BRE Bank SA Group

IFRS Consolidated Financial Statements
for the fourth quarter of 2006

Contents

Selected financial data

SELECTED FINANCIAL DATA FOR THE GROUP		in PLN '000		in EUR '000	
		4 quarters 2006 from 2006-01-01 to 2006-12-31	4 quarters 2005 from 2005-01-01 to 2005-12-31	4 quarters 2006 from 2006-01-01 to 2006-12-31	4 quarters 2005 from 2005-01-01 to 2005-12-31
I.	Interest income	**1 704 182**	**1 535 190**	**437 071**	**381 575**
II.	Fee and commission income	**723 301**	**543 217**	**185 505**	**135 018**
III.	Net trading income	**400 280**	**233 935**	**102 660**	**58 145**
IV.	Operating profit	**576 472**	**338 433**	**147 847**	**84 118**
V.	Profit before income tax	**576 360**	**337 964**	**147 819**	**84 002**
VI.	Net profit (loss) attributable to minority interest	**25 136**	**20 362**	**6 447**	**5 061**
VII.	Net profit (loss)	**421 258**	**247 543**	**108 040**	**61 527**
VIII.	Cash flows from operating activities	**(1 222 683)**	**(2 163 880)**	**(313 581)**	**(537 837)**
IX.	Cash flows from investing activities	**(115 227)**	**(95 256)**	**(29 552)**	**(23 676)**
X.	Cash flows from financing activities	**2 255 810**	**378 594**	**578 546**	**94 100**
XI.	Net increase / decrease in cash and cash equivalents	**917 900**	**(1 880 542)**	**235 413**	**(467 413)**
XII.	Total assets	**42 330 581**	**32 739 083**	**11 048 909**	**8 482 067**
XIII.	Amounts due to the Central Bank	**-**	**-**	**-**	**-**
XIV.	Amounts due to other banks	**7 972 386**	**4 256 749**	**2 080 911**	**1 102 842**
XV.	Amounts due to customers	**24 669 856**	**20 349 402**	**6 439 198**	**5 272 139**
XVI.	Capital and reserves attributable to the Company's equity holders	**2 530 766**	**2 035 239**	**660 567**	**527 291**
XVII.	Minority interest	**91 433**	**73 231**	**23 865**	**18 973**
XVIII.	Share capital	**118 064**	**115 936**	**30 816**	**30 037**
XIX.	Number of shares	**29 516 035**	**28 983 972**	**29 516 035**	**28 983 972**
XX.	Book value per share (in PLN/EUR per share)	**85.74**	**70.22**	**22.38**	**18.19**
XXI.	Diluted book value per share (in PLN/EUR per share)	**85.21**	**69.98**	**22.24**	**18.13**
XXII.	Capital adequacy ratio	**10.39**	**11.10**	**10.39**	**11.10**
XXIII.	Earnings per 1 ordinary share (in PLN/EUR per share) (for 12 months)	**13.12**	**9.10**	**3.37**	**2.26**
XXIV.	Diluted earnings per 1 ordinary share (in PLN/EUR per share) (for 12 months)	**13.04**	**9.07**	**3.35**	**2.26**
XXV.	Declared or paid dividend per share (in PLN/EUR per share)	**-**	**-**	**-**	**-**

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

SELECTED FINANCIAL DATA FOR THE BANK		in'000 PLN		in'000 EUR	
		4 quarters 2006 from 2006-01-01 to 2006-12-31	4 quarters 2005 from 2005-01-01 to 2005-12-31	4 quarters 2006 from 2006-01-01 to 2006-12-31	4 quarters 2005 from 2005-01-01 to 2005-12-31
I.	Interest income	**1 334 383**	**1 313 622**	**342 228**	**326 504**
II.	Fee and commission income	**415 391**	**335 594**	**106 535**	**83 413**
III.	Net trading income	**379 957**	**225 476**	**97 447**	**56 043**
IV.	Operating profit	**406 371**	**250 147**	**104 222**	**62 175**
V.	Profit before income tax	**406 371**	**250 147**	**104 222**	**62 175**
VI.	Net profit (loss)	**324 194**	**207 310**	**83 146**	**51 527**
VII.	Cash flows from operating activities	**(1 890 762)**	**(2 251 305)**	**(484 923)**	**(559 567)**
VIII.	Cash flows from investing activities	**(256 575)**	**(37 260)**	**(65 804)**	**(9 261)**
IX.	Cash flows from financing activities	**2 957 799**	**440 770**	**758 585**	**109 554**
X.	Net increase / decrease in cash and cash equivalents	**810 462**	**(1 847 795)**	**207 859**	**(459 273)**
XI.	Total assets	**36 862 230**	**30 136 145**	**9 621 589**	**7 807 696**
XII.	Amounts due to the Central Bank	**-**	**-**	**-**	**-**
XIII.	Amounts due to other banks	**5 186 286**	**2 265 853**	**1 353 698**	**587 039**
XIV.	Amounts due to customers	**25 934 634**	**22 747 932**	**6 769 324**	**5 893 552**
XV.	Equity	**2 353 073**	**1 954 871**	**614 187**	**506 470**
XVI.	Share capital	**118 064**	**115 936**	**30 816**	**30 037**
XVII.	Number of shares	**29 516 035**	**28 983 972**	**29 516 035**	**28 983 972**
XVIII.	Book value per share (in PLN/EUR per share)	**79.72**	**67.45**	**20.81**	**17.47**
XIX.	Diluted book value per share (in PLN/EUR per share)	**79.23**	**67.22**	**20.68**	**17.42**
XX.	Capital adequacy ratio	**11.06**	**12.87**	**11.06**	**12.87**
XXI.	Earnings per 1 ordinary share (in PLN/EUR per share) (for 9 months)	**11.05**	**7.20**	**2.83**	**1.79**
XXII.	Diluted earnings per 1 ordinary share (in PLN/EUR per share) (for 9 months)	**10.98**	**7.18**	**2.82**	**1.78**
XXIII.	Declared or paid dividend per share (in PLN/EUR per share)	**-**	**-**	**-**	**-**

Introduction

The pre-tax profit of the BRE Bank Group was PLN 576.4 million in 2006, of which PLN 534.5 million was generated by continued activity and PLN 41.9 million by discontinued activity including the results of the sold subsidiary SAMH and the subsidiary PTE marked for sale.

The pre-tax profit generated in 2006 was up 70.5% (PLN 238.4 million) year on year (PLN 338 million of the Group's profit in 2005). The pre-tax profit generated in Q4 2006 alone was PLN 173 million, the highest quarterly profit reported in 2006. The Bank recorded particularly good results in Q4 2006 while Group subsidiaries reported profits similar to earlier quarters. The high profitability was a result of above-average growth in income, especially in the core business, i.e., net interest and commission income, whole overhead costs grew modestly above the annual average. As a result, the BRE Bank Group reported improved profitability and efficiency indicators quarter by quarter in 2006:

- The Group's ROE (pre-tax profit to average equity) was 26.9% at the end of 2006, compared to 18.3% at the end of 2005 and 25.2% in Q1-3 2006.
- The Group's cost/income ratio (C/I) was 63.7% including discontinued activity at the end of 2006, compared to 69.3% in 2005.

The key drivers of financial performance included:

1. Growing portfolio of loans and customer deposits thanks to expansion in retail banking and growth in the corporate loans market, which helped to improve the balance sheet structure in terms of profitability. The share of the loans portfolio in the balance sheet total was up by more than 7 percentage points and reached 54.4%
2. Continued positive trends in the financial and fx markets, resulting in high profitability of trading, especially a high share of the fx result in the Group's income compared to 2005;
3. Considerable contribution of the subsidiaries to the Group's results (the subsidiaries' contribution to the Group's pre-tax profit was 36% including discontinued activity) thanks to their growing profitability as well as the consolidation of BRE Bank Hipoteczny (BBH). BBH's contribution to the Group's pre-tax profit was approximately 7% in 2006; its contribution to the profit and loss account was mainly under net interest income with a share of 8% and under overhead costs with a share of ca. 3%;
4. Strict cost discipline at the Bank and the subsidiaries;
5. Continued high quality of the loans portfolio resulting in a relatively low credit and loans impairment charge to the Group's results.

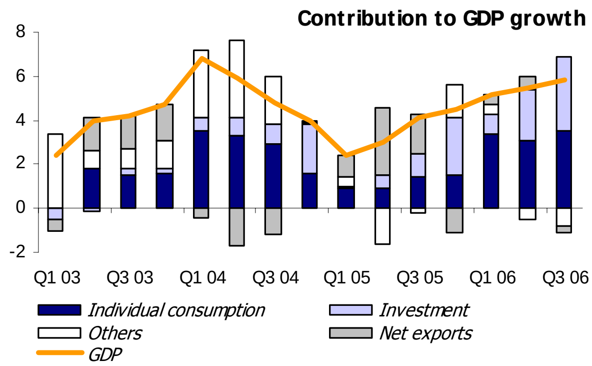
The BRE Bank Group's financial performance in 2006 considerably exceeded the annual profit target of PLN 380 million and pre-tax ROE target of 18.8%. This was mainly possible thanks to higher income on the core business, high profitability of trading under favourable market conditions, and a significant improvement in the quality of the loans portfolio resulting in a lower credit provisions charge.

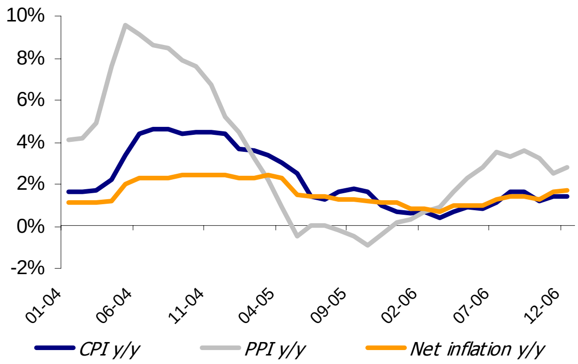
Macroeconomics in Q4 2006

Gross Domestic Product

Official GDP estimates for Q1-3 2006 and available macroeconomic data for Q4 2006 suggest that fast economic growth continues. According to estimates of the Polish Statistical Office (GUS), the GDP growth rate was 5.5% in January-September 2006 and 5.8% in Q3 2006 alone. The Polish economy was growing very fast in Q4 2006 as well. As a result, the 2006 growth rate is estimated at 5.6%. The higher economic growth was accompanied by a change in the GDP structure, mainly through fast growing investments. Investments were up 19.8% in Q3 2006, and up by ca. 16% in all of 2006 (compared to 6.5% growth in 2005). The high growth of investments in fixed assets was possible thanks to increasing EU financing, growing foreign investments (FDI in Poland were EUR 11.1 billion between December 2005 and November 2006), and very high profits generated by Polish companies.

In addition to investments, GDP growth was driven by high growth in private consumption, up by more than 5% in 2006. Consumption was driven, among others, by high growth in wages (over 8% in the corporate sector), revaluation of pensions, growing transfers from migrant workers, and EU funds (partly boosting household income). The consumer goods market grew fast: retail sales were up 11.8% in January-November 2006. Despite fast growing domestic demand and the strong zloty, exports continued to grow. According to National Bank of Poland statistics, exports in EUR grew 21.1% year on year at the end of November 2006. Imports grew even more, by 21.6% year on year. As a result, net exports were no longer a driver of GDP growth. While the current account gap increased modestly, it remained very safe at ca. 2% of GDP.





Labour Market

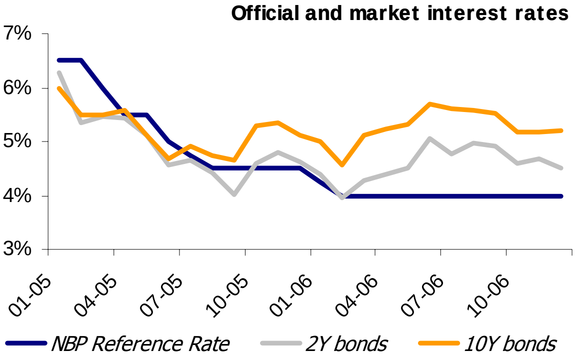
Thanks to prevailing economic recovery, the labour market continued to improve. The official unemployment rate fell from 17.66% at the end of 2005 to approximately 14.9% at the end of 2006. Unemployment was falling mainly due to fast growing employment. Employment in the corporate sector was up 4.1% year in year in December 2006. Large-scale economic migration to other EU member states also drove the reduction of unemployment. The improving labour market saw a relatively high growth in wages and salaries. The average gross wage in the corporate sector was up 5.1% year on year in 2006. In December 2006, the wages growth ratio in the corporate sector was 8.5%, mainly due to the amended schedule of bonus payment in the mining sector.

Inflation and Interest Rates

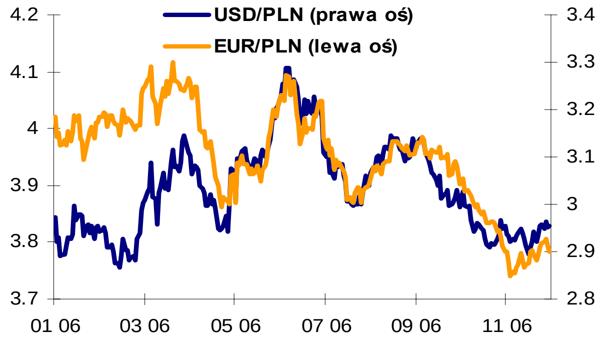
Despite earlier concerns, CPI did not grow considerably in Q4 2006. At the end of December 2006, PI was 1.4%, below the floor of the NBP inflation target deviation band. The average growth in prices was only 1% higher than in 2005. Inflation was mainly driven by rising housing costs and food prices; on the other hand, CPI was kept in check by fast falling prices of clothing and footwear attributable to globalisation. Falling oil prices helped to curb inflation pressures as of August 2006. PPI grew significantly in 2006 and was 2.8% at the end of the year, compared to only 0.2% at the end of 2005. In the absence of evident signs of inflation pressures, the Monetary Policy Council did not change the NBP interest rates after late February 2006. The MPC bias did not change after the October publication of the inflation projection warning of a high risk of permanent growth in prices and a CPI approaching the ceiling of the NBP deviation band in late 2008. Whether and when the NBP reference rate is hiked depends largely on further developments in wages growth and the core inflation measures. The most closely monitored indicator, net inflation, was growing slowly but steadily throughout 2006 and reached 1.6% in December.

Financial Markets

All markets of the region as well as most emerging markets in general enjoyed a very positive sentiment in Q4 2006, making up for the losses incurred due to the market downturn in May and June 2006. The improving sentiments were driven by positive trends in global markets, including the end of the interest rates hikes cycle in the USA and the falling oil prices as of August 2006. The Polish financial markets were also helped by the local economic and political situation. Despite a very worrying inflation projection published in October, by the year-end all concerns with growing inflation pressures turned out to be unfounded, and the prospect of interest rate hikes was postponed. Budget performance was robust and the deficit remained below the target throughout the year (more than PLN 5 billion short of the target at the year-end). While the privatisation process was put on hold, the supply of Treasury securities was very moderate. All these factors helped the local currency to strengthen: the zloty grew ca. 4% against the euro and ca. 8% against the US dollar in Q4. The zloty strengthened ca 1% against the euro and ca. 11% against the US dollar in all of 2006. The yield of Polish Treasury bonds was down by 30-40 basis points in Q4 2006.



USD/PLN – RHS
EUR/PLN - LHS

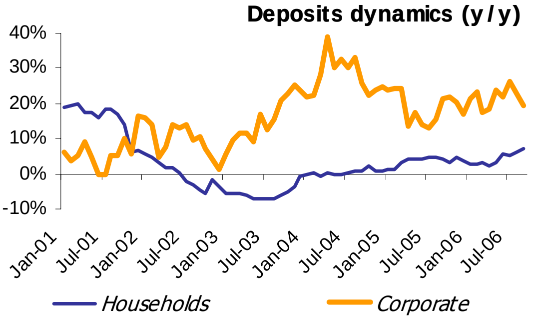


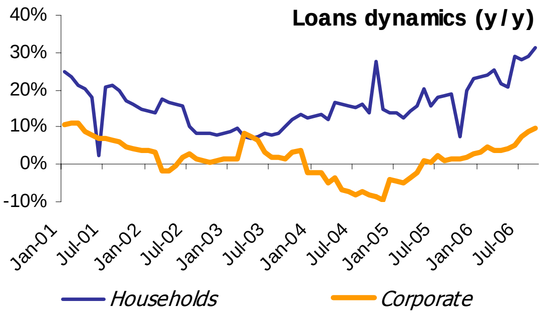
Development of Banking Services

Loans and advanced of banks and other monetary financial institutions grew by ca. PLN 70 billion in 2006. Household loans were the fastest growing category of loans (up 33.4% year on year), including in particular housing loans. Interest in PLN loans rose sharply in H2 2006. This was a result of new regulations (Recommendation S in force as of 1 July 2006) as well as a shrinking interest rate differential of PLN, CHF and EUR loans. The growth rate of household deposits rose again in the last months of 2006 but it remained moderate (9.7% year on year). This was a result of growing competition on the part of investment funds whose assets were close to PLN 100 billion at the end of 2006.

Corporate loans rose fast as companies were more prone to invest. Corporate loans grew 14.7% year on year in December 2006, up by PLN 18.3 billion in 2006 (compared to only PLN 3 billion in 2005). Thanks to very good financial results of companies, corporate deposits with banks grew fast (up 25.6% year on year). This suggests that companies still have a large potential to invest drawing upon their own funds.

Growing interest in loans and other banking services helped to further improve the financial results of the banking sector. Its pre-tax profit was up 19.6% and its net profit up 20.3% in January-September 2006.





Key Drivers of the BRE Bank Group's Performance in Q4 2006

Balance Sheet

The BRE Bank Group's balance sheet total was PLN 42.3 billion at 31 December 2006, up 29.9% year on year.

Credits and loans grew the fastest, by more than PLN 7.6 billion, up 49.6%. High growth was reported for both retail loans, which grew steadily, and corporate loans thanks to an upturn in the corporate loans market. The retail loans portfolio grew almost two-fold while the corporate loans portfolio grew 37%.

The high growth in the BRE Bank Group's loans portfolio was also helped by the addition of BBH's mortgage loans portfolio as of 2006. Net of the BBH portfolio, loans grew 36.4%. As loans grew ahead of the growth in the balance sheet total, their share was 54.4%, compared to 47% at the end of 2005.

Very liquid assets (cash with the central bank, loans and advances to banks, securities available for sale) remained stable, ensuring high safety of the business. The structure of this item changed: the share of interbank placements decreased in favour of trading and investment securities. This change occurred at the Bank thanks to management of the balance sheet structure in terms of the solvency and profitability of business.

The highest growth by value among the sources of financing was reported in 2006 for amounts due to customers, up by PLN 4.3 billion or over 20% year on year, less than the growth in the loans portfolio. Credit lines, issues of bonds, and subordinated debt were supplementary sources used to finance the growth in assets in 2006.

Amounts due to other banks grew 87.3% year on year, mainly due to Swiss franc loans extended by Commerzbank and used to finance a Swiss franc loans portfolio.

Debt securities in issue grew by a high 124.1% thanks to the consolidation of the balance sheet of BBH which mainly uses debt securities to finance its business.

The share of equity in sources of funding remained stable at approximately 6.0% of the total liabilities and equity in 2006.

The capital adequacy ratio fell to 10.39% at the end of 2006, compared to 11.10% at the end of 2005. This was mainly due to a relatively high increase in the capital requirement compared to the growth in equity following the dynamic expansion in lending, including both retail and corporate loans. The reported increase in equity was due to both retained profits and CHF 80 million of issued variable-rate subordinated bonds without a set redemption date, included under supplementary capital with the authorisation of the central bank.

Profit and Loss Account

The BRE Bank Group generated a profit before tax of PLN 576.4 million in 2006, up 70.5% year on year.

As discontinued activity is shown separately under the pre-tax profit, the individual profit and loss account items are discussed below for continued activity.

The net interest income remained the major P&L item. It was PLN 724.2 million at the end of 2006, compared to PLN 650.9 million in 2005. The higher net interest income was mainly helped by the income earned in H2 2006 by the Bank and the subsidiaries. The BRE Bank Group's interest margin (net interest income to average interest-earning assets) was stable at 2.1-2.2% in 2006 (2.1% at the end of 2006).

The net interest income in 2006 was helped by changes in the BRE Bank Group balance sheet structure. A more effective balance sheet structure was possible through a higher contribution of the Retail Banking Line to the Bank's assets and liabilities, as well as a growing portfolio of mortgage loans (including the BBH portfolio) and corporate loans. The growing income from lending and a positive change in the structure of financing offset the negative trends of lower profitability of securities compared to 2005.

The contribution of the Corporate Banking Line and the Retail Banking Line to the BRE Bank Group's net interest income grew to 51% and 40%, respectively, compared to 46% and 34% in 2005. The contribution of the Investment Banking Line to the Group's net interest income fell from 25% to 13% respectively.

The net commission income grew relatively fast by 23.1%. The item provided the second largest contribution to the Group's income. It stood at PLN 416.4 million, compared to PLN 338.2 million in 2005. The Retail Banking Line and the Investment Banking Line reported the highest growth in the net commission income thanks to active investor trading on the Warsaw Stock Exchange, which boosted the income of DI BRE.

Despite a lower growth rate, the Corporate Banking Line again made the largest contribution to the net commission income (53%). Thanks to a high growth at almost 211% year on year, the contribution of the Retail Banking Line to the Group's net commission income grew steadily to over 20% at the end of 2006.

Trading income was the fastest-growing item of the BRE Bank Group's P&L in 2006, up 71.5% year on year. This growth in trading income was reported by the subsidiaries as well as the Bank whose contribution to the Group's trading income was at a high 95%. The Investment Banking Line made the highest contribution to trading income (73%); most of its income originates from trading in financial markets. The Retail Banking Line has a growing share in trading income (18%), mainly thanks to fx margins.

The Bank's high trading income in 2006 offset the relatively lower year-on-year growth in the net interest income reported by the Investment Banking Line.

Impairment losses on loans and advances were PLN 46 million at the end of 2006, including PLN 26.1 million at BRE Bank and PLN 19.9 million at the subsidiaries. The cost of credit risk was lower than in 2005 both at the Bank and the subsidiaries.

Consolidated overhead costs were up by approximately PLN 111 million or 14.5% year on year in 2006. The highest growth occurred in payroll costs, up by PLN 72.6 million or 18% year on year due to business expansion and headcount growth as well as bonus provisions set up in result of performance significantly exceeding financial targets. Maintenance costs grew 14.3% or ca. PLN 47.9 million year on year mainly as a result of the expanding branch network and the expansion of business operations of the Bank and the subsidiaries (growing lending, especially mortgage loans, growing leasing and brokerage business).

The high growth in costs was also a result of the consolidation of BRE Bank Hipoteczny, not yet consolidated in 2005. BBH's overhead costs were PLN 29.8 million in 2006. Net of BBH's overheads, the Group's overhead costs grew 10.6% in 2006.

Quality of the Loans Portfolio

The Bank applies the provisions of the International Financial Reporting Standards (IFRS) as of 1 January 2005. The credit risk portfolio is stated under the provisions of IAS 39 and IAS 37.

The default ratio for the risk portfolio under IAS 39 and IAS 37 was 3.5% at the end of Q1 2006, 3.0% at the end of Q2 and Q3 2006, and 2.8% at the end of 2006.

The default ratio for the balance-sheet credit risk portfolio (credit receivables less interest) was 4.4% at the end of 2006 (down from 5.8% at the end of Q1 2006, 4.9% at the end of Q2 2006, and 4.7% at the end of Q3 2006).

The quality of the balance-sheet credit risk portfolio under the Polish Accounting Standards (rating of loans under the Regulation of the Finance Minister dated 10 December 2003) improved in 2006. Irregular loans were 5.5% of the balance-sheet credit risk portfolio, compared to 5.6% at the end of Q3 2006 and 8.5% at the end of 2005. The ratio for the entire credit risk portfolio was 4.0% at the end of 2006, 4.0% at the end of Q3 2006, and 5.4% at the end of 2005.

The main factor of improvement in the quality of the credit risk portfolio in Q4 2006 was a significant improvement in the financial standing of companies, growth in the credit risk portfolio, repayments of default loans, and some default loans written off against provisions (PLN 32 million).

The ratio of provisions to default credit exposure dropped slightly from 75.4% at the end of Q3 2006 to 73.2% at the end of 2006 for the whole credit risk portfolio, and grew from 77.4% to 78.2% for the balance-sheet portfolio. The main reason behind the opposite trends in the ratios for the whole portfolio and for the balance-sheet credit risk portfolio was a large loan granted but not drawn by the end of 2006 for the restructuring of a customer whose good standing is very likely to be restored.

Although the credit risk portfolio grew, the impairment provision (IBNR) for the non-default portfolio remained stable at PLN 112 million at the end of 2006, compared to PLN 111 million at the end of Q3 2006. The impairment provision remained stable despite an increase in the credit risk portfolio thanks to the improving quality of the portfolio as demonstrated by the improvement in credit rating and the reduced PD (probability of default) of particular credit ratings.

Performance of the Business Lines

The results of the BRE Bank Group Lines derive from the report covering both continued and discontinued activity under relevant items.

Retail Banking and Private Banking

Financial Results

The Retail Banking Line, which was growing the fastest, reported a profit before tax of PLN 114.6 million at the end of 2006, compared to PLN 19.1 million in 2005. The contribution of the Business Line to the Group's pre-tax profit was up from 6% in 2005 to more than 20% in 2006. Both its net interest income (up 30.5%) and net commission income (up 111.4%) grew faster than the Group average.

The Business Line's contribution to the Group's total net interest and commission income grew from 25.9% in 2005 to 31.5% in 2006.

Thanks to dynamic expansion of the branch network, the Retail Banking Business reported a significant increase in overhead costs, up by approximately 33%, more than the Group's average but less than the growth rate of income (almost 65%).

Profitability grew particularly sharply in H2 2006 when the pre-tax profit was PLN 90.9 million, almost 80% of the annual profit, of which PLN 47.3 million was generated in Q4 2006.

The significant growth in profit was greatly helped by the dynamic growth in the loans portfolio, mainly the portfolio of mortgage loans carrying low credit risk (up by over 99.2% or PLN 4.5 billion year on year), which boosted a sharp growth in net interest and commission income offsetting the ongoing credit margin squeeze.

Customers and Accounts

BRE Bank's Retail Banking Line had 1,626.1 thousand customers at the end of December 2006 (including 1,289.5 thousand at mBank and 336.6 thousand at MultiBank).

The Line acquired 90.1 thousand new customers in Q4 (71.5 thousand at mBank, 18.6 thousand at MultiBank) and 25.0 thousand customers in December 2006 alone (19.2 thousand at mBank, 5.8 thousand at MultiBank).

There were 185.6 thousand microenterprise customers (134.8 thousand at mBank, 50.8 thousand at MultiBank). The number of microenterprise customers grew by 9.7 thousand in Q4 2006 (6.9 thousand at mBank, 2.8 thousand at MultiBank) and by 3 thousand customers in December 2006 alone (2 thousand at mBank, 1 thousand at MultiBank).

The Retail Banking Line had 1,914 thousand accounts at the end of December 2006 (1,703.1 thousand at mBank, 210.9 thousand at MultiBank). The number of accounts grew by 114.1 thousand in Q4 2006 (101.8 thousand at mBank, 12.3 thousand at MultiBank) and by 35.9 thousand in December 2006 alone (32.2 thousand at mBank, 3.7 thousand at MultiBank). There were 222.1 thousand microenterprise accounts (171.2 thousand at mBank, 50.9 thousand at MultiBank). The number of microenterprise accounts grew by 3.8 thousand in December 2006 (2.9 thousand at mBank, 0.9 thousand at MultiBank) and by 12.7 thousand in Q4 2006 (9 thousand at mBank, 3.7 thousand at MultiBank).

Deposits

The Retail Banking Line had deposits of PLN 7,068 million at the end of December 2006 (PLN 5,314 million at mBank, PLN 1,754 million at MultiBank).

The deposits grew by PLN 564 million in Q4 2006 (PLN 341.7 million at mBank, PLN 222.3 million at MultiBank) and by PLN 482.3 million in December 2006 alone (PLN 315.1 million at mBank, PLN 167.2 million at MultiBank).

Investment Funds (IF)

BRE Bank's retail customers' assets in investment funds were PLN 1,587.9 million at the end of December 2006 (PLN 1,215.2 million at mBank, PLN 372.6 million at MultiBank).

Investment fund assets grew by PLN 343.1 million in Q4 2006 (PLN 259.5 million at mBank, PLN 83.6 million at MultiBank) and by PLN 81.3 million in December 2006 alone (PLN 58.4 million at mBank, PLN 22.9 million at MultiBank).

Loans

Balance-sheet retail loans were PLN 8,230.7 million at the end of December 2006 (PLN 3,043.2 million at mBank, PLN 5,187.75 million at MultiBank).

Retail loans grew by PLN 1,127.1 million in Q4 2006 (PLN 529.0 million at mBank, PLN 598.1 million at MultiBank) and by PLN 407.9 million in December 2006 alone (PLN 196.7 million at mBank, PLN 211.2 million at MultiBank).

Loans Portfolio Structure:

- mBank: 86.2% mortgage loans (PLN 2,623.2 million), 5.7% credit lines (PLN 174 million), 3.4% credit cards (PLN 102 million), 4.7% other (PLN 144 million);
- MultiBank: 85% mortgage loans (PLN 4,411.7 million), 6.6% credit lines (PLN 341.7 million), 1.9% credit cards (PLN 98.7 million), 6.5% other (PLN 335.4 million).

The Retail Banking Line's balance-sheet mortgage loans were PLN 7,034.9 million at the end of December 2006 (mBank PLN 2,623.2 million, MultiBank PLN 4,411.7 million).

Balance-sheet mortgage loans grew by PLN 3,759.6 million year on year (PLN 1,739.9 million at mBank, PLN 2,019.7 million at MultiBank), by PLN 986.4 million in Q4 2006 alone (PLN 483.7 million at mBank, PLN 502.7 million at MultiBank), and by PLN 366 million in December 2006 alone (PLN 186.9 million at mBank, PLN 179.1 million at MultiBank)

Retail mortgage loans were PLN 6,681.4 million at the end of December 2006 (PLN 2,618.6 million at mBank, PLN 4,062.8 million at MultiBank).

FX loans (mainly CHF) were 82.4% of balance-sheet mortgage loans (91% at mBank, 77.4% at MultiBank).

Retail Mortgage Loans	*Total*	*PLN*	*FX*
Balance-sheet value (PLN bn)	6.7	0.9	5.8
Average maturity (years)	22.8	19.0	23.3
Average value (PLN'000)	157.4	182.6	156.3
Average LTV (%)	66.35%	57.49%	67.77%
NPL (%)	0.5%	2.1%	0.2%

The Retail Banking Line's share in the mortgage loans market grew dynamically. According to the Polish Banks Association, BRE Bank's market share in mortgage loans granted in 2006 was 12.7%, up 0.5 percentage points compared to the end of August 2006.

Microenterprise loans were PLN 730.3 million at the end of December 2006 (PLN 32.7 million at mBank, PLN 697.6 million at MultiBank), 47.8% of which were mortgage loans (14.2% at mBank, 50.0% at MultiBank).

Cards

There were 151.7 thousand credit cards issued by the end of December 2006 (91.3 thousand at mBank, 60.4 thousand at MultiBank), up 20.4 thousand in Q4 2006 (16.8 thousand at mBank, 3.6 thousand at MultiBank) and up 6.4 thousand in December 2006 alone (5.8 thousand at mBank, 0.6 thousand at MultiBank).

There were 1,046.2 thousand debit cards issued by the end of December 2006 (782.3 thousand at mBank, 263.9 thousand at MultiBank), up 119 thousand in Q4 2006 (101 thousand at mBank, 18 thousand at MultiBank) and up 25 thousand in December 2006 alone (18.4 thousand at mBank, 6.6 thousand at MultiBank).

Corporate Banking

Financial Results

The pre-tax profit of BRE Bank's Corporate Banking Line was PLN 233 million at the end of 2006, up by approximately PLN 58 million year on year, mainly due to the Bank's higher net interest income following expansion of lending. The assets of the Line grew by ca. 37% or PLN 3.9 billion year on year.

The Line's financial results in 2006 were also helped by the consolidation of BBH with its high contribution to the Group's balance sheet and income items. The contribution of the subsidiaries to the profitability of the Business

PLN (000's)

Line, including the cost of finance and consolidation adjustments, was 41% at the pre-tax profit level. The largest contribution was that of BBH, BRE Leasing Sp. z o.o., and Intermarket Bank AG.

Profitability grew the fastest, by PLN 79 million, in Q4 2006, mainly thanks to the growing profitability at the Bank (PLN 54 million), as well as an above-average net interest income from loans. The Corporate Banking subsidiaries continued to grow fast in Q4 2006, as demonstrated in particular by their high net interest income (PLN 42 million) and net commission income (PLN 26 million).

Corporate Customers

The Bank's very active customer acquisition produced positive results in 2006. BRE Bank acquired over 2.55 thousand new corporate customers in 2006, 33% more than in 2005. The net change in the number of customers was a positive 1,409 (1,386 in segments K2 and K3), of which 74% were K3 customers, 24% K2 customers, and 2% K1 customers.

Service Packages: An Effective Customer Acquisition Tool

The Bank acquired 1,415 new customers who bought service packages in 2006. The average growth in the number of SME customers per month was 49% higher than the 2005 monthly average.

The sales of packages including credit products, such as EFFECT Plus and EFFECT Investments, were growing fast. The number of such packages sold in January-December 2006 was up 60% year on year.

Corporate Banking Line Customers

	31.12.2005	***31.12.2006***	***Change***
*K1**	928	951	23
*K2**	3 179	3 517	338
*K3**	5 926	6 974	1 048

** K1 is the segment of the largest corporations with annual sales over PLN 1 billion; K2 is the segment of corporations with annual sales between PLN 30 million and PLN 1 billion; K3 is the segment of SMEs with annual sales between PLN 3 and 30 million.*

Corporate Customers Deposits

BRE Bank's corporate customers' deposits (including deposits of enterprises) were PLN 16.2 billion at the end of December 2006, up by approximately 12.7% year on year. The market share of BRE Bank's corporate deposits was 8.6%, compared to 8.6% in September and 8.4% in June 2006.

Corporate Customers Loans

Lending to corporate customers grew 15% in 2006. BRE Bank's portfolio of loans granted to corporate customers (including enterprises) was PLN 9.2 billion at the end of December 2006, down PLN 400 million year on year due to the repayment of a large exposure by a public entity. The market share of BRE Bank's loans granted to corporate customers was 5.9% at the end of December 2006, compared to 5.8% at the end of 2005.

Strategic Product Lines

Cash Management

Ongoing expansion of the cash management service supports long-term customer relationships and helps to grow the volume of transactions involving the identification of payments (direct debits, identification of mass payments, identification of trade payments). The number of *direct debits* processed in 2006 was 1,397 thousand, up 53% year on year. The number of *identifications of mass payments* processed in 2006 was over 92.0 million, up more than 8% year on year. The number of *identifications of trade payments* was over 2,504 thousand in 2006, up 25% year on year.

Foreign Trade Transactions

BRE Bank's position in the market of foreign trade services helped to grow the number of foreign trade products opened and advised by 7.0% year on year for letters of credit and by 4.6% for collections. This in turn grew the fee and commission income in foreign trade service and finance by 12.5% year on year.

Banking Products with EU Financing

BRE Bank's growing position in financing investments supported by EU funding helped to grow the volume of sold banking products with EU financing (commitments, loans, guarantees) by 28.4% year on year and by 66% compared to 2004.

BRE Leasing

Leasing contracts executed by BRE Leasing in 2006 totalled PLN 2.13 billion (up 44% year on year). BRE Leasing ranks third in the market by the value of assets leased in 2006 (11.1% market share). BRE Leasing generated a pre-tax profit of PLN 29.6 million in 2006, up 44% year on year.

Factoring: Intermarket Group

Kompania de Factoring S.A. (Romania) joined the Intermarket Group (Intermarket Bank AG, Transfinance a.s., Polfactor S.A., Magyar Factor Rt) in 2006. The sales of the Intermarket Group companies consolidated by BRE Bank totalled EUR 5 billion in 2006, up 17% year on year. They generated a pre-tax profit of PLN 52.7 million, up 9% year on year. The Polish company Polfactor's sales were PLN 2.9 billion, up 20% year on year. Its pre-tax profit was PLN 11.5 million, up 17% year on year.

BRE Bank Hipoteczny (BBH)

BBH's balance-sheet loans portfolio was PLN 2.29 billion at the end of December 2006 (up 12% compared to 30.09.2005). BBH's profit before tax was PLN 40.2 million in January-December 2006, up 18% year on year (PLN 34 million in 2005 under IFRS). BBH is Poland's leading mortgage banks in terms of the loans portfolio (54% market share) and liabilities under mortgage loans (52% market share).

Investment Banking

Financial Results

The Investment Banking Line generated a pre-tax profit of PLN 215.9 million at the end of 2006, up by approximately PLN 17 million (8.4%) year on year. The increase in the profitability was largely possible thanks to the Bank's growing trading income; the Line's net interest income was, however, lower than in 2005. The decrease in the net interest income was caused by a lower profitability of debt securities.

Favourable conditions in fx markets in 2006 allowed for above-average profits on fx transactions and on fx financial instruments. In addition, the Line's pre-tax profit was helped by the release of credit provisions in the Project Finance segment in Q2 2006 following the repayment of overdue debt.

BRE Bank SA Securities reported an over 70% year-on-year growth in the net commission income, which was crucial to the Investment Banking Line's income.

The main contribution to the Line's profit once again came from the Bank (close to 90%).

Market Position

Thanks to its active presence on the financial markets, the Bank's market share in interest rate derivative instruments was 21.5% and in trading in Treasury bonds and bills 10.8%. Its share in spot and forward fx transactions was 8.6% and in WIG-20 index options 24% (at the end of November 2006).

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

- OIS market;
- FRA and IRS market.

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

Novitus SA – Proprietary Investments

In a stock exchange transaction the Bank sold 250 thousand shares for PLN 4.35 million at a profit of PLN 3.3 million. After the sale the Bank holds 212,264 shares of the company (share in equity and votes at 4.59%) worth PLN 0.89 million at cost.

Proprietary Investments Portfolio

At the end of Q4 2006, the proprietary investments portfolio stood at PLN 278 million at cost. The portfolio was reduced by PLN 98.3 million (down 26.1%) year to date. The reduction followed the sale of stocks and shares (Zachodni Fundusz Inwestycyjny, Novitus) as well as ITI Bond Finance bonds. Compared to Q3 2006, the proprietary investments portfolio at cost was down by PLN 1.1 million (0.4%).

Subsidiaries

Dom Inwestycyjny BRE Banku S.A. (DI BRE)

DI BRE's market share in options trading was over 28%. The company ranked second with a 14.0% share in the ranking of the most active brokers in the forward contracts market in Q4 2006. DI BRE retained its high share in equities trading: it handled 7.2% all equities transactions in December 2006. The company's pre-tax profit was PLN 26.9 million in 2006 (up 84.1 year on year).

BRE Corporate Finance S.A.

BRE CF was gradually moving away from privatisation projects and became more involved in M&A transactions in the private sector in 2006. Ciech SA advised by BRE CF acquired ZCh Organika Sarzyna SA in December 2006 (transaction worth PLN 244.5 million).

The company working together with DI BRE won several new IPO and secondary issue projects in Q4 2006 to be completed in 2007. In addition, the company became more active in advising and arranging EU financing projects.

The company's sales were PLN 2.689 million in Q4 2006, 30% of its annual income. The company reported a pre-tax profit of PLN 194.3 thousand in 2006.

Asset Management

Financial Results

In the presentation of the consolidated profit and loss account, this business is shown as discontinued activity at the pre-tax profit level and includes the results of the sold subsidiary SAMH and of the subsidiary PTE marked for sale. In segment reporting, this business is shown under individual P&L items including the Group's internal transactions.

The Asset Management Line reported a pre-tax profit of PLN 24.4 million in 2006, compared to a PLN 39.9 million loss in 2005. The fast-growing net commission income was decisive to the year-on-year increase in the Line's operating profit.

The financial standing of the holding's subsidiaries and the consolidated results of the holding were helped by the positive trends prevailing throughout 2006, which boosted the company's assets under management. Both net sales and the market value of assets grew.

The Bank sold SAMH to Polish Enterprise Fund V at a pre-tax profit of ca. PLN 100 million on 8 January 2007.

PLN (000's)

Consolidated Profit and Loss Account

Consolidated Profit and Loss for the fourth quarter of 2006 and the fourth quarter 2005

	Note	IV Quarter (curent year) from 01-10-2006 to 31-12-2006	IV Quarters cumulative (curent year) from 01-01-2006 to 31-12-2006	IV Quarter (previous year) from 01-10-2005 to 31-12-2005	IV Quarters cumulative (previous year) from 01-01-2005 to 31-12-2005
Continued operations					
Interest income		471 072	1 700 551	356 316	1 533 139
Interest expense		(272 295)	(976 373)	(201 985)	(882 275)
Net interest income	5	**198 777**	**724 178**	**154 331**	**650 864**
Fee and commission income		176 856	582 771	120 636	458 709
Fee and commission expense		(49 144)	(166 361)	(17 178)	(120 510)
Net fee and commission income	6	**127 712**	**416 410**	**103 458**	**338 199**
Dividend income	7	1 103	16 865	25 187	47 033
Net trading income, including:	8	112 924	399 585	79 985	233 061
Foreign exchange result		97 484	354 140	94 230	257 897
Other trading income		15 440	45 445	(14 245)	(24 836)
Gains less losses from investment securities	9	10 824	22 522	30 564	42 053
Other operating income	10	39 420	229 039	70 769	134 997
Impairment losses on loans and advances	11	(5 761)	(45 961)	(27 738)	(78 841)
Overhead costs	12	(243 869)	(879 492)	(239 561)	(768 450)
Amortization and depreciation		(43 198)	(164 885)	(40 758)	(137 706)
Other operating expenses	13	(37 122)	(183 668)	(65 409)	(113 167)
Operating profit		**160 810**	**534 593**	**90 828**	**348 043**
Share of profit of associates		-	(112)	(209)	(469)
Profit before income tax from continued operations		**160 810**	**534 481**	**90 619**	**347 574**
Income tax expense		(49 950)	(124 232)	(6 934)	(65 172)
Net profit (loss) from continued operations including minority interest		**110 860**	**410 249**	**83 685**	**282 402**
Discontinued operations	19				
Profit before income tax from discontinued operations		**12 182**	**41 879**	**(26 125)**	**(9 610)**
Income tax expense		(1 369)	(5 734)	(2 370)	(4 887)
Net profit (loss) from discontinued operations including minority interest		**10 813**	**36 145**	**(28 495)**	**(14 497)**
Net profit (loss) from continued and discontinued operations including minority interest, of which:		**121 673**	**446 394**	**55 190**	**267 905**
Net profit (loss) from discontinued operations including minority interest		6 461	25 136	8 085	20 362
Net profit (loss)		**115 212**	**421 258**	**47 105**	**247 543**
Net profit (loss) from continued operations attributable to the Company's equity holders (for 12 months)		**385 113**		**262 040**	
Weighted average number of ordinary shares	14	**29 344 158**		**28 780 011**	
Earnings per 1 ordinary share from continued operations (in PLN per share)	14	**13.12**		**9.10**	
Weighted average number of ordinary shares for diluted earnings	14	**29 527 364**		**28 878 173**	
Diluted earnings per 1 ordinary share from continued operations (in PLN per share)	14	**13.04**		**9.07**	

PLN (000's)

Consolidated Balance Sheet

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

	Note	31.12.2006	31.12.2005
ASSETS			
Cash and balances with Central Bank		3 716 607	1 778 457
Debt securities eligible for rediscounting at the Central Bank		26 725	37 464
Loans and advances to banks		2 844 124	4 668 474
Trading securities	15	3 516 149	5 011 960
Derivative financial instruments		1 413 065	1 264 500
Loans and advances to customers	16	23 044 694	15 375 958
Investment securities	17	3 055 516	1 124 832
- Available for sale		3 055 516	1 124 832
Non-current assets held for sale	19	385 194	317 349
Pledged assets	15, 17	2 702 180	1 516 212
Investments in associated undertakings		5 356	6 477
Intangible assets		381 111	406 380
Tangible fixed assets		580 108	558 535
Deferred income tax assets		65 112	117 048
Other assets		594 640	555 437
Total assets		**42 330 581**	**32 739 083**
EQUITY AND LIABILITIES			
Amounts due to other banks		7 972 386	4 256 749
Derivative financial instruments and other trading liabilities		1 253 900	1 271 206
Amounts due to customers	18	24 669 856	20 349 402
Debt securities in issue		3 389 559	2 731 157
Subordinated liabilities		1 547 354	1 362 528
Other liabilities		759 760	562 907
Current income tax liabilities		20 047	3 529
Provisions for deferred income tax		312	161
Provisions		70 207	86 135
Libilities held for sale	19	25 001	6 839
Total liabilities		**39 708 382**	**30 630 613**
Equity			
Capital and reserves attributable to the Company's equity holders		**2 530 766**	**2 035 239**
Share capital:		**1 496 946**	**1 423 843**
- Registered share capital		118 064	115 936
- Share premium		1 378 882	1 307 907
Other capital and reserves		**5 110**	**(2 975)**
Retained earnings:		**1 028 710**	**614 371**
- Profit (loss) from the previous year		607 452	366 828
- Profit (loss) for the current year		421 258	247 543
Minority interest		**91 433**	**73 231**
Total equity		**2 622 199**	**2 108 470**
Total equity and liabilities		**42 330 581**	**32 739 083**
Capital adequacy ratio		**10.39**	**11.10**
Book value		**2 530 766**	**2 035 239**
Number of shares		**29 516 035**	**28 983 972**
Book value per share (in PLN)		**85.74**	**70.22**
Diluted number of shares		**29 699 241**	**29 082 134**
Diluted book value per share (in PLN)		**85.21**	**69.98**

(PLN 000's)

Statements of changes in consolidated equity

Changes in equity from 1 January 2006 to 31 December 2006

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

(PLN 000's)

Changes in equity from 1 January 2005 to 31 December 2005

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

(PLN 000's)

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement for the fourth quarter 2006 and the fourth quarter 2005

	Quarter ended 31 December	
	2006	**2005**
A. Cash flow from operating activities - indirect method	**(1 222 683)**	**(2 163 880)**
Profit before income tax	**576 360**	**337 964**
Adjustments:	**(1 799 043)**	***(2 501 844)***
Income taxes paid (negative amount)	(17 840)	(74 403)
Amortisation	166 603	139 615
Foreign exchange gains (losses)	(10 759)	(138 984)
Gains (losses) on investing activities	(225)	(18 882)
Impairment of financial assets	1 308	41 252
Dividends received	(15 823)	(46 310)
Interest paid	912 818	708 153
Change in loans and advances to banks	313 622	(354 109)
Change in trading securities	556 515	(2 876 390)
Change in derivative financial instruments	(151 808)	532 324
Change in loans and advances to customers	(5 730 716)	(1 117 423)
Change in investment securities	(1 904 927)	(560 282)
Change in other assets	(227 217)	252 946
Change in amounts due to other banks	365 874	(1 198 139)
Change in financial instruments and other trading liabilities	(17 190)	(349 502)
Change in amounts due to customers	3 624 476	2 757 539
Change in debt securities in issue	141 044	(393 734)
Change in provisions	(22 147)	(12 701)
Change in other liabilities	217 349	207 186
Net cash from operating activities	**(1 222 683)**	**(2 163 880)**
B.Cash flows from investing activities	**(115 227)**	**(95 256)**
Investing activity inflows	**117 592**	**149 019**
Disposal of shares in associates	10 944	-
Disposal of shares in subsidiaries, net of cash disposed	55 078	69 087
Proceeds from sale of intangible assets and tangible fixed assets	30 732	10 650
Other investing inflows	20 838	69 282
Investing activity outflows	**232 819**	**244 275**
Acquisition of associates	38	-
Acquisition of subsidiaries, net of cash acquired	4 000	11 173
Purchase of intangible assets and tangible fixed assets	135 740	153 412
Other investing outflows	93 041	79 690
Net cash used in investing activities	**(115 227)**	**(95 256)**
C. Cash flows from financing activities	**2 255 810**	**378 594**
Financing activity inflows	**10 250 541**	**2 996 818**
Proceeds from loans and advances from other banks	4 200 760	999 036
Proceeds from other loans and advances	30 508	120 975
Issue of debt securities	5 953 914	1 440 060
Increase of subordinated liabilities	-	405 830
Issue of ordinary shares	65 359	30 917
Financing activity outflows	**7 994 731**	**2 618 224**
Repayments of loans and advances from other banks	1 174 565	1 028 390
Repayments of other loans and advances	71 585	-
Redemption of debt securities	6 536 637	1 418 260
Dividends and other payments to shareholders	6 729	-
Other financing outflows	205 215	171 574
Net cash from financing activities	**2 255 810**	**378 594**
Net increase / decrease in cash and cash equivalents (A+B+C)	**917 900**	**(1 880 542)**

(PLN 000's)

(Decrease)/increase in cash and cash equivalents in respect of foreign exchange gains and losses	1 526	(3 325)
Cash and cash equivalents at the beginning of the reporting period	8 163 420	10 047 287
Cash and cash equivalents at the end of the reporting period	**9 082 846**	**8 163 420**

Consolidated Contingent Liabilities and Commitments

Contingent Liabilities and Commitments as at 31 December 2006 and 31 December 2005

	31.12.2006	**31.12.2005**
Contingent laibilities granted and received	**14 274 961**	**10 709 364**
Liabilities granted	**13 226 611**	**9 596 728**
- financing	10 957 503	7 769 140
- guarantees	2 269 108	1 827 588
Liabilities received	**1 048 350**	**1 112 636**
- financing	117 865	552 679
- guarantees	930 485	559 957
Liabilities arising from purchase / sale operations	**541 501 749**	**394 123 899**
Other liabilities	**406 791**	**278 663**
Total off-balance-sheet items	**556 183 501**	**405 111 926**

(PLN 000's)

BRE Bank SA Stand Alone Financial Statements

1. Profit and Loss Account

Profit and Loss Account from 1 January 2006 to 31 December 2006 and from 1 January 2005 to 31 December 2005

	IV Quarter (curent year) from 01-10-2006 to 31-12-2006	IV Quarters cumulative (curent year) from 01-01-2006 to 31-12-2006	IVQuarter (previous year) from 01-10-2005 to 31-12-2005	IV Quarters cumulative (previous year) from 01-01-2005 to 31-12-2005
Interest income	369 540	1 334 383	306 379	1 313 622
Interest expense	(215 814)	(795 011)	(186 572)	(774 976)
Net interest income	**153 726**	**539 372**	**119 807**	**538 646**
Fee and commission income	127 797	415 391	94 751	335 594
Fee and commission expense	(40 779)	(135 774)	(31 234)	(98 488)
Net fee and commission income	**87 018**	**279 617**	**63 517**	**237 106**
Dividend income	1 103	36 797	25 144	61 997
Net trading income	105 063	379 957	76 634	225 476
Foreign exchange result	95 932	343 265	91 234	251 293
Other trading income	9 131	36 692	(14 600)	(25 817)
Gains less losses from investment securities	29 231	40 115	(1 533)	374
Other operating income	11 686	63 244	6 139	38 849
Impairment losses on loans and advances	(537)	(26 149)	(28 240)	(53 392)
Overhead costs	(191 422)	(697 527)	(184 157)	(635 990)
Amortization and depreciation	(35 569)	(135 779)	(32 833)	(119 490)
Other operating expenses	(19 024)	(73 276)	(12 285)	(43 429)
Operating profit	**141 275**	**406 371**	**32 193**	**250 147**
Profit before income tax	**141 275**	**406 371**	**32 193**	**250 147**
Income tax expense	(38 354)	(82 177)	(941)	(42 837)
Net profit (loss)	**102 921**	**324 194**	**31 252**	**207 310**
Net profit (loss) (for 12 months)	**324 194**		**207 310**	
Weighted average number of ordinary shares	**29 344 158**		**28 780 011**	
Earnings per 1 ordinary share (in PLN per share)	**11.05**		**7.20**	
Weighted average number of ordinary shares for diluted earnings	**29 527 364**		**28 878 173**	
Diluted earnings per 1 ordinary share (in PLN per share)	**10.98**		**7.18**	

(PLN 000's)

2. Balance Sheet

Balance Sheet as at 31 December 2006 and 31 December 2005

	31.12.2006	31.12.2005
ASSETS		
Cash and balances with Central Bank	3 710 737	1 776 340
Debt securities eligible for rediscounting at the Central Bank	26 725	37 464
Loans and advances to banks	3 003 226	4 689 765
Trading securities	3 519 954	5 014 653
Derivative financial instruments	1 411 030	1 264 500
Loans and advances to customers	17 689 756	12 979 559
Investment securities	2 957 221	1 055 174
- Available for sale	2 957 221	1 055 174
Non-current assets held for sale	361 855	310 510
Pledged assets	2 701 491	1 516 212
Investments in subsidiaries	433 343	285 251
Investments in associated undertakings	-	5 649
Intangible assets	356 136	368 504
Tangible fixed assets	470 926	484 071
Deferred income tax assets	9 720	83 950
Other assets	210 110	264 543
Total assets	**36 862 230**	**30 136 145**
EQUITY AND LIABILITIES		
Amounts due to other banks	5 186 286	2 265 853
Derivative financial instruments and other trading liabilities	1 267 825	1 270 414
Amounts due to customers	25 934 634	22 747 932
Debt securities in issue	36 215	91 545
Subordinated liabilities	1 547 354	1 362 528
Other liabilities	457 926	364 893
Current income tax liabilities	11 543	-
Provisions	67 374	78 109
Total liabilities	**34 509 157**	**28 181 274**
Equity		
Share capital	**1 496 946**	**1 423 843**
- Registered share capital	118 064	115 936
- Share premium	1 378 882	1 307 907
Other capital and reserves	**3 959**	**(2 637)**
Retained earnings:	**852 168**	**533 665**
- Profit (loss) for the previous year	527 974	326 355
- Net profit (loss) for the current year	324 194	207 310
Total equity	**2 353 073**	**1 954 871**
Total equity and liabilities	**36 862 230**	**30 136 145**
Capital adequacy ratio	**11.06**	**12.87**
Book value	**2 353 073**	**1 954 871**
Number of shares	**29 516 035**	**28 983 972**
Book value per share (in PLN)	**79.72**	**67.45**
Diluted number of shares	**29 699 241**	**29 082 134**
Diluted book value per share (in PLN)	**79.23**	**67.22**

(PLN 000's)

3. Statements of changes in equity

Changes in equity from 1 January 2006 to 31 December 2006

Changes in equity from 1 January 2006 to 31 December 2006	Share capital		Other capital and reserves	Retained earnings					Total
	Registered share capital	Share premium (aggio)		Supplementary capital	Other reserve capital	General risk fund	Profit (loss) from previous year	Profit (loss) 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
Net change in cash flow hedges, net of tax			-						-
Currency translation differences	-	-	438	-	-	-	-	-	438
Net profit not recognised in income statement	**-**	**-**	**6 596**	**-**	**-**	**-**	**-**	**-**	**6 596**
Net profit (loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**324 194**	**324 194**
Total profit recognised in current year	**-**	**-**	**6 596**	**-**	**-**	**-**	**-**	**324 194**	**330 790**
Dividends paid	-	-	-	-	-	-	-	-	-
Transfer to General Banking Risk Fund	-	-	-	-	-	-	-	-	-
Transfer to reserve capital	-	-	-	-	-	-	-	-	-
Transfer to supplementary capital	-	-	-	-	-	-	-	-	-
Loss coverage with reserve capital	-	-	-	-	-	-	-	-	-
Loss coverage with supplementary capital	-	-	-	-	-	-	-	-	-
Issue of shares	2 128	63 231	-	-	-	-	-	-	65 359
Redemption of shares	-	-	-	-	-	-	-	-	-
Purchase/sale of own shares	-	-	-	-	-	-	-	-	-
Issue expenses	-	-	-	-	-	-	-	-	-
Additional shareholder payments	-	-	-	-	-	-	-	-	-
Sale of fixed assets	-	-	-	-	-	-	-	-	-
Change in the scope of consolidation	-	-	-	-	-	-	-	-	-
Increase of share in consolidated company	-	-	-	-	-	-	-	-	-
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**

(PLN 000's)

Changes in equity from 1 January 2005 to 31 December 2005

Changes in equity from 1 January 2005 to 31 December 2005	Share capital		Other capital and reserves	Retained earnings					Total
	Registered share capital	**Share premium (aggio)**		**Supplementary capital**	**Other reserve capital**	**General risk fund**	**Profit (loss) from previous year**	**Profit (loss) for the current year**	
Equity as at 1 January 2005	**114 853**	**1 271 164**	**3 460**	**12 388**	**204 097**	**558 000**	**(361 661)**	**-**	**1 802 301**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	(84 070)	-	(84 070)
- adjustment of errors	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2005	**114 853**	**1 271 164**	**3 460**	**12 388**	**204 097**	**558 000**	**(445 731)**	**-**	**1 718 231**
Net change in investments available for sale, net of tax	-	-	(3 107)	-	-	-	-	-	(3 107)
Net change in cash flow hedges, net of tax	-	-	-	-	-	-	-	-	-
Currency translation differences	-	-	(2 990)	-	-	-	-	-	(2 990)
Net profit not recognised in income statement	**-**	**-**	**(6 097)**	**-**	**-**	**-**	**-**	**-**	**(6 097)**
Net profit (loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**207 310**	**207 310**
Total profit recognised in current year	**-**	**-**	**(6 097)**	**-**	**-**	**-**	**-**	**207 310**	**201 213**
Dividends paid	-	-	-	-	-	-	-	-	-
Transfer to General Banking Risk Fund	-	-	-	-	-	-	-	-	-
Transfer to reserve capital	-	-	-	-	-	-	-	-	-
Transfer to supplementary capital	-	-	-	-	-	-	-	-	-
Loss coverage with reserve capital	-	-	-	-	(188 757)	-	188 757	-	-
Loss coverage with supplementary capital	-	-	-	-	-	-	-	-	-
Issue of shares	1 083	29 834	-	-	-	-	-	-	30 917
Redemption of shares	-	-	-	-	-	-	-	-	-
Purchase/sale of own shares	-	-	-	-	-	-	-	-	-
Issue expenses	-	-	-	-	-	-	-	-	-
Additional shareholder payments	-	-	-	-	-	-	-	-	-
Sale of fixed assets	-	-	-	-	-	-	-	-	-
Change in the scope of consolidation	-	-	-	-	-	-	-	-	-
Increase of share in consolidated company	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	(26)	-	(26)
Stock option program for employees	**-**	**6 909**	**-**	**-**	**(2 373)**	**-**	**-**	**-**	**4 536**
- value of services provided by the employees	-	-	-	-	4 536	-	-	-	4 536
- settlement of exercised options	-	6 909	-	-	(6 909)	-	-	-	-
Equity as at 31 December 2005	**115 936**	**1 307 907**	**(2 637)**	**12 388**	**12 967**	**558 000**	**(257 000)**	**207 310**	**1 954 871**

(PLN 000's)

4. Cash Flow Statement

Cash Flow Statement from 1 January 2006 to 31 December 2006 and from 1 January 2005 to 30 December 2005

	Quarter ended 31 December	
	2006	**2005**
A. Cash flow from operating activities - indirect method	**(1 890 762)**	**(2 251 305)**
Profit before income tax	**406 371**	**250 147**
Adjustments:	**(2 297 133)**	**(2 501 452)**
Income taxes paid (negative amount)	33 900	(35 812)
Amortisation	135 779	119 490
Foreign exchange gains (losses)	(16 306)	(138 984)
Gains (losses) on investing activities	(18 442)	(17 282)
Impairment of financial assets	1 308	36 436
Dividends received	(36 594)	(61 281)
Interest paid	935 550	724 771
Change in loans and advances to banks	197 113	(495 848)
Change in trading securities	687 176	(2 856 585)
Change in derivative financial instruments	(146 530)	532 324
Change in loans and advances to customers	(4 711 525)	(1 344 026)
Change in investment securities	(1 906 472)	(209 032)
Change in other assets	34 846	111 029
Change in amounts due to other banks	(29 015)	(1 158 618)
Change in financial instruments and other trading liabilities	(2 589)	(343 048)
Change in amounts due to customers	2 447 945	2 753 899
Change in debt securities in issue	670	(316 011)
Change in provisions	(10 735)	(555)
Change in other liabilities	106 788	197 681
Net cash from operating activities	**(1 890 762)**	**(2 251 305)**
B.Cash flows from investing activities	**(256 575)**	**(37 260)**
Investing activity inflows	**133 005**	**154 214**
Disposal of shares in associates	10 944	-
Disposal of shares in subsidiaries, net of cash disposed	55 078	62 469
Proceeds from sale of intangible assets and tangible fixed assets	25 374	7 492
Other investing inflows	41 609	84 253
Investing activity outflows	**389 580**	**191 474**
Acquisition of associates	38	-
Acquisition of subsidiaries, net of cash acquired	230 540	11 173
Purchase of intangible assets and tangible fixed assets	75 221	100 611
Other investing outflows	83 781	79 690
Net cash used in investing activities	**(256 575)**	**(37 260)**
C. Cash flows from financing activities	**2 957 799**	**440 770**
Financing activity inflows	**4 367 583**	**607 646**
Proceeds from loans and advances from other banks	4 112 064	49 924
Proceeds from other loans and advances	-	120 975
Increase of subordinated liabilities	190 160	405 830
Issue of ordinary shares	65 359	30 917
Financing activity outflows	**1 409 784**	**166 876**
Repayments of loans and advances from other banks	1 174 565	4 876
Repayments of other loans and advances	71 535	50 548
Redemption of debt securities	56 000	-
Other financing outflows	107 684	111 452
Net cash from financing activities	**2 957 799**	**440 770**
Net increase / decrease in cash and cash equivalents (A+B+C)	**810 462**	**(1 847 795)**
(Decrease)/increase in cash and cash equivalents in respect of foreign exchange gains and losses	1 526	(3 325)
Cash and cash equivalents at the beginning of the reporting period	8 139 020	9 990 140
Cash and cash equivalents at the end of the reporting period	**8 951 008**	**8 139 020**

(PLN 000's)

5. Off-Balance-Sheet Items

Off-Balance-Sheet Items as at 31 December 2006 and 31 December 2005

	31.12.2006	31.12.2005
Contingent laibilities granted and received	**14 694 804**	**12 295 996**
Liabilities granted	**13 878 292**	**11 899 701**
- financing	9 974 986	7 719 004
- guarantees	3 903 306	4 180 697
Liabilities received	**816 512**	**396 295**
- financing	651	51 712
- guarantees	815 861	344 583
Liabilities arising from purchase / sale operations	**542 547 690**	**394 115 010**
Other liabilities	**255 889**	**278 663**
Total off-balance-sheet items	**557 498 383**	**406 689 669**

Explanatory Notes to the Consolidated Financial Statements

6. Information concerning the Group of BRE Bank SA

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

- Strategic and infrastructural: Shares and equity interests in companies supporting the different particular business lines of the BRE Bank SA (investment banking business, corporate banking, retail banking, asset management), as well as shares and equity interests in companies providing financial infrastructure or handling spheres that are complementary to the statutory scope of business of the BRE Bank SA. The formation or acquisition of these companies was intended to expand the range of services offered to the clients of the Bank;
- Long term: Investments with an assumed high rate of return and an investment horizon of not less than 2 years; they also comprise equity investments placed in companies listed on the Warsaw Stock Exchange SA with anticipated duration of not less than 6 months, as well as investments in investment funds (National Investment Funds /NIF/ and foreign closed end funds);
- Other: Company shares and equity interests acquired in exchange for receivables, in transactions resulting from composition and work out agreements with creditors, with the intention to recover a part or all claims to loan receivables and insolvent companies under liquidation or receivership.

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

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

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

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

BRE Bank SA: the parent entity

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

On 11 July 2001, the District Court in Warsaw issued the decision on the entry of the Bank in the National Court Registry (KRS) under number KRS 0000025237.

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

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

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

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

Investment Banking

Dom Inwestycyjny BRE Banku SA, subsidiary
BRE Corporate Finance SA, subsidiary
BRE Finance France SA, subsidiary
Tele-Tech Investment Sp. z o.o., subsidiary
Garbary Sp. z o.o., subsidiary

Corporate Banking

BRE Leasing Sp. z o.o., subsidiary
Intermarket Bank AG, subsidiary
Magyar Factor zRt., subsidiary
Transfinance a.s., subsidiary
Polfactor SA, subsidiary
BRE Bank Hipoteczny SA, subsidiary

Asset Management

Powszechne Towarzystwo Emerytalne Skarbiec-Emerytura SA, subsidiary
Skarbiec Asset Management Holding SA, subsidiary
BRE Wealth Management SA (to December 28, 2006 - Skarbiec Investment Management SA), subsidiary

Other Business

Centrum Rozliczeń i Informacji CERI Sp. z o.o., subsidiary
BRE Locum Sp. z o.o., subsidiary

The detailed description of other companies of BRE Bank SA Group companies was presented in the Notes to the Consolidated Financial Statement for the 1st half 2006 published on 15 September 2006.

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

The acquisition of the SIM shares by the Bank is a part of the implementation of the SAMH shares sale agreement concluded on 25 September 2006 between the Bank and Polish Enterprise Fund V., L.P. The Bank informed of the conclusion of the agreement in its report of 26 September 2006.

The final sale transaction of the SAMH shares by the Bank took place on January 08, 2007 of which the Bank reported in the same day (Current report 8/2007). After the transaction the Bank does not possess any shares of SAMH.

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

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

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

Additionally, the Group applied IFRS 5 retrospectively and made adjustments in the profit and loss account for the period from January 01 to December 31, 2006.

The detailed data concerning discontinued operations was presented in the Note 19 this quarterly report.

7. Description of Relevant Accounting Policies

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

2.1. Accounting Basis

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

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

The presented report for Q4 2006 fulfils the requirements of the International Accounting Standard (IAS) 34 concerning interim financial reporting.

The drafting of financial statements in compliance with IFRS requires application of specific accounting estimates. It also requires the Management to apply its own judgment when applying the accounting policies adopted by the Group. The issues in relation to which a greater degree of judgment is required, more complex issues, or such issues which involve a significant degree of application of estimates or judgments for the purpose of the Consolidated Financial Statements are disclosed in Note 3.

2.2. Consolidation

Subsidiaries

Subsidiaries comprise any entities (including special purpose vehicles) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of majority of the voting rights. When assessing whether the Group actually controls the given entity, the existence and impact of potential voting rights that are currently exercisable or convertible are considered. Subsidiary entities are subject to full consolidation from the date of acquisition of control over them by the Group. Their consolidation is discontinued from the date when control is not exercised any longer. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement (see Note 2.14).
Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

Associates

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

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

(PLN 000's)

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

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

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

Company	**Share of voting rights (direct and indirect)**	**Consolidation method**
BRE Bank Hipoteczny SA	100%	full
BRE Corporate Finance SA	100%	full
BRE Wealth Management SA	100%	full
Centrum Rozliczeń i Informacji CERI Sp. z o.o.	100%	full
Dom Inwestycyjny BRE Banku SA	100%	full
Garbary Sp. z o.o.	100%	full
PTE - Skarbiec Emerytura S.A.	100%	full
Tele-Tech Investment Sp. z o.o.	100%	full
BRE Finance France SA	99.99%	full
BRE.locum Sp. z o.o.	79.99%	full
Transfinance a.s.	78.12%	full
Polfactor SA	78.12%	full
Magyar Factor zRt.	78.12%	full
Intermarket Bank AG	56.24%	full
Skarbiec Asset Management Holding SA	53.93%	full
BRE Leasing Sp. z o.o.	50.004%	full

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

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

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

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

2.3. Interest Income and Expenses

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

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

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

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

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

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

2.4. Fee and Commission Income

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

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

2.5. Segment Reporting

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

2.6. Financial Assets

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

Financial assets valued at fair value

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

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

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

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

The Group makes such a classification only if it leads to obtain more helpful information or if a contract includes one or more embedded derivative financial instruments and it is possible to designate a hybrid contract as a component of financial assets (financial liabilities) measured at fair value through profit and loss (only if the embedded derivative doesn't change considerably cash flows, which would be demanded by the contract) or it is obvious without any analysis or just after draft analysis, that if similar a hybrid instrument was considered previously, then a separation of embedded instrument would be forbidden, for example a prepayment option embedded in a loan, which permits the holder to pay a loan at the amount close to its amortized cost.

Loans and Receivables

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

Held to Maturity Investments

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

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

Available for Sale Investments

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

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

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

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

2.7. Offsetting Financial Instruments

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

2.8. Impairment of Financial Assets

Assets Carried at Amortised Cost

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

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

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

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

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

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

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

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

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

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

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

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

2.9. Financial Guarantee Contracts

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

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

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

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

2.10. Cash and Cash Equivalents

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

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

2.11. Sell-buy-back Contracts

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

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

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

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

2.12. Derivative Financial Instruments and Hedge Accounting

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

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

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

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

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

Fair Value Hedges

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

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

Cash Flow Hedges

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

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

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

Derivative Instruments Not Fulfilling the Criteria of Hedge Accounting

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

Market risk instruments:

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

Interest rate risk instruments:

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

Foreign exchange risk instruments:

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

2.13. Loans and advances received

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

2.14. Intangible Assets

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

Goodwill

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

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

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

Computer software

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

Development costs

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

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

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

2.15. Tangible Fixed Assets

Land and buildings consist mainly of branch outlets and offices. Tangible fixed assets are carried at historical cost reduced by depreciation. Historical cost takes into the account the expenses directly attached to the acquisition of the respective assets.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only where it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Any other expenses incurred on repairs and maintenance are expensed to the Profit and Loss Account in the reporting period in which they were incurred.

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

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

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

Residual values and estimated useful life periods are verified at each Balance Sheet date and adjusted accordingly as the need arises.

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

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

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

2.16. Non Current Assets Held for Sale and Discontinued Operation

The Group classifies non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.
For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets (or disposal groups) and it sale must be highly probable, i.e. the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated.

Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

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

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

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

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

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

2.17. Deferred Tax Assets and Liabilities

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

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

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

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

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

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

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

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

2.18. Assets Taken Over for Debts

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

- inventories - at the lower of cost and net realisable value
- properties - as at balance sheet date the Group measures properties taken over in return for debts as investment properties. The Group have chosen fair value model for measuring investment properties.

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

2.19. Prepayments, Accruals and Deferred Income

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

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

2.20. Leasing

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

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

BRE Bank SA Group as a Lessee

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

2.21. Provisions

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

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

2.22. Retirement Benefits and Other Employee Benefits

Retirement Benefits

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

Benefits Based on Shares

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

2.23. Equity

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

Registered share capital

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

a) Share Issue Costs

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

b) Dividends

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

c) Own Shares

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

Share premium

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

Revaluation reserve

Revaluation reserve is formed as a result of:

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

Retained earnings

Retained earnings include:

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

Other supplementary capital, other reserve 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.

Hyperinflationary restatement of equity

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

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

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

Because the effect of the restatement:

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

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

Hyperinflationary adjustments will also have no material effect for the period ended 31 December 2005. The detailed description of restatements for this period was described in the IFRS Consolidated Financial Statements 2005 (Note 38), published on February 28, 2006.

2.24. Valuation of Items Denominated in Foreign Currencies

Functional Currency and Presentation Currency

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

Transactions and Balances

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

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

Companies Belonging to the Group

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

a) assets and liabilities in each presented Balance Sheet are converted at the mid rate of exchange of the National Bank of Poland (NBP) in force at the Balance Sheet date;
b) revenues and expenses in each Profit and Loss Account are converted at the rate equal to the arithmetic mean of the mid rates quoted by NBP on the last day of each of 12 months of each presented periods; whereas
c) all resulting foreign exchange differences are recognised as a distinct item of equity.

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

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

Leasing Business

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

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

2.25. Custody Services Business

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

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

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

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

2.26. Standards, Interpretations and Amendments to Published Standards

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

- IFRIC 7, International Financial Reporting Interpretations Committee (IFRIC), "Applying the Restatement Approach under IAS 29", *"Financial Reporting in Hyperinflationary Economies*", effective for annual periods beginning on or after 1 March 2006.

(PLN 000's)

- IFRIC 8, International Financial Reporting Interpretations Committee (IFRIC), "Scope of IFRS 2", effective for annual periods beginning on or after 1 May 2006.
- IFRIC 9, International Financial Reporting Interpretations Committee (IFRIC), "Reassessment of Embedded Derivatives Financial Instrument", effective for annual periods beginning on or after 1 June 2006.
- IFRS 7, International Financial Reporting Standard (IFRS), *"Financial Instruments: Disclosures Financial Instruments"*, effective for annual periods beginning on or after 1 January 2007.

2.27. Comparative Data

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

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

The following presentation changes have been done:

1. IRS, CIRS and OIS interest is presented in the income statement in the position "Net trading income" and not as previously in the position "Net interest income". In the balance sheet it is presented in the positions: "Derivative financial instruments" in assets and "Derivative financial instruments and other trading liabilities" in liabilities. Previously, it was presented in the balance sheet on the net basis in the positions: "Loans and advances to banks"/"Amounts due to other banks" and "Loans and advances to customers"/"Amounts due to customers".

2. As at 30 June 2006 the Bank applied at the first time the Amendment to IAS 39 "*Financial Guarantee Contracts*" in its financial statements. The necessary comparative data have been adjusted in the financial statements as at 31 December 2005. As a result of the adjustment the following positions have been reduced: "Loans and advances to customer", "Amounts due to customers" and "Other liabilities". Off-balance sheet value of granted guarantee liabilities have been increased.

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

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

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

(PLN 000's)

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

	period from 01-01-2005 to 31-12-2005 (before adjustments)	Adjustments	period from 01-01-2005 to 31-12-2005 (after adjustments)
Derivative financial instruments	1 255 232	9 268	1 264 500
Loans and advances to customers	15 463 514	(87 556)	15 375 958
Amounts due to other banks	4 337 056	(80 307)	4 256 749
Derivative financial instruments and other trading liabilities	1 175 070	96 136	1 271 206
Amounts due to customers	20 443 406	(94 004)	20 349 402
Other liabilities	563 020	(113)	562 907

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

	period from 01-01-2005 to 31-12-2005 (before adjustments)	Adjustments	period from 01-01-2005 to 31-12-2005 (after adjustments)
Liabilities granted			
- guarantees	1 740 953	86 635	1 827 588

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

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

(PLN 000's)

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

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

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

Impairment of loans and advances

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

Fair value of derivative instruments

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

Impairment of equity securities available for sale

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

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

Impairment of debt instruments available for sale

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

Goodwill

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

9. Business Segments

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

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

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

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

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

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

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

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

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

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

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

The Bank's product offer in this business segment targets large firms, small and medium-sized enterprises, as well as local governments. A significant part of the activities in the corporate banking segment consists of services supporting foreign trade transactions. The Bank's offer addressed to businesses includes currency exchange, international transfers, cheques, collection of payments, short-term loans, as well as a whole range of financial tools, such as the purchasing of claims to receivables, forfeiting, letters of credit, bank guarantees, and others. Moreover, clients are offered financial instruments designed to hedge against foreign exchange risk exposure.
Corporate banking includes the results of the following companies: BRE Bank Hipoteczny SA, BRE Leasing Sp. z o.o., Intermarket Bank AG, Polfactor SA, Transfinance a.s., and Magyar Factor zRt. The Bank's offerd is enriched by commercial real estate financing, leasing, factoring.

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

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

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

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

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

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

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

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

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

	Retail Banking (including Private Banking)	Corporate Banking	Investment Banking	Asset Management *	Other	Eliminations	Group
Net interest income	**290 281**	**368 256**	**91 380**	**(18 531)**	**(3 200)**	**(442)**	**727 744**
- sales to external clients	**112 374**	**455 018**	**157 765**	**4 225**	**(1 196)**	**(442)**	**727 744**
- sales to other segments	**177 907**	**(86 762)**	**(66 385)**	**(22 756)**	**(2 004)**	**-**	**-**
Net fee and commission income	**101 845**	**274 480**	**40 852**	**105 803**	**(470)**	**(5 378)**	**517 132**
- sales to external clients	**102 945**	**259 190**	**55 040**	**105 803**	**(468)**	**(5 378)**	**517 132**
- sales to other segments	**(1 100)**	**15 290**	**(14 188)**	**-**	**(2)**	**-**	**-**
Unallocated costs	-	-	-	-	-	-	-
Gross profit / (loss) of the segment	**114 655**	**232 982**	**215 927**	**24 424**	**19 601**	**(31 229)**	**576 360**
Profit / (loss) on operating acitivities	-	-	-	-	-	-	576 472
Contribution of profit / (loss) sharing in associated companies (before tax)	-	-	-	-	-	(112)	(112)
Gross profit (before tax)	**-**	**-**	**-**	**-**	**-**	**-**	**576 360**
Corporate income tax	**-**	**-**	**-**	**-**	**-**	**-**	**(129 966)**
Net profit (loss) attributable to minority interest	**-**	**-**	**-**	**-**	**-**	**-**	**25 136**
Net profit (after tax)	**-**	**-**	**-**	**-**	**-**	**-**	**421 258**
Asset of the segment	**9 118 674**	**14 393 195**	**20 989 770**	**654 743**	**794 467**	**(3 620 268)**	**42 330 581**
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**42 330 581**
Segment's liabilities	**9 490 966**	**13 250 234**	**20 065 613**	**262 241**	**2 881 795**	**(3 620 268)**	**42 330 581**
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**42 330 581**
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(48 873)	(62 299)	(24 722)	(1 514)	(77)	-	(137 485)
Amortization/depreciation	(60 074)	(78 740)	(20 538)	(2 798)	(2 371)	(2 082)	(166 603)
Losses on credits and loans	(60 290)	(287 431)	(42 067)	-	(4 208)	-	(393 996)
Other items without cash outflows, including:	-	(329)	148 468	-	-	-	148 139
- other costs without outflows	-	(203)	(784 598)	-	-	-	(784 801)
- other income without inflows	-	-	923 241	-	-	-	923 241

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

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

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

	Retail Banking (including Private Banking)	Corporate Banking	Investment Banking	Asset Management *	Other	Eliminations	Group
Net interest income	**222 421**	**303 034**	**161 050**	**(25 439)**	**291**	**(8 454)**	**652 903**
- sales to external clients	**(36 232)**	**449 145**	**247 725**	**2 535**	**(1 816)**	**-**	**661 357**
- sales to other segments	**258 653**	**(146 111)**	**(86 675)**	**(27 974)**	**2 107**	**(8 454)**	**(8 454)**
Net fee and commission income	**48 183**	**273 652**	**16 215**	**61 872**	**1 795**	**(8 108)**	**393 609**
- sales to external clients	**48 990**	**259 300**	**29 776**	**61 872**	**1 779**	**-**	**401 717**
- sales to other segments	**(807)**	**14 352**	**(13 561)**	**-**	**16**	**(8 108)**	**(8 108)**
Unallocated costs	-	-	-	-	-	-	-
Gross profit / (loss) of the segment	**19 110**	**175 034**	**199 193**	**(39 941)**	**(11 577)**	**(3 855)**	**337 964**
Profit / (loss) on operating acitivities	-	-	-	-	-	-	338 433
Contribution of profit / (loss) sharing in associated companies (before tax)	-	-	(7)	-	-	(462)	(469)
Gross profit (before tax)	**-**	**-**	**-**	**-**	**-**	**-**	**337 964**
Corporate income tax	**-**	**-**	**-**	**-**	**-**	**-**	**(70 059)**
Net profit (loss) attributable to minority interest	**-**	**-**	**-**	**-**	**-**	**-**	**20 362**
Net profit (after tax)	**-**	**-**	**-**	**-**	**-**	**-**	**247 543**
Asset of the segment	**4 578 528**	**10 475 477**	**20 031 993**	**747 128**	**811 055**	**(3 905 098)**	**32 739 083**
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**32 739 083**
Segment's liabilities	**7 229 632**	**9 925 307**	**17 620 416**	**233 194**	**1 635 632**	**(3 905 098)**	**32 739 083**
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**32 739 083**
Other items of the segment	-	-	-	-	-	-	-
Expenditures incurred on fixed assets and intangible assets	(65 919)	(110 658)	(31 708)	(3 137)	(2 586)	-	(214 008)
Amortisation/depreciation	(45 873)	(63 373)	(25 274)	(2 871)	(2 224)	-	(139 615)
Losses on credits and loans	(82 781)	(276 653)	(42 269)	-	-	-	(401 703)
Other costs/ income without cash outflows/ inflows	-	-	(127 723)	-	(71)	-	(127 794)
- other costs without outflows	-	-	(1 040 455)	-	-	-	(1 040 455)
- other income without inflows	-	-	912 732	-	-	-	912 732

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

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

(PLN 000's)

10. Net Interest Income

	31.12.2006	31.12.2005
Interest income		
Cash and short-term investments	218 804	229 877
Investment securities	89 573	33 280
Amounts due arising from purchased securities with a sale clause	139	2 409
Loans and advances with respect to the unwind of the impairment provision discount	1 242 593	1 051 434
Debt securities	135 004	196 650
Other	14 438	19 489
	1 700 551	**1 533 139**
Interest expense		
Arising from amounts due to banks and customers	(742 510)	(709 458)
Arising from issue of debt securities	(159 533)	(89 068)
Other borrowed funds	(69 026)	(52 267)
Trading debt securities	(2 605)	(9 386)
Other	(2 699)	(22 096)
	(976 373)	**(882 275)**

11. Net Fee and Commission Income

	31.12.2006	31.12.2005
Fee and commission income		
Credit related fees and commissions	121 418	100 501
Fees from brokerage activity	79 514	40 257
Fees from portfolio-management services and other management-related fees	15 048	15 562
Guarantees granted and trade finance commissions	26 143	29 412
Commissions from credit cards	104 316	76 330
Commissions from money transfers	67 500	62 163
Commissions from bank accounts	39 111	44 702
Other	129 721	89 782
	582 771	**458 709**
Fee and commission expense		
Brokerage fees	(24 499)	(18 133)
Credit cards related fees	(77 427)	(64 149)
Other fees	(64 435)	(38 228)
	(166 361)	**(120 510)**

12. Dividend Income

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

(PLN 000's)

13. Net Trading Income

	31.12.2006	31.12.2005
Foreign exchange result	**354 140**	**257 897**
Foreign exchange differences from the translation (net)	226 231	362 766
Transaction gains less losses	127 909	(104 869)
Other trading income	**45 445**	**(24 836)**
Interest-bearing instruments	21 403	(13 241)
Equities	6 560	(3 702)
Market risk instruments	17 482	(7 893)
Total net trading income	**399 585**	**233 061**

14. Gains less losses from investment securities

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

15. Other Operating Income

	31.12.2006	31.12.2005
Sale of tangible and intangible fixed assets and assets held for resale	118 567	73 942
Income from recovering previously designated as uncollectible receivables	5 815	580
Income from compensation, penalties and fines received	1 085	3 030
Income due to release of provisions	20 327	9 568
Proceeds from services provided	69 729	19 880
Other	13 516	27 997
Total other operating income	**229 039**	**134 997**

16. Impairment Losses on Loans and Advances

	31.12.2006	31.12.2005
Amounts due from other banks	(4 578)	-
Loans and advances to customers	(41 383)	(78 841)
Total impairment losses on loans and advances	**(45 961)**	**(78 841)**

17. Overhead Costs

	31.12.2006	31.12.2005
Staff-related expenses (Note 12A)	(475 781)	(403 164)
Material costs	(382 085)	(334 255)
Taxes and fees	(12 568)	(11 565)
Contributions and transfers to the Banking Guarantee Fund	(4 160)	(3 895)
Contribution to the Social Benefits Fund	(3 601)	(1 094)
Other	(1 297)	(14 477)
Total overhead costs	**(879 492)**	**(768 450)**

Staff-related expenses (12A)

	31.12.2006	31.12.2005
Wages and salaries	(385 601)	(319 269)
Social security expenses	(57 412)	(53 752)
Pension fund expenses	(1 383)	(667)
Salaries in form of share option program for employees	(2 213)	(4 536)
Other staff expenses	(29 172)	(24 940)
Staff-related expenses, total	**(475 781)**	**(403 164)**

18. Other Operating Expenses

	31.12.2006	31.12.2005
Costs of selling or scraping fixed assets, intangible assets and assets held for resale	(95 388)	(57 442)
Impairment provisions created for tangible and intangible assets	(2 229)	(68)
Impairment provisions created for other receivables (excluding loans and advances)	(1 376)	(1 497)
Receivables and liabilities recognised as uncollectible and written off	(5 266)	(6 595)
Compensation, penalties and fines paid	(11 429)	(11 661)
Donations made	(2 366)	(3 191)
Impairment losses on other non-financial assets	(828)	(6 944)
Provisions	(20 416)	(10 915)
Costs of services sale	(32 910)	(938)
Other operating costs	(11 460)	(13 916)
Total other operating expenses	**(183 668)**	**(113 167)**

19. Earnings per Share

Earnings per share for 12 months – continued operations

	31.12.2006	31.12.2005
Basic:		
Net profit (loss) from continued operations attributable to shareholders	385 113	262 040
Weighted average number of ordinary shares	29 344 158	28 780 011
Net basic profit (loss) per share (in PLN per share)	**13.12**	**9.10**
Diluted:		
Net profit (loss) attributable to shareholders	385 113	262 040
Net profit (loss) applied for calculation of diluted earnings per share (in thousand PLN)	385 113	262 040
Weighted average number of ordinary shares in issue	29 344 158	28 780 011
Adjustments for:		
- stock options for employees (in thousand PLN)	183 206	98 162
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 527 364	28 878 173
Diluted earnings per share (in PLN per share)	**13.04**	**9.07**

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

Basic:		
Net profit (loss) from continued and discontinued operations attributable to the Company's equity holders (for 12 months)	421 258	247 543
Weighted average number of ordinary shares	29 344 158	28 780 011
Net basic profit (loss) per share (in PLN per share)	**14.36**	**8.60**
Diluted:		
Net profit (loss) attributable to shareholders	421 258	247 543
Net profit (loss) applied for calculation of diluted earnings per share (in thousand PLN)	421 258	247 543
Weighted average number of ordinary shares in issue	29 344 158	28 780 011
Adjustments for:		
- stock options for employees (in thousand PLN)	183 206	98 162
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 527 364	28 878 173
Diluted earnings per share (in PLN per share)	**14.27**	**8.57**

20. Trading Securities and Pledged Assets

	31.12.2006	**31.12.2005**
Debt securities:	**6 148 676**	**6 461 131**
Government bonds included in cash equivalents and pledged government bonds (sell buy back transactions), including:	2 746 487	1 473 639
- pledged government bonds (sell buy back transactions)	1 921 475	40 804
Treasury bills included in cash equivalents and pledged treasury bills (sell buy back transactions), including:	829 649	1 640 129
- pledged treasury bills (sell buy back transactions)	723 289	1 298 166
Other debt securities, including	2 572 540	3 347 363
- pledged deposit certificates (sell buy back transactions)	-	64 767
- pledged corporate bonds (sell buy back transactions)	-	89 988
Equity securities:	**12 237**	**44 554**
- listed	12 237	44 554
Debt and equity securities, other financial instruments at fair value through profit or loss and pledged assets , including:	**6 160 913**	**6 505 685**
- Trading securities	*3 516 149*	*5 011 960*
- Pledged assets	*2 644 764*	*1 493 725*

The note above does not include treasure and money bills under the Bank Guarantee Fund of PLN 57 416 thousand (31 December 2005 respectively: PLN 22 487 thousand), which have been presented in the Note "Investment Securities and Pledged Assets" (Note 17).

(PLN 000's)

21. Loans and Advances to Customers

	31.12.2006	31.12.2005
Loans and advances to individuals:	8 802 524	4 326 918
Loans and advances to corporate entities:	13 110 903	9 564 436
Loans and avances to public sector	529 709	1 222 449
Receivables purchased	1 104 215	987 958
Realised guarantees and warranties	6 324	18 894
Other receivables	328 251	118 914
Total (gross) loans and advances to customers	**23 881 926**	**16 239 569**
Provisions for loans and advances to customers (negative amount)	(837 232)	(863 611)
Total (net) loans and advances to customers	**23 044 694**	**15 375 958**

22. Investment Securities and Pledged Assets

	31.12.2006	31.12.2005
Debt securities	**2 842 902**	**931 059**
- listed	2 806 229	898 210
- unlisted	36 673	32 849
Equity securities	**299 045**	**274 069**
- listed	10 411	15 246
- unlisted	288 634	258 823
Total securities	**3 141 947**	**1 205 128**
Impairment of investment securities	**(29 015)**	**(57 809)**
Total investment securities and pledged assets, including:	**3 112 932**	**1 147 319**
- Available for sale securities	*3 055 516*	*1 124 832*
- Pledged assets	*57 416*	*22 487*

23. Amounts Due to Customers

	31.12.2006	31.12.2005
Corporate customers	15 077 796	12 599 809
Individual customers	9 435 881	7 587 453
Public sector customers	156 179	162 140
Total amounts due to customers	**24 669 856**	**20 349 402**

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

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

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

(PLN 000's)

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

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

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

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

	Year ended 31 December	
	2006	**2005**
Interest income	3 631	2 051
Interest expense	(65)	(12)
Net interest income	**3 566**	**2 039**
Fee and commission income	140 530	84 508
Fee and commission expense	(39 808)	(29 098)
Net fee and commission income	**100 722**	**55 410**
Net trading income, including:	695	874
Foreign exchange result	*-*	*(10)*
Other trading income	*695*	*884*
Gains less losses from investment securities	212	1 092
Other operating income	152	1 179
Overhead costs	(44 281)	(31 898)
Amortization and depreciation	(1 718)	(1 909)
Other operating expenses	(17 469)	(36 397)
Operating profit	**41 879**	**(9 610)**
Profit before income tax from discontinued operations	**41 879**	**(9 610)**
Income tax expense	(5 734)	(4 887)
Net profit (loss) from discontinued operations including minority interest	36 145	(14 497)
Net profit (loss) from discontinued operations including minority interest	-	-
Net profit (loss) from discontinued operations	**36 145**	**(14 497)**

(PLN 000's)

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

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

Selected explanatory information

1. Compliance with International Financial Reporting Standards (IFRS)

The presented Q4 2006 Report fulfils the requirements of the International Accounting Standard (IAS) 34 concerning interim financial reporting.

2. Consistency of accounting principles and calculation methods applied to the drafting of the quarterly report and the last annual financial report

A detailed description of the accounting policy principles of the Group are presented under items 2 and 3 of the IFRS Consolidated Financial Statements for the fourth quarter 2006. The accounting policies were applied consistently over all of the presented periods.

3. Seasonal or cyclical nature of the business

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

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 4 October 2006, the Bank concluded with Skarbiec Asset Management Holding S.A. ("SAMH"), the subject whose 100% of basic capital belongs to the Bank, the sale contract by the Bank to SAMH of 62 000 SAMH shares of nominal value PLN 1 000 each.

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

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

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

  The value of the SAMH shares sold, in Bank ledgers amounted to PLN 43 592 900 and their value in SAMH ledgers amounts to PLN 62 000 000. SAMH will finance the acquisition of the aforementioned shares from own assets.

  SAMH acquired the shares in order to amortise them. The transaction did not have an influence on consolidated net profit.
  As at 31 December 2006 The Bank owned 72 582 SAMH shares, which constituted 53.93% of SAMH initial capital and authorised to the execution of 72 582 votes on SAMH general meeting, which constituted 53.93% of the overall number of votes on the SAMH general meeting.

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

- On 17 October 2006, the Bank received contracts concluded on 25 September 2006, signed by all the parties between BRE Bank SA, Bank Handlowy w Warszawie SA and Bank BPH SA ("Organisers") and the Południowy Koncern Energetyczny SA ("Issuer"), including the Guarantee Contract concerning the organisation and servicing of the Bond Issue Programme for the amount of PLN 650 000 000 by the Issuer ("Program") and obliging to take up the issued bonds within the bond Programme ("Bonds") by the Organisers.

  The Guarantee Contract has been concluded for the period up to 1 June 2009.

  Bonds with maturity date of up to 10 years denominated in zlotys may be issued within the scope of the Programme. Each Organiser pledged to acquire on his own account Bonds up to the sum of PLN 217 000 000 (1/3 of Program amount each) in keeping with the schedule and on conditions stipulated in the Guarantee Contract among other things ("Obligation").

  The obligation of each Organiser is individual and none of them bears responsibility for the execution of obligations by the remaining Organisers.

  The assets acquired from the Programme will be used for financing the investment project consisting in the construction of a 460 MW power unit ("Project").

  The bonds will be ready for acquisition in a way defined in article 9 point 3 of the Law on bonds of 29 June 1995 (Dz. U. of 2001 No. 120, item 1300 with later amendments) and will be fully secured.

  The issue of Bonds will occur upon condition of fulfilling a number of conditions indispensable for launching the Programme normally applied by banks while financing the investment projects and bond issue.

  The bonds will bear interests according to a floating interest rate based on WIBOR rate.

  The criterion for the recognition of the Guarantee Contract as meaningful for BRE Bank SA, is the value of the part of the Obligation granted by BRE Bank SA, which, on the day of the conclusion of the Guarantee Contract exceeds the value of 10% of BRE Bank SA basic capital.

- On 25 October 2006 the BRE Bank ("Bank") and Commerzbank AG signed an agreement whereunder the Bank will borrow a loan of CHF 500 000 000 (PLN 1 222 100 000 at the NBP average rate of 25 October 2006) for general financing requirements of the Bank.

  The loan is granted for the term of two years and one day, the interest rate is LIBOR plus 0.15% p.a.

  The agreement does not provide for any penalties in excess of EUR 200 000 or any conditions precedent or terminating conditions.

- On 27 December 2006, BRE Bank SA ("Bank") acquired under a shares sale agreement 22 415 shares of Skarbiec Investment Management SA ("SIM") with the nominal value of PLN 100 per share from its subsidiary Skarbiec Asset Management Holding SA ("SAMH").

  The said shares represent 100% of the share capital of SIM and give 22 415 votes at SIM's General Meeting, equivalent to 100% of all votes at SIM's General Meeting.

  SAMH sold the said shares for PLN 12 000 000.

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

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

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

  The said SIM shares fulfil the criteria of assets of significant value as a percentage share in SIM's equity.

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

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 Q4 2006 there were no significant changes in estimate values of items presented in the previous financial periods.

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

In Q4 2006 there was a repurchase of deposit certificates by BRE Bank amounting to PLN 10 000 thousand. In the fourth quarter 2006 BRE Leasing issued short term bonds amounting to PLN 321 000 thousand. In the same period, the company repurchased short term bonds in amount of PLN 419 600 thousand. Moreover BRE Bank Hipoteczny in Q4 2006 issued bonds amounting to PLN 1 619 227 thousand. In the same period the company repurchased bonds in amount of PLN 1 528 200 thousand and mortgage bonds amounting to PLN 50 000 thousand.
In Q4 2006 there was also a repurchase of euronotes issued by BRE Finance France in October 2003 in amount of EUR 200 000.

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

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

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

8. Income and profit by business segment

Income and profit by business segment within the Group are presented under item 4 of the Notes to the Consolidated Financial Statements.

9. Significant events after the end of the fourth quarter, which were not reflected in the financial statement

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

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

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

  SAMH purchased own shares in order to redeem the same. The procedure to reduce share capital of SAMH is currently in progress.

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

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

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

  Total impact of the transaction on consolidated gross result of BRE Bank Group in 2007, will amount to ca PLN 100 million.

10. The effect of changes in the structure of the entity in Q4, including business combinations, acquisitions or disposal of subsidiaries, and long-term investments, restructuring, and discontinuation of business activities

Except the change described under item 4 of "Selected Explanatory Information" concerning the SAMH shares Sale Agreement and purchase of shares BRE Wealth Management SA, in Q4 2006 the above mentioned events in a significant scope for the Group did not occur.

11. Changes in off-balance sheet liabilities

In Q4 2006 there were no changes in off-balance sheet liabilities of a credit nature, i.e., guarantees, letters of credit or unutilised loan amounts, other than resulting from current operating activities of the Group. There was no single case of granting of guarantees or any other contingent liability of any material value for the Group, except of transaction described under item 9 of "Selected Explanatory Information".

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 Group.

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 Q4 2006 no significant impairment loss write-offs were recorded in relation to any tangible fixed assets intangible assets, and other assets, nor were any reversals on such account recorded within the Group.

14. Reversals of provisions against restructuring costs

The above indicated events did not occur in the Group.

15. Acquisitions and disposals of tangible fixed asset items

In Q4 2006 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.

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

The above indicated events did not occur in the Group.

17. Corrections of errors from previous reporting periods

In Q4 2006 there were no corrections of errors from previous reporting periods.

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

The above indicated events did not occur in the Group.

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 quarterly report compared to the forecast

BRE Bank did not publish a performance forecast for 2006. The description of the business strategy and goals of the Bank published in current report no. 19/2006 is not a performance forecast in the sense of § 5.1.25 of the Regulation on current and periodic reports published by issuers of securities (Journal of Laws from 2005, No. 209, item 1744).

20. Registered share capital

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

(PLN 000's)

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	-	-	9 970 000	39 880 000	fully paid up in cash	23-12-86	01-01-89
11-12-86	ordinary registered	-	-	30 000	120 000	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*
Total number of shares				**29 516 035**				
Total registered share capital					**118 064 140**			
Nominal value per share			4					

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

21. Material share packages

There was a change in the holding of material share packages of BRE Bank SA from the publication of the previous quarterly report.

Commerzbank Auslandsbanken Holding AG is a shareholder holding over 5% of the share capital and votes at the General Meeting. As at 31 December 2006 Commerzbank Auslandsbanken Holding AG held 70.1981% of the share capital and votes at the General Meeting of BRE Bank SA (as at 30 September 2006 – 70.33%).

22. Change in Bank shares and options held by Managers and Supervisors

	Number of shares held as at the date of publishing the report for the Q3 2006	Number of shares acquired in Q4 2006	Number of shares sold in Q4 2006	Number of shares held as at the date of publishing the report for the Q4 2006
Management Board				
1. Sławomir Lachowski	100	-	-	100
2. Bernd Loewen	-	5 609	5 609	-
3. Rainer Ottenstein	-	-	-	-
4. Jerzy Jóźkowiak	15 218	-	13 844	1 374
5. Wiesław Thor	-	2 000	2 000	-
6. Janusz Wojtas	-	-	-	-
Supervisory Board				
1. Krzysztof Szwarc	8 000	-	4 000	4 000

	Number of options held as at the date of publishing the report for the Q3 2006	Number of options acquired in Q4 2006	Number of options sold in Q4 2006	Number of options held as at the date of publishing the report for the Q4 2006
Management Board				
1. Sławomir Lachowski	7 888	-	-	7 888
2. Jerzy Jóźkowiak	-	-	-	-
3. Bernd Loewen	5 609	-	5 609	-
4. Rainer Ottenstein	-	-	-	-
5. Wiesław Thor	16 018	-	2 000	14 018
6. Janusz Wojtas	11 218	-	-	11 218

23. Earnings per share (stand alone data)

Earnings per share for 12 months

	31.12.2006	31.12.2005
Basic:		
Net profit (loss)	324 194	207 310
Weighted average number of ordinary shares	29 344 158	28 780 011
Net basic profit (loss) per share (in PLN per share)	**11.05**	**7.20**
Diluted:		
Net profit (loss)	324 194	207 310
Net profit (loss) applied for calculation of diluted earnings per share	324 194	207 310
Weighted average number of ordinary shares in issue	29 344 158	28 780 011
Adjustments for:		
- stock options for employees (in thousand PLN)	183 206	98 162
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 527 364	28 878 173
Diluted earnings per share (in PLN per share)	**10.98**	**7.18**

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

As at 31 December 2006, BRE Bank was not involved in any proceedings before a court, arbitration body, or public administration authority concerning liabilities of the Bank or its subsidiaries which value would be equal to or greater than 10% of the Group's equity. The total value of claims concerning liabilities of the Bank or its subsidiaries in all proceedings before a court, an arbitration body or a public administration authority underway at 31 December 2006 was PLN 325 575 thousand, equal to 13.84% of the issuer's equity. Below is a report on major proceedings concerning 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 3 697 000 was sent back for further recognition to the Court of Appeal and the claims above that amount were dismissed. On Nevember 8, 2006, the Ourt of Appeal dismissed the claim in part, which was send back for further recognition by the Supreme Court. This verdict has the force of law.

Proceedings for the claims were also opened against BRE BANK SA in the Court of Jerusalem, Israel, and the value of the dispute is USD 43.4 million (PLN 126.3 million according to the average exchange rate of the National Bank of Poland on 30 September 2006). In these proceedings, BRE Bank SA assists the main defendant, Bank Leumi Le Israel. BRE Bank SA's liability is under recourse, and depends on whether the court grants ART-B's claims against Bank Leumi. Only then will the court consider Bank Leumi's claims against BRE BANK SA. The Israeli proceedings are still at the pre-trial stage (prior to the first hearing). Bank Leumi and ART-B have come to an agreement concerning arbitration. For reasons of procedure, BRE BANK SA has joined the process, which does not imply its acceptance of the claims or readiness to make a settlement. The probability of dismissal of the claims against BRE Bank SA by the court in Israel has increased considerably in connection with the decision of the Polish court in favour of BRE BANK SA, therefore no provisions is created.

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, therefore no provisions is created.

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, therefore no provisions is created.

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 million, therefore no provisions is created.

As at 31 December 2006, 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 31 December 2006 was PLN 261 919 thousand equal to 11.13% of the issuer's equity.

(PLN 000's)

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

	Client's name	*Disputed matter*	*Value of the dispute in PLN at 31.12.2006*	*Type of proceedings*	*Proceedings opened on*
1.	Stocznia Szczecińska PORTA Holding SA w upadłości	Loan	53 709 871.39	Bankruptcy	2002-07-29
2.	Kama Foods SA	Loan	32 919 115.34	Bankruptcy	2003-06-05
3.	HELLENA SA P.P.	Loan	13 839 947.10	Bankruptcy	2005-07-06

Contingent commitments of DI BRE due to Investor Compensation Scheme

DI BRE forecasts that in connection with declaring bankruptcy by brokerage house Warszawska Grupa Inwestycyjna (WGI) the amount due to Investor Compensation Scheme (KSR) for claims of WGI's clients might increase. Owing to the lack of possibility to estimate amount of claims of WGI's clients and the fact, that National Depository for Securities (KDPW) did not announced the information on possible payments to Investor Compensation Scheme, DI BRE did not create the provision. The provision will be created when KDPW confirms the necessity of additional payments to KSR.

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 25 October 2006 the BRE Bank ("Bank") and Commerzbank AG signed an agreement whereunder the Bank will borrow a loan of CHF 500 000 000 (PLN 1 222 100 000 at the NBP average rate of 25 October 2006) for general financing requirements of the Bank.

The loan is granted for the term of two years and one day, the interest rate is LIBOR plus 0.15% p.a.

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

(PLN 000's)

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

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

Numerical data concerning transactions with affilaited entities (in thousand PLN) - 31 December 2005

No.	Company's name	Balance sheet		Income Statement				Off balance sheet		
		Receivables	Liabilities	Interest income	Interest cost	Commission income	Commission cost	Commitments granted	Commitments received	Purchase/Sale commitments
	Subsidiaries									
1	BRE Bank SA	792 022	2 802 940	34 654	(76 860)	7 067	(2 869)	2 777 719	0	911
2	BRE Corporate Finance SA	2 143	0	47	(1)	0	(46)	0	2 896	0
3	Dom Inwestycyjny BRE Bank SA	276 395	48 516	9 005	(676)	2 771	(1 070)	0	535	0
4	BRE International Finance B.V.	0	0	9 969	0	0	0	0	0	0
5	PTE Skarbiec Emerytura SA	4 341	0	156	0	0	0	0	0	0
6	Skarbiec Asset Management Holding SA	32 036	527	508	(168)	80	(5 262)	0	60 667	0
7	BRE Leasing Sp. z o.o.	47 755	301 424	878	(6 727)	0	(20)	0	0	911
8	Polfactor S.A.	1 476	162 512	0	(8 794)	0	(343)	0	232 376	0
9	Intermarket Bank AG	0	69 476	0	(1 935)	0	0	0	0	0
10	Centrum Rozliczeń i Informacji CERI Sp. z o.o.	8 442	210	375	0	0	0	0	0	0
11	BRE Finance France SA	2 417 227	0	55 430	0	0	0	0	2 444 988	0
12	TV-Tech Investment 1 Sp. z .o.o.	796	0	78	(8 426)	0	0	0	0	0
13	Garbary Sp. z o.o.	2 317	1 201	91	0	0	0	0	0	0
14	BRE.locum Sp. z o.o.	1 971	38 807	199	(2 662)	0	(285)	0	36 000	0
15	ServicePoint Sp. z o.o.	433	0	1	0	0	(2)	0	0	0
16	FAMCO SA	2 411	0	33	0	0	(2)	0	0	0
17	BRELINVEST Sp. z o.o. Fly 2 Sp. komandytowa	16	0	13	0	0	0	0	0	0
18	BRELIM Sp. z o.o.	37	0	0	0	0	0	0	0	0
19	BREL-MAR Sp. z o.o.	25	0	0	0	0	0	0	0	0
20	AMBRESA Sp. z o.o.	1 342	0	2	0	0	(1)	0	0	0
21	TV-Tech Investment 2 Sp. z .o.o.	31	0	0	0	0	(1)	0	0	0
22	EMFINANSE Sp. z o.o.	950	0	8	0	0	(2)	0	0	0
23	MKF Sp z o.o.	87	0	0	0	0	(1)	0	0	0
24	BREL-RES Sp. z o.o.	886	95 870	14	(1 596)	0	(1)	0	0	0
25	BREL-AG Sp. z.o.o.	87	10 310	0	(178)	0	0	0	0	0
26	BREL-AL Sp. z o.o	92	15 951	0	(372)	0	(7)	0	0	0
27	BREL-FIN Sp. z o.o	42	0	0	0	0	0	0	0	0
28	BRELINVEST Sp. z o.o.	51	0	49	0	0	(1)	0	0	0
29	RAVENNA Katowice Sp. z o.o.	17	0	0	0	0	0	0	0	0
30	BMF Capital Sp. z o.o.	24	0	0	0	0	0	0	0	0
	Associated									
1	Xtrade SA	0	78	0	(1)	18	(3)	0	0	0
2	Tele-Tech Investment Sp. z o.o.	1 271	47 140	4	(3 118)	0	0	0	5	0
3	NOVITUS SA (dawniej Optimus IC SA)	239	0	0	0	0	(20)	0	252	0
	Commerzbank AG Group	793 318	2 209 083	23 575	(84 838)	0	0	37 564	0	0

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 31 December 2006 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 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.

Moreover in November 2006 expired one of four guarantees of the redemption of euronotes issued by order of BRE Finance France SA of EUR 200 million which took effect in November 2003.

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

There is no such information.

28. Factors affecting the results in the coming quarter

Other than the day-to-day operations of the Bank and the companies of the Group, and except for the sale of SAMH described in item 9 of "Selected explanatory notes" no events that might significantly affect the results of the quarter are expected to occur in 1Q 2007.