	183 975	-	-	183 975
3. Other commitments	**95 829**	**-**	**-**	**95 829**
Commitments received	**679 857**	**1 167 428**	**21 608**	**1 868 893**
a) Financing	217 723	1 136 500	-	1 354 223
b) Guarantees	462 134	30 928	21 608	514 670
Liabilities related to purchase / sale transactions	**468 847 999**	**166 007 340**	**8 103 072**	**642 958 411**
Total off-balance sheet items	**481 679 008**	**168 987 281**	**8 616 016**	**659 282 305**

31.12.2006	**up to 1 year**	**1 - 5 years**	**over 5 years**	**Total**
Contingent liabilities granted and received	**11 770 227**	**2 623 500**	**556 966**	**14 950 693**
Commitments granted	**11 067 116**	**2 539 823**	**527 242**	**14 134 181**
1. Financing	**8 532 477**	**817 528**	**433 943**	**9 783 948**
a) Lending commitments	8 507 605	730 993	289 461	9 528 059
b) Operating lease commitments	24 872	86 535	144 482	255 889
2. Guarantees and other financial facilities	**2 350 839**	**1 722 295**	**93 299**	**4 166 433**
a) Banker's acceptances	26 939	-	-	26 939
b) Guarantees and standby letters of credit	2 060 773	1 722 295	93 299	3 876 367
c) Documentary and commercial letters of credit	263 127	-	-	263 127
3. Other commitments	**183 800**	**-**	**-**	**183 800**
Commitments received	**703 111**	**83 677**	**29 724**	**816 512**
a) Financing	-	651	-	651
b) Guarantees	703 111	83 026	29 724	815 861
Liabilities related to purchase / sale transactions	**395 625 776**	**140 085 814**	**6 836 100**	**542 547 690**
Total off-balance sheet items	**407 396 003**	**142 709 314**	**7 393 066**	**557 498 383**

30.06.2006	**up to 1 year**	**1 - 5 years**	**over 5 years**	**Total**
Contingent liabilities granted and received	**10 046 896**	**3 166 238**	**516 880**	**13 730 014**
Commitments granted	**9 263 473**	**3 064 316**	**446 287**	**12 774 076**
1. Financing	**7 290 668**	**513 509**	**374 561**	**8 178 738**
a) Lending commitments	7 264 782	422 913	211 911	7 899 606
b) Operating lease commitments	25 886	90 596	162 650	279 132
2. Guarantees and other financial facilities	**1 964 305**	**2 550 807**	**71 726**	**4 586 838**
a) Banker's acceptances	38 078	-	-	38 078
b) Guarantees and standby letters of credit	1 761 067	2 550 807	71 726	4 383 600
c) Documentary and commercial letters of credit	165 160	-	-	165 160
3. Other commitments	**8 500**	**-**	**-**	**8 500**
Commitments received	**783 423**	**101 922**	**70 593**	**955 938**
a) Financing	184 888	687	10 556	196 131
b) Guarantees	598 535	101 235	60 037	759 807
Liabilities related to purchase / sale transactions	**369 433 613**	**130 811 518**	**6 383 521**	**506 628 652**
Total off-balance sheet items	**379 480 509**	**133 977 756**	**6 900 401**	**520 358 666**

5.25. Transactions with Related Entities

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

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

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

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

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

- On 29 June 2007 BRE Bank SA (Bank) entered into a loan agreement with Commerzbank AG.The Bank got a loan in the amount of TCHF 500 000 (PLN 1 136 500 000 at average rate of exchange published by National Bank of Poland as at 29 June 2007) for the purposes of fulfilling general financial needs of Bank. The loan is granted for 3 years, interest rate 0.155 % p.a. plus LIBOR.

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

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

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

No.	Company's name	Balance sheet		Profit and loss account				Off balance sheet		
		Receivables	Liabilities	Interest income	Interest cost	Commission income	Commission cost	Commitments granted	Commitments received	Purchase/Sale commitments
	Subsidiaries									
1	BRE Corporate Finance SA	0	3 113	0	0	0	0	1 000	0	0
2	Dom Inwestycyjny BRE Bank SA	467	680 075	0	(10 493)	8 206	(3 575)	70 000	0	0
3	BRE Bank Hipoteczny SA	286 508	19 021	3 095	0	0	0	17 379	0	1 964 877
4	PTE Skarbiec Emerytura SA	0	6 830	0	0	0	0	0	0	0
5	BRE Wealth Management SA (dawniej Skarbiec Investment Management SA)	0	3 442	0	0	0	0	0	0	0
6	BRE Leasing Sp. z o.o.	209 785	18 901	5 021	0	0	0	24 999	0	0
7	Polfactor S.A.	319 083	0	6 229	0	0	0	74 708	0	0
8	Intermarket Bank AG	105 442	0	2 082	0	0	0	0	0	0
9	Centrum Rozliczeń i Informacji CERI Sp. z o.o.	0	7 868	0	0	0	0	0	0	0
10	BRE Finance France SA	0	1 626 805	0	(34 563)	0	0	1 628 349	0	0
11	BRE.locum Sp. z o.o.	41 794	6 626	0	0	0	0	29 500	0	0
12	Tele-Tech Investment Sp. z o.o.	46 775	0	2 105	0	0	0	0	0	0
13	emFinanse Sp. z o.o.	5 824	0	0	0	0	(2 934)	1 376	0	0
14	ServicePoint Sp. z o.o.	500	747	0	(8)	2	0	0	0	0
15	FAMCO SA	0	0	0	(69)	2	0	0	0	0
16	BRELINVEST Sp. z o.o. Fly 2 Sp. komandytowa	0	7	0	(3)	0	0	0	0	0
17	BREL-MAR Sp. z o.o.	0	1	0	0	0	0	0	0	0
18	AMBRESA Sp. z o.o.	0	837	0	0	0	0	0	0	0
19	BRE Ubezpieczenia Sp. z o.o.	0	2 649	0	(42)	0	0	0	0	0
20	BRE Ubezpieczenia TU SA	1 500	2 679	1	(81)	2	0	0	0	0
	Associated									
1	Xtrade SA	0	3	0	0	3	0	0	0	0
	Commerzbank AG Group (Ultimate Parent Group)	91 030	6 686 506	12 478	(88 933)	0	0	151 935	1 531 802	0

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

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

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

No.	Company's name	Balance sheet		Profit and loss account				Off balance sheet		
		Receivables	Liabilities	Interest income	Interest cost	Commission income	Commission cost	Commitments granted	Commitments received	Purchase / Sale commitments
	Subsidiaries									
1	BRE Corporate Finance SA	0	274	0	(13)	20	0	2 635	0	0
2	Dom Inwestycyjny BRE Bank SA	29 335	293 893	292	(4 345)	5 099	(1 563)	50 535	0	0
3	BRE Bank Hipoteczny SA	267 706	23 542	1 442	(363)	0	0	83 285	0	1 067 370
4	PTE Skarbiec Emerytura SA	0	25 284	0	(84)	4	0	0	0	0
5	Skarbiec Asset Management Holding SA	969	38 723	71	(267)	4 226	(40)	60 679	0	0
6	BRE Leasing Sp. z o.o.	286 695	20 321	4 416	(275)	0	0	4 128	0	0
7	Polfactor S.A.	216 803	1 316	4 023	0	213	0	179 809	0	0
8	Intermarket Bank AG	113 704	0	1 229	0	0	0	0	0	0
9	Centrum Rozliczeń i Informacji CERI Sp. z o.o.	222	8 088	0	(128)	0	0	0	0	0
10	BRE Finance France SA	400	2 555 022	0	(36 930)	0	0	2 558 930	0	0
11	Garbary Sp. z o.o.	0	108	0	(12)	3	0	0	0	0
12	BRE.locum Sp. z o.o.	30 110	6 088	1 149	(85)	271	0	50 000	0	0
13	Tele-Tech Investment Sp. z o.o.	48 465	567	2 433	(2)	0	0	5	0	0
14	emFinanse Sp. z o.o.	1 404	39	5	(2)	26	0	1 597	0	0
15	ServicePoint Sp. z o.o.	0	78	0	(1)	1	0	0	0	0
16	FAMCO SA	0	3 884	0	(68)	2	0	0	0	0
17	BRELINVEST Sp. z o.o. Fly 2 Sp. komandytowa	0	7	0	(3)	0	0	0	0	0
18	BRELIM Sp. z o.o.	0	27	49	0	1	0	0	0	0
19	BREL-MAR Sp. z o.o.	0	4	0	0	0	0	0	0	0
20	AMBRESA Sp. z o.o.	0	526	0	(1)	3	0	0	0	0
21	BRE Ubezpieczenia Sp. z o.o.	0	4 001	0	(1)	0	0	0	0	0
	Associated									
1	Xtrade SA	4	111	2	(1)	3	0	0	0	0
	Commerzbank AG Group (Ultimate Parent Group)	160 523	3 827 950	5 635	(47 549)	0	0	3 198 131	0	0

5.26. Credit and loan guarantees, other guarantees granted in excess of 10% of the equity

The Bank's exposure under extended guarantees in excess of 10% of the equity as at 30 June 2007 relates to:
- three guarantees of the redemption of euronotes issued by order of BRE Finance France SA (issuer of euronotes), a 100%-owned subsidiary of BRE Bank SA. In October 2004 took effect the first guarantee of EUR 225 million with expire date in October 2007. The second guarantee of USD 10 million took effect in December 2004 and expires in 2009. The third guarantee of EUR 200 million took effect in June 2005 and expires in 2008.

5.27. Other information which the issuer deems necessary to assess its human resources, assets, financial position, financial performance, and their changes, as well as information relevant to an assessment of the issuer's capacity to meet its liabilities

The Management Board of BRE Bank SA hereby announces that in its resolution dated June 29, 2007, the Supervisory Board of BRE Bank SA appointed Mr. Jarosław Mastalerz as Management Board Member and Director of the Bank as of August 1, 2007, until the end of present term of office of the Management Board of BRE Bank SA. Mr. Jarosław Mastalerz will be responsible for the retail banking division of BRE Bank SA.