BRE BANK SA

BRE Bank SA

Concise IFRS Financial Statements for the first half of 2008

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1. Selected Financial Data

The selected financial data are supplementary information to these concise financial statements of BRE Bank SA for the first half of 2008.

	SELECTED FINANCIAL DATA FOR THE BANK	in'000 PLN (functional currency)		in'000 EUR	
		1st half of 2008 from 2008-01-01 to 2008-06-30	1st half of 2007 from 2007-01-01 to 2007-06-30	1st half of 2008 from 2008-01-01 to 2008-06-30	1st half of 2007 from 2007-01-01 to 2007-06-30
I.	Interest income	1 280 222	818 613	368 134	212 704
II.	Fee and commission income	341 479	272 228	98 194	70 734
III.	Net trading income	242 879	250 613	69 841	65 118
IV.	Operating profit	695 726	509 918	200 059	132 494
V.	Profit before income tax	695 726	509 918	200 059	132 494
VI.	Net profit	660 072	422 224	189 807	109 708
VII.	Net cash flows from operating activities	271 694	(1 752 688)	78 127	(455 409)
VIII.	Net cash flows from investing activities	237 579	116 433	68 317	30 253
IX.	Net cash flows from financing activities	2 911 920	25 831	837 336	6 712
X.	Net increase / decrease in cash and cash equivalents	3 421 193	(1 610 424)	983 780	(418 444)
XI.	Total assets	55 972 690	42 013 399	16 687 344	11 156 567
XII.	Amounts due to the Central Bank	-	-	-	-
XIII.	Amounts due to other banks	11 018 843	5 464 678	3 285 088	1 451 133
XIV.	Amounts due to customers	35 999 979	30 056 978	10 732 806	7 981 565
XV.	Equity	3 580 918	2 865 667	1 067 592	760 972
XVI.	Share capital	118 752	118 256	35 404	31 403
XVII.	Number of shares	29 687 937	29 564 034	29 687 937	29 564 034
XVIII.	Book value per share (in PLN/EUR per share)	120.62	96.93	35.96	25.74
XIX.	Diluted book value per share (in PLN/EUR per share)	120.59	96.52	35.95	25.63
XX.	Capital adequacy ratio	9.40	10.95	9.40	10.95
XXI.	Earnings per 1 ordinary share (in PLN/EUR per share) (for 6 months)	22.25	14.30	6.40	3.71
XXII.	Diluted earnings per 1 ordinary share (in PLN/EUR per share) (for 6 months)	22.24	14.23	6.40	3.70
XXIII.	Declared or paid dividend per share (in PLN/EUR per share)	-	-	-	-

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

- for balance sheet items – an exchange rate announced by the National Bank of Poland as at 30 June 2008: EUR 1 = PLN 3.3542 and an exchange rate announced by the National Bank of Poland as at 30 June 2007: EUR 1 = PLN 3.7658
- for profit and loss account items – an exchange rate calculated as the arithmetic mean of exchange rates announced by the National Bank of Poland as at the end of each month of the first half 2008 and 2007: EUR 1 = PLN 3.4776 and EUR 1 = PLN 3.8486 respectively.

Concise IFRS Financial Statements for the first half of 2008 PLN (000's)

2. Concise Financial Data

Income Statement

for the period	from 01.01.2008 to 30.06.2008	from 01.01.2007 to 30.06.2007
Interest income	1 280 222	818 613
Interest expense	(766 678)	(461 937)
Net interest income	**513 544**	**356 676**
Fee and commission income	341 479	272 228
Fee and commission expense	(120 397)	(78 981)
Net fee and commission income	**221 082**	**193 247**
Dividend income	62 995	37 558
Net trading income, including:	242 879	250 613
Foreign exchange result	*251 220*	*206 456*
Other trading income	*(8 341)*	*44 157*
Gains less losses from investment securities	264 337	135 787
Other operating income	21 693	18 549
Impairment losses on loans and advances	(63 615)	163
Overhead costs	(483 711)	(402 947)
Amortization and depreciation	(74 066)	(70 539)
Other operating expenses	(9 412)	(9 189)
Operating profit	**695 726**	**509 918**
Profit before income tax	**695 726**	**509 918**
Income tax expense	(35 654)	(87 694)
Net profit	**660 072**	**422 224**
Net profit	**660 072**	**422 224**
Weighted average number of ordinary shares	**29 670 203**	**29 535 896**
Earnings per 1 ordinary share (in PLN)	**22.25**	**14.30**
Weighted average number of ordinary shares for diluted earnings	**29 676 607**	**29 661 994**
Diluted earnings per 1 ordinary share (in PLN)	**22.24**	**14.23**

Concise IFRS Financial Statements for the first half of 2008 PLN (000's)

Balance Sheet

as at	30.06.2008	31.12.2007	30.06.2007
ASSETS			
Cash and balances with the Central Bank	2 879 939	1 998 380	2 555 019
Debt securities eligible for rediscounting at the Central Bank	24 536	23 259	34 005
Loans and advances to banks	4 695 699	2 166 310	2 424 084
Trading securities	4 498 528	4 575 320	4 495 222
Derivative financial instruments	2 497 513	2 263 845	1 611 247
Loans and advances to customers	31 494 680	26 378 887	22 752 668
Investment securities	5 116 882	6 226 318	3 877 987
- Available for sale	5 116 882	6 226 318	3 877 987
Non-current assets held for sale	468 039	335 819	335 819
Pledged assets	2 590 139	2 812 277	2 473 770
Investments in subsidiaries	444 808	449 098	451 870
Intangible assets	382 492	379 504	348 477
Tangible fixed assets	538 637	532 175	463 096
Deferred income tax assets	67 730	2 824	-
Other assets	273 068	224 721	190 135
Total assets	**55 972 690**	**48 368 737**	**42 013 399**
EQUITY AND LIABILITIES			
Amounts due to other banks	11 018 843	7 931 827	5 464 678
Derivative financial instruments and other trading liabilities	2 566 015	2 181 420	1 569 675
Amounts due to customers	35 999 979	32 734 316	30 056 978
Debt securities in issue	37 173	36 810	36 490
Subordinated liabilities	1 993 213	1 661 785	1 473 771
Other liabilities	599 876	552 894	380 765
Current income tax liabilities	96 209	120 659	76 529
Deferred income tax liabilities	65	62	25 442
Provisions	80 399	68 831	63 404
Total liabilities	**52 391 772**	**45 288 604**	**39 147 732**
Equity			
Share capital:	**1 521 294**	**1 517 432**	**1 503 744**
- Registered share capital	118 752	118 643	118 256
- Share premium	1 402 542	1 398 789	1 385 488
Revaluation reserve	**(87 592)**	**79 231**	**89 065**
Retained earnings:	**2 147 216**	**1 483 470**	**1 272 858**
- Profit for the previous years	1 487 144	846 239	850 634
- Net profit for the current year	660 072	637 231	422 224
Total equity	**3 580 918**	**3 080 133**	**2 865 667**
Total equity and liabilities	**55 972 690**	**48 368 737**	**42 013 399**
Capital adequacy ratio	**9.40**	**10.65**	**10.95**
Book value	**3 580 918**	**3 080 133**	**2 865 667**
Number of shares	**29 687 937**	**29 660 668**	**29 564 034**
Book value per share (in PLN)	**120.62**	**103.85**	**96.93**
Diluted number of shares	**29 694 341**	**29 690 132**	**29 690 132**
Diluted book value per share (in PLN)	**120.59**	**103.74**	**96.52**

Concise IFRS Financial Statements for the first half of 2008 PLN (000's)

Statements of Changes in Equity

Changes in equity from 1 January 2008 to 30 June 2008

	Share capital		Revaluation reserve	Retained earnings					Total equity
	Registered share capital	Share premium		Supplementary capital	Other reserve capital	General risk fund	Profit from the previous years	Profit for the current year	
Equity as at 1 January 2008	**118 643**	**1 398 789**	**79 231**	**286 893**	**1 346**	**558 000**	**637 231**	**-**	**3 080 133**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-
- adjustment of errors	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2008	**118 643**	**1 398 789**	**79 231**	**286 893**	**1 346**	**558 000**	**637 231**	**-**	**3 080 133**
Net change in financial assets available for sale, net of tax	-	-	(164 564)	-	-	-	-	-	(164 564)
Currency translation differences	-	-	(2 259)	-	-	-	-	-	(2 259)
Net profit not recognised in the income statement	**-**	**-**	**(166 823)**	**-**	**-**	**-**	**-**	**-**	**(166 823)**
Net profit	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**660 072**	**660 072**
Total profit recognised in the current year	**-**	**-**	**(166 823)**	**-**	**-**	**-**	**-**	**660 072**	**493 249**
Transfer to General Banking Risk Fund	-	-	-	-	-	50 000	(50 000)	-	-
Transfer to supplementary capital	-	-	-	587 231	-	-	(587 231)	-	-
Issue of shares	109	2 513	-	-	-	-	-	-	2 622
Other changes	-	-	-	(1)	-	-	-	-	(1)
Stock option program for employees	-	1 240	-	-	3 675	-	-	-	4 915
- value of services provided by the employees	-	-	-	-	*4 915*	-	-	-	*4 915*
- settlement of exercised options	-	*1 240*	-	-	*(1 240)*	-	-	-	-
Equity as at 30 June 2008	**118 752**	**1 402 542**	**(87 592)**	**874 123**	**5 021**	**608 000**	**-**	**660 072**	**3 580 918**

Changes in equity from 1 January 2007 to 31 December 2007

	Share capital		Revaluation reserve	Retained earnings					Total equity
	Registered share capital	Share premium		Supplementary capital	Other reserve capital	General risk fund	Profit from the previous years	Profit for the current year	
Equity as at 1 January 2007	**118 064**	**1 378 882**	**3 959**	**12 388**	**7 275**	**558 000**	**274 505**	**-**	**2 353 073**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-
- adjustment of errors	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2007	**118 064**	**1 378 882**	**3 959**	**12 388**	**7 275**	**558 000**	**274 505**	**-**	**2 353 073**
Net change in financial assets available for sale, net of tax	-	-	78 166	-	-	-	-	-	78 166
Currency translation differences	-	-	(2 894)	-	-	-	-	-	(2 894)
Net profit not recognised in the income statement	**-**	**-**	**75 272**	**-**	**-**	**-**	**-**	**-**	**75 272**
Net profit	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**637 231**	**637 231**
Total profit recognised in the current year	**-**	**-**	**75 272**	**-**	**-**	**-**	**-**	**637 231**	**712 503**
Transfer to supplementary capital	-	-	-	274 505	-	-	(274 505)	-	-
Issue of shares	579	13 330	-	-	-	-	-	-	13 909
Stock option program for employees	-	6 577	-	-	(5 929)	-	-	-	648
- value of services provided by the employees	-	-	-	-	*648*	-	-	-	*648*
- settlement of exercised options	-	*6 577*	-	-	*(6 577)*	-	-	-	-
Equity as at 31 December 2007	**118 643**	**1 398 789**	**79 231**	**286 893**	**1 346**	**558 000**	**-**	**637 231**	**3 080 133**

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Changes in equity from 1 January 2007 to 30 June 2007

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

Concise IFRS Financial Statements for the first half of 2008 PLN (000's)

Cash Flow Statement

for the period	from 01.01.2008 to 30.06.2008	from 01.01.2007 to 30.06.2007
A. Cash flow from operating activities	**271 694**	**(1 752 688)**
Profit before income tax	**695 726**	**509 918**
Adjustments:	***(424 032)***	***(2 262 606)***
Income taxes paid (negative amount)	(118 417)	(8 593)
Amortisation	74 066	70 539
Foreign exchange (gains) losses	(106 040)	(77 838)
(Gains) losses on investing activities	(269 993)	(92 370)
Impairment of financial assets	5 700	-
Dividends received	(60 444)	(36 200)
Interest paid	739 480	528 970
Change in loans and advances to banks	(800 932)	24 301
Change in trading securities	1 114 935	(660 723)
Change in derivative financial instruments	(233 668)	(200 217)
Change in loans and advances to customers	(5 115 793)	(5 062 912)
Change in investment securities	808 679	(846 437)
Change in other assets	(43 689)	16 169
Change in amounts due to other banks	330 386	171 532
Change in financial instruments and other trading liabilities	384 595	301 850
Change in amounts due to customers	2 798 443	3 689 531
Change in debt securities in issue	363	275
Change in provisions	11 568	(3 970)
Change in other liabilities	56 729	(76 513)
Net cash from operating activities	**271 694**	**(1 752 688)**
B.Cash flows from investing activities	**237 579**	**116 433**
Investing activity inflows	**324 670**	**204 602**
Disposal of stocks or shares in subsidiaries, net of cash disposed	-	165 600
Disposal of intangible assets and tangible fixed assets	191	2 802
Other investing inflows	324 479	36 200
Investing activity outflows	**87 091**	**88 169**
Acquisition of stocks or shares in subsidiaries	5	29 053
Acquisition of intangible assets and tangible fixed assets	87 086	36 241
Other investing outflows	-	22 875
Net cash used in investing activities	**237 579**	**116 433**
C. Cash flows from financing activities	**2 911 920**	**25 831**
Financing activity inflows	**4 702 684**	**1 201 966**
Proceeds from loans and advances from other banks	3 953 210	228 910
Increase of subordinated liabilities	746 852	968 440
Issue of ordinary shares	2 622	4 616
Financing activity outflows	**1 790 764**	**1 176 135**
Repayments of loans and advances from other banks	1 170 719	119 068
Repayments of other loans and advances	102 798	9 833
Decrease of subordinated liabilities	359 500	967 075
Payments of financial lease liabilities	4 832	-
Other financing outflows	152 915	80 159
Net cash from financing activities	**2 911 920**	**25 831**
Net increase / decrease in cash and cash equivalents (A+B+C)	**3 421 193**	**(1 610 424)**
(Decrease)/increase in cash and cash equivalents in respect of foreign exchange gains and losses	6 105	(5 985)
Cash and cash equivalents at the beginning of the reporting period	7 508 153	8 951 008
Cash and cash equivalents at the end of the reporting period	**10 935 451**	**7 334 599**

3. Description of Relevant Accountig Policies

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

3.1. Accounting Basis

The concise financial statements of BRE Bank SA have been prepared for the 6 month period ended 30 June 2008.

The presented concise H1 2008 Report fulfills the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting", concerning interim financial statements.

The consolidated financial statements of the Group, which constitute an integral part of the concise financial statements, are publicly available together with the concise financial statements. These concise financial statements should be read in conjunction with the consolidated financial statements of the Group to obtain a complete understanding of result and financial position of the issuer.

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

3.2. Interest Income and Expenses

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

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

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

Interest income includes interest and commissions received or due on account of loans, inter-bank deposits and 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 on impaired loans is recognised in interest income on the basis of interest rates used to discount the future cash flows for the purpose of measuring impairment loss.

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

3.3. Fee and Commission Income

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

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

3.4. Financial Assets

The Bank classifies its financial assets to the following categories: financial assets valued at fair value through the Profit and Loss Account, loans and receivables, investments held to maturity and 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 to this category by the Bank. Derivative instruments are also classified as "held for trading", unless they were designated for hedging.

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

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

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

If a contract contains one or more embedded derivatives, the Bank designates the entire hybrid (combined) contract as a financial asset or financial liability at fair value through the Profit and Loss Account provided that:

a) the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or
b) it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited, such as a prepayment option embedded in a loan that permits the holder to prepay the loan for approximately its amortised cost.

The Bank also designates the financial assets / liabilities at fair value through profit or loss when doing so results in more relevant information, because either

a) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
b) a group of financial assets, financial liabilities or both is properly managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

Financial assets and liabilities classified to this category are valued at fair value upon initial recognition.

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

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

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 Bank supplies monetary assets, goods or services directly to the debtor, without any intention of trading the receivable.

Held to Maturity Financial Assets

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

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

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

Available for Sale Financial Assets

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

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

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

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

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

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

Investments in subsidiaries and associates

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

3.5. Offsetting Financial Instruments

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

3.6. Impairment of Financial Assets

Assets Carried at Amortised Cost

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

a) significant financial difficulties of an issuer or obligor;

b) a breach of contract, such as default or delinquency in interest or principal payments;

c) concessions granted by the Bank to a borrower caused by the economic or legal aspects of such borrower's financial difficulties, which would not have been taken into account under different circumstances;

d) probability of bankruptcy or other financial reorganisation of the debtor;

e) disappearance of the active market for the respective financial asset caused by financial difficulties; or

f) noticeable data indicating a measurable decrease of estimated future cash flows attached to a group of financial assets since the time of their initial recognition, even if such reduction cannot yet be assigned to particular items of the respective group of financial assets, including:
   - adverse changes in the payment status of borrowers; or
   - economic situation of the country or on the local market causing the impairment of assets belonging to the respective group.

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

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

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

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

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

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

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

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

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

Assets Measured at Fair Value

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

Renegotiated agreements

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

3.7. Financial Guarantee Contracts

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

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

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

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

3.8. Cash and Cash Equivalents

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

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

3.9. Sell-buy-back, Buy-sell-back, Reverse Repo and Repo Contracts

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

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

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

Neither securities borrowed under "buy-sell-back" transactions nor securities lent under "sell-buy-back" transactions are recognised as financial assets.

As a result of "sell-buy-back" transactions concluded on securities held by the Bank, financial assets are transferred in such way that they do not qualify for derecognising. Thus, the Bank retains substantially all risks and rewards of ownership of the financial assets.

3.10. Derivative Financial Instruments and Hedge Accounting

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

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

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

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

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

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

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

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

Fair Value Hedges

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

In case a hedge has ceased to fulfil the criteria of hedge accounting, the adjustment to the carrying value of the hedged item for which the effective interest method is used is amortised to the 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 case the hedging instrument has expired or has been sold, or the hedge has ceased to fulfil the criteria of hedge accounting, any aggregate gains or losses recognised at such time in equity remain in equity until the time of recognition in the Profit and Loss Account of the forecast transaction. When a forecast transaction is no longer expected to occur, the aggregate gains or losses recorded in equity are immediately transferred to the Profit and Loss Account.

Derivative Instruments Not Fulfilling the Criteria of Hedge Accounting

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

The Bank holds the following derivative instruments in its portfolio:

Market risk instruments:

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

Interest rate risk instruments:

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

Foreign exchange risk instruments:

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

3.11. Gains and losses on initial recognition

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

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

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

3.12. Borrowings

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

3.13. Intangible Assets

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

Computer software

Purchased computer software licences are capitalised in the amount of costs incurred for the purchase and adaptation for use of specific computer software. These costs are amortised on the basis of the expected useful life of the software (2-11 years). Expenses attached to the development or maintenance of computer software are expensed when incurred. Costs directly linked to the development of identifiable and unique proprietary computer programmes controlled by the Bank, which are likely to generate economic benefits in excess of such costs expected to be gained over a period exceeding one year, are recognised as intangible assets.
Direct costs comprise personnel expenses attached to the development of software and the corresponding part of the respective general overhead costs.

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

Development costs

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

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

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

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

3.14. Tangible Fixed Assets

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

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

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

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

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

Land and buildings consist mainly of branch outlets and offices.

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

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

If it is not possible to estimate the recoverable amount of the individual asset, the Bank shall determine the recoverable amount of the cash-generating unit to which the asset belongs (cash-generating unit of given component of the asset).

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

3.15. Non-Current Assets Held for Sale and Discontinued Operation

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

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

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

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

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

3.16. Deferred Income Tax

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

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

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

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

The Bank presents the deferred income tax assets and provisions netted in the Balance Sheet for each country separately where the Bank conducts its business and is obliged to calculate corporate income tax. Such assets and provisions may be netted against each other if the Bank possesses the legal rights allowing it to take them into account when calculating the amount of the tax liability.

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

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

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

3.17. Assets Repossessed For Debt

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

At subsequent measurement the initial amount is tested for impairment.

3.18. Prepayments, Accruals and Deferred Income

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

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

3.19. Leasing

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

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

In the case of finance lease contracts, under which the Bank holds leased assets, subject of such lease agreement is recognised as a fixed asset and, simultaneously, a liability is recognised in the amount equal to present value of minimum lease payments as of the date of commencement of the lease. Lease payments are recognised as financial costs in the Profit and Loss Account and, simultaneously, they reduce the balance of the liability. Fixed assets which are the basis of the finance lease contract are depreciated in the manner defined in the Bank's fixed assets.

3.20. Provisions

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

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

3.21. Retirement Benefits and Other Employee Benefits

Retirement Benefits

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

Benefits Based on Shares

The Bank runs a program of remuneration based on and settled in own shares and shares of the ultimate parent of the Bank. 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 and shares granted increases the costs of the respective period, corresponding to own equity in the case of own shares and commitments in the case of shares of the ultimate parent of the Bank. The total amount which needs to be expensed over the period when the outstanding rights of the employees for their options and shares to become exercisable are vested is determined on the basis of the fair value of the granted options and shares. There are no market vesting conditions that shall be taken into account when estimating the fair value of share options and shares at the measurement date. Non-market vesting conditions are not taken into account when estimating the fair value of share options and shares but they are taken into account through adjustment on the number of equity instruments. At each Balance Sheet date, the Bank revises its estimates of the number of options and shares that are expected to become exercised. In accordance with IFRS 2 it is not necessary to recognize the change in fair value of the share-based payment over the term of the program.

3.22. Equity

Equity consists of capital and own funds created in compliance with the respective provisions of the law, i.e., the appropriate legislative acts, the By-laws or the Company Articles of Association.

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 court 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 Stocks

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

Share premium

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

Revaluation reserve

Revaluation reserve is formed as a result of:
- valuation of available for sale financial instruments,
- valuation of cash flow hedge financial assets,
- currency translation differences arising from valuation of structural items,

Retained earnings

Retained earnings include:
- other supplementary capital,

- other reserve capital,
- general banking risk fund,
- undistributed 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 By-laws or other regulations of the law.

3.23. Valuation of Items Denominated in Foreign Currencies

Functional Currency and Presentation Currency

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

Transactions and Balances

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

Foreign exchange differences arising on account of such non-monetary items 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 reserve.

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

Balance sheet items of foreign branches as well as foreign companies of the Group are converted from functional currency to presentation currency with application of the mid exchange rate on the balance sheet date. The Profit and Loss Account items of these entities are converted to presentation currency with the application of the arithmetic mean of mid exchange rates quoted by the National Bank of Poland as at the end of each month of the reporting period. Foreign exchange differences so arisen are recognized under revaluation reserve.

3.24. Trust and Fiduciary Activities

BRE Bank SA operates trust and fiduciary activities within the scope of domestic and foreign securities and services provided to investment and pension funds. These assets were not presented in this financial statements because they do not belong to the Bank.

3.25. New Standards, Interpretations and Amendments to Published Standards

Changes in the published Standards and Interpretations that have come into force since 1 January 2008:

- IFRIC 11, IFRS 2: Group and Treasury Share Transactions, binding for the annual periods starting after 1 March 2007
- IFRIC 12, Service Concession Agreements, binding for annual periods starting after 1 January 2008
- IFRIC 14 – IAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, binding for annual periods starting after 1 January 2008

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

- IFRIC 13, Customer Loyalty Programmes, binding for annual periods starting after 1 July 2008
- IFRIC 15, Agreements for the Construction of Real Estate, binding for annual periods starting on or after 1 January 2009
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation, binding for annual periods starting on or after 1 October 2009
- IFRS 1 (Revised), First-Time Adoption of International Accounting Standards and IAS 27 (Revised), Consolidated and Separate Financial Statements, binding for annual periods starting on or after 1 January 2009
- IFRS 2 (Revised), Share-based Payment, binding for annual periods starting after 1 January 2009

Concise IFRS Financial Statements for the first half of 2008 PLN (000's)

- IFRS 3 (Revised), Business Combinations, binding prospectively to business combinations for which the acquisition date is after 1 July 2009
- IFRS 8, Operating Segments, binding for annual periods starting after 1 January 2009
- IAS 1 (Revised), Presentation of Financial Statements, binding for annual periods starting on or after 1 January 2009
- IAS 23 (Revised), Borrowing Costs, binding for annual periods starting after 1 January 2009
- IAS 27 (Revised), Consolidated and Separate Financial Statements, binding for annual periods starting after 1 July 2009
- IAS 32 (Revised), Financial Instruments: Presentation and IAS 1 (Revised), Presentation of Financial Statements-Puttable Financial Instruments and Obligation arising on Liquidation, binding for annual periods starting after 1 July 2009
- IAS 39 (Revised), Financial Instruments: Recognition and Measurement – criteria of qualification as hedged item, binding for annual periods starting on or after 1 July 2009
- Improvements to International Financial Reporting Standards issued in 2008 revising 20 standards, binding mostly for annual periods starting on 1 January 2009.

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

3.26. Comparative Data

Comparative data have been adjusted so as to account for the changes in presentation introduced in the current rotary year.

In the current reporting period the Bank modified accounting for "buy-sell-back" and "sell-buy-back" transactions. The new accountancy consists in individual but not collective approach to each subportfolio of debt instruments subjected to these transactions as it better reflects the character of the transactions conducted by the Bank.

The restatement had no impact on the amounts of profit and equity in presented comparative data as at 31 December 2007 and 30 June 2007.

The following combination presents the impact of the restatement on presented comparative data in the Concise Financial Statements.

Changes in the Balance Sheet as at 31 December 2007.

31.12.2007

	31.12.2007 before adjustments	**presentation adjustments**	**31.12.2007 after adjustments**
Trading securities	3 721 311	854 009	4 575 320
Pledged assets	3 707 359	(895 082)	2 812 277
Amounts due to banks	7 972 900	(41 073)	7 931 827
Total assets	48 409 810	(41 073)	48 368 737

Changes in the Balance Sheet as at 30 June 2007.

30.06.2007

	30.06.2007 before adjustments	**presentation adjustments**	**30.06.2007 after adjustments**
Trading securities	4 008 700	486 522	4 495 222
Pledged assets	3 318 439	(844 669)	2 473 770
Amounts due to banks	5 488 890	(24 212)	5 464 678
Amounts due to customers	30 390 913	(333 935)	30 056 978
Total assets	42 371 546	(358 147)	42 013 399

3.27. Business Segments

Data concerning business segments were presented in consolidated financial statements of the BRE Bank SA Group for the first half of 2008, prepared according to International Financial Reporting Standards.

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

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

Impairment of loans and advances
The Bank reviews its loan portfolio in terms of possible impairments at least once per quarter. In order to determine whether any impairment loss should be recognised in the Profit and Loss Account, the Bank assesses whether any evidence exists that would indicate some measurable reduction of estimated future cash flows attached to the loan portfolio, before such a decrease will be able to be attributed to a specific loan. The estimates may take into account any observable indications pointing at the occurrence of an unfavourable change in the solvency position of debtors belonging to any particular group or in the economic situation of a given country or part of a country, which is associated with the problems appearing in that group of assets. The Management plans future cash flows based on estimates drawing on historical experience of losses incurred on assets featuring the traits of credit risk exposure and objective impairment symptoms similar to those which characterise the portfolio. The methodology and the assumptions on the basis of which the estimated cash flow amounts and their anticipated timing are determined will be regularly reviewed in order to reduce the discrepancies between the estimated and the actual magnitude of the impairment losses concerned. If the current value of estimated cash flows for portfolio of loans and advances, individually impaired, changed by +/-10%, estimated loans and advances impairment would either decrease by PLN 4.7 million or increase by PLN 10.3 million relatively. The above indicated estimation was performed for portfolio of loans and advance impaired on the basis of individual analysis of future cash flows due to repayments and recovery from collateral.

The matters on valuation of bonds acquired under mezzanine transaction were described in the Note 3.8 of the Consolidated Financial Statements.

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

Impairment of equity securities available for sale
Impairment is regarded to occur if over a period of at least three months the listed price of the given security continues to be lower than the cost of its acquisition or the issuer incurs loss not covered by its equity within the period of one year, and in the case of 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 which indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also an objective evidence of impairment.

The matter with valuation of shares of PZU SA was presented in the Note 3.8 of the Consolidated Financial Statements.

Impairment of financial 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 as a result of higher credit risk, if the issuer incurs a loss not covered by his equity capital over a period of one year or in the event of other circumstances indicating impairment. If in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the Profit and Loss Account.

As at 30 June 2008 there are no debt financial instruments available for sale threatened with significant and prolonged declines in fair values which would result in charges due to estimated impairment of these instruments reflected in the Profit and Loss Account.
For the purpose of the analysis, the declines in particular securities ratings that decreased by four rating classes within the period longer than 3 months were assumed to be significant and prolonged declines in fair values of financial available for sale debt securities.

Deferred tax

The Bank analysed requirements of IAS 12 "Income taxes" and based on paragraph 44, in relation to paragraph 24, recognised a deferred income tax asset due to the temporary difference between the tax value of the shares of PTE Skarbiec-Emerytura SA, which stems from historical price of acquisition/taking up of these shares, and the balance sheet value of the shares of Aegon PTE SA, which was presented in the Bank's Balance Sheet as a result of merger of PTE Skarbiec-Emerytura SA and Aegon PTE SA. The value of such deferred asset in the Stand-Alone Financial Statements of the Bank amounts to PLN 51 751 thousand.

5. Selected Explanatory Information

5.1. Compliance with International Financial Reporting Standards

The presented concise H1 2008 Report fulfills the requirements of the International Accounting Standard (IAS) 34 concerning interim financial reporting.

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

A detailed description of the accounting policy principles of the Bank is presented under item 3 of the Notes to the Concise Financial Statements for H1 2008. The accounting policies were applied consistently over all of the presented periods.

In the current reporting period the Bank modified records for "buy-sell-back" and "sell-buy-back" transactions. The new accountancy consists in individual but not collective approach to each subportfolio of debt instruments subjected to these transactions as it better reflects the character of the transactions conducted by the Bank.

The impact of the restatement on comparative data presented in the Concise Financial Statements was performed in the Note 3.26.

5.3. Seasonal or cyclical nature of the business

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

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

- On 9 January 2008 BRE Bank issued subordinated bonds of unspecified maturity, with variable interest rate, of total value of CHF 170 000 thousand (PLN 373 388 thousand at average NBP exchange rate of 9 January 2008). The issue fulfilled conditions of the agreement, concluded with Commerzbank AG on 12 December 2007 upon which Commerzbank committed itself to take up the issue. On 16 January 2008, in accordance with the next agreement concluded on 12 December 2007 with Commerzbank AG, BRE Bank repurchased bonds of value of EUR 100 000 thousand (PLN 359 500 thousand at average NBP exchange rate of 16 January 2008) which were redeemed on the same day. The bond repurchase and the redemption was connected with the issue described above and the main reason for such action was the change in the currency of the Bank's subordinated debt from EUR to CHF.
- On 25 January 2008, in accordance with the agreement on sale of shares of Vectra SA ("Vectra"), the Bank sold 9 045 404 shares with a nominal value of PLN 10 each. The Bank sold the above indicated shares at a total amount of PLN 264 035 thousand. Payment for the shares took place on the transaction date. The sold shares of Vectra constitute 19.95% of the share capital and 11.20% of voting rights at the General Meeting of Vectra.

  The value of the sold shares of Vectra amounted to PLN 264 035 thousand in the accounting ledgers of the Bank. The Bank has had no Vectra's shares since the transaction.

  In H1 2008 the gross profit of BRE Bank, arising from the transaction amounted to PLN 137 673 thousand, net of transaction costs.
- On 31 January 2008 BRE Bank granted a multiple currency mid-term unsecured loan in the amount of EUR 50 000 thousand (PLN 181 300 thousand according to average NBP exchange rate as of 31 January 2008) to one of its clients. The agreement concerning the aforementioned loan has been the highest-value agreement concluded with the client within the last twelve months and the total value of all concluded agreements with the client amounted to PLN 355 584 thousand.

  The loan was granted within a bank consortium for a period of 3 years with an extension clause for subsequent 2 years and it was assigned to the client's ongoing business activity. The interest rate on the loan consists of reference rates plus bank margin.
- On 17 March 2008, in accordance with the agreement of 10 March 2008 concluded between the Bank and Commerzbank AG, the Bank received a loan in the amount of CHF 500 000 thousand (PLN 1 147 850 thousand according to average NBP exchange rate as of 17 March 2008) and it was assigned to fulfil general financial needs of the Bank. The loan was granted for a period of 3 years; the interest on the loan consists of 3M LIBOR plus bank margin.

- On 25 April 2008 BRE Bank entered into a loan agreement with Bayerische Landesbank. In accordance with the agreement the Bank received a loan in the amount of EUR 150 000 thousand (PLN 519 060 thousand at average NBP exchange rate of 30 April 2008) for the purpose of fulfilling general financial needs of the Bank. The loan is granted for 3 years, the interest rate consists of LIBOR 6M plus margin.
- On 25 April 2008 BRE Bank entered into a loan agreement with Commerzbank AG. In accordance with the agreement, the Bank received a loan in the amount of CHF 1 000 000 thousand for the purpose of fulfilling general financial needs of the Bank. The loan is granted for 3 years, the interest rate consists of LIBOR 3M plus margin. On 28 April 2008 the Bank received the first tranche in the amount of CHF 700 000 thousand (PLN 1 490 580 thousand at average NBP exchange rate of 28 April 2008). The Bank received the second tranche in the amount of CHF 300 000 thousand (PLN 623 130 thousand at average NBP exchange rate of 29 May 2008) on 29 May 2008.
- On 24 June 2008 the Bank issued subordinated bonds of unspecified maturity, with variable interest rate, of total par value of CHF 90 000 thousand (PLN 186 732 thousand at average NBP exchange rate of 24 June 2008). The bonds were fully acquired, at par value, by Commerzbank AG (the Bank is an indirect subsidiary of the Investor), on the basis of the Note Issuance Facility Agreement of 11 June 2008. Following the above mentioned issue, the Bank obtained the funds in respect of which it applied to the Polish Financial Supervision Authority ('KNF') for classification as supplementary funds. The consent was given by KNF on 1 July 2008.
- On 24 June 2008 on the basis of the agreement of 11 June 2008, Commerzbank AG granted a subordinated loan to the Bank of value of CHF 90 000 million (PLN 186 732 thousand at average NBP exchange rate of 24 June 2008) with a ten-year repayment term and variable interest rate. Following the agreement, the Bank received funds in relation to which it has applied to the Polish Financial Supervision Authority for permission to include them in supplementary funds of the Bank. The consent was given by KNF on 12 August 2008.
- On 30 June 2008, PTE Skarbiec-Emerytura SA and Aegon PTE SA were merged together. The transaction was described in detail under the Note 28 of the Consolidated Financial Statements.

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

In H1 2008 there were no significant changes in estimate values of items presented in the previous financial periods.

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

In H1 2008 the Bank conducted two subordinated bond issues; the value of the first issue amounted to CHF 170 000 thousand (PLN 373 388 thousand at average NBP exchange rate of 9 January 2008) and the value of the second one was PLN 90 000 thousand (PLN 186 732 thousand at average NBP exchange rate of 24 June 2008). In the same period the Bank repurchased bonds of value of EUR 100 000 thousand (PLN 359 500 thousand at average NBP exchange rate of 16 January 2008) which were redeemed on the same day. The redemption of the bonds was connected with the aforementioned issue. The main reason for bond repurchase and redemption was the change in the currency of the Bank's subordinated debt from EUR to CHF. The Bank conducted both transactions together with Commerzbank AG.

5.7. Total dividends paid (or declared) or dividends per share, broken down by ordinary shares and other shares

Pursuant to the resolution on profit distribution for the year 2007, adopted on 14 March 2008 by the 21st Ordinary General Shareholders Meeting of BRE Bank SA, no dividend for 2007 will be paid.

5.8. Income and profit by business segment

Income and profit by business segment within the Bank are presented under the item 5 of the Notes to the Consolidated Financial Statements on the consolidated level.

5.9. Significant events after the end of the first half of 2008 which were not reflected in the financial statement

- On 30 June 2008 the court of registration registered the merger of PTE Skarbiec-Emerytura SA and Aegon PTE SA and simultaneously removed PTE Skarbiec-Emerytura from the register of enterprises. On 15 July 2008 BRE Bank applied a statement on share options exercise in coupled Aegon PTE. On 21 July 2008 BRE Bank and Aegon Woningen Nova BV concluded an agreement on sale of shares of Aegon PTE, being the property of BRE Bank. The sale of shares by BRE Bank is subject to approval of Polish Financial Supervision Authority.

- Following the decision as of 1 July 2008, the Polish Financial Supervision Authority gave its consent to classify funds in the amount of CHF 90 000 thousand (PLN 186 732 thousand at average NBP exchange rate of 24 June 2008) as supplementary funds of BRE Bank SA. The funds were obtained on 24 June 2008 in accordance with the conditions of the agreement on issue of bonds with unspecified maturitiy concluded with Commerzbank AG on 11 June 2008.
- On 4 July 2008 BRE Bank entered into a loan agreement with Commerzbank AG. In accordance with the agreement, the Bank will receive a loan in the amount of CHF 1 000 000 thousand (PLN 2 066 300 thousand at average NBP exchange rate of 4 July 2008). On 15 July 2008 the Bank received the first tranche in the amount of CHF 500 000 thousand (PLN 1 012 400 thousand at average NBP exchange rate of 15 July 2008). The second tranche in the amount of PLN 500 000 thousand the Bank will receive up to 15 September 2008.
- On 15 July 2008, Mr Andre Carls, Member of the Management Board and Chief Financial Officer of the Bank resigned from the office as of 4 September 2008.

  On the same day, Mr Martin Blessing, Member of the Supervisory Board of the Bank, resigned from the office as of 4 September 2008.
- Following the decision as of 12 August 2008, the Polish Financial Supervision Authority gave its consent to classify funds in the amount of CHF 90 000 thousand (PLN 186 732 thousand at average NBP exchange rate of 24 June 2008) as supplementary funds of BRE Bank SA. The funds were obtained on 24 June 2008 in accordance with the conditions of the agreement on subordinated loan, concluded with Commerzbank AG on 11 June 2008.
- On 13 August 2008 Aegon PTE SA on behalf of Aegon Woningen Nova B.V. put a motion to the Polish Financial Supervision Authority regarding the acquisition of 54 812 Aegon PTE's shares by Aegon PTE from BRE Bank. The shares were taken up by BRE Bank in connection with the transaction of merger of PTE Skarbiec- Emerytura SA and Aegon PTE SA.
- According to Resolution of the Supervisory Board of BRE Bank SA as of 5 September 2008 the following persons were appointed to the positions:

  1. Mr Andre Carls as Member of the Supervisory Board and as Deputy Chairman of the Supervisory Board of the Bank as of 5 September 2008 for the period of performance of the existing Supervisory Board term of office, as Member of the Supervisory Board Presidential Commission of the Bank, as Member of the Supervisory Board Audit Commission of the Bank, and as Member of the Supervisory Board Risk Commission of the Bank as of 5 September 2008 for the period of performance of the existing Supervisory Board term of office,
  2. Ms Karin Katerbau as Member of the Management Board, Bank Director as of 5 September 2008 for the period of performance of the existing Management Board term of office,
  3. Mr Przemysław Gdański as Member of the Management Board, Bank Director as of 19 November 2008 for the period of performance of the existing Management Board term of office.

5.10. The effect of changes in the structure of the entity in the first half of 2008, including business combinations, acquisitions or disposal of subsidiaries, and long-term investments, restructuring, and discontinuation of business activities

- On 5 February 2008, in accordance with the agreement concluded with BRE Holding, the Bank transferred the property of shares and stocks of chosen Bank's subsidiaries, i.e., of BRE Leasing Sp.z o.o., Polfactor SA and BRE Bank Hipoteczny SA. The transfer of the above indicated shares and stocks results from restructuring, conducted within BRE Bank Group with the purpose of maintenance of effective supervision over selected Companies of Corporate Banking.

  The above indicated transaction was described under item 1 of the Notes to the Consolidated Financial Statements.
- On 30 June 2008 PTE Skarbiec-Emerytura SA and Aegon PTE SA were merged together. The transaction was described under the Note 28 to the Consolidated Financial Statements.

5.11. Changes in Contingent Liabilities

In H1 2008 there were no changes in contingent liabilities and commitments of credit nature, i.e., guarantees, letters of credit or unutilised loan amounts, other than resulting from current operating activities of the Bank. There was no single case of granting of guarantees or any other contingent liability of any material value for the Bank.

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

The above indicated events did not occur in the Bank.

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

In H1 2008, no significant impairment write-offs were recorded in relation to any tangible fixed assets and intangible assets nor were any significant reversals on such account recorded in the Bank.

In relation to the merger of PTE Skarbiec-Emerytura SA and Aegon PTE SA, described under Note 28 to the Consolidated Financial Statements, BRE Bank recorded reversals of impairment of shares of PTE Skarbiec-Emerytura (net of transaction costs estimates, concerning the sale of Aegon PTE's shares) in the amount of PLN 132 220 thousand.

5.14. Reversals of provisions against restructuring costs

The above indicated events did not occur in the Bank.

5.15. Acquisitions and disposals of tangible fixed asset items

In H1 2008 there were no material transactions of acquisition or disposal of any tangible fixed assets.

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

The above indicated events did not occur at the Bank.

5.17. Corrections of errors from previous reporting periods

In H1 2008 there were no corrections of errors from previous reporting periods.

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

The above indicated events did not occur in the Bank.

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

BRE Bank did not publish a performance forecast for 2008. The description of the business strategy and goals of the Bank published in current report no. 25/2007 is not a performance forecast in the sense of § 5.1.25 of the Regulation of the Minister of Finance of 19 October 2005 on current and periodic reports published by issuers of securities (Journal of Laws from 2005, No. 209, item 1744).

5.20. Registered share capital

The total number of ordinary shares as at 30 June 2008 was 29 687 937 shares (v. 29 564 034 as at 30 June 2007) with PLN 4 nominal value each (PLN 4 in 2007). All issued shares were fully paid up.

Issue of 27 269 shares in H1 2008 resulted from realization of the option program.

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REGISTERED SHARE CAPITAL (THE STRUCTURE)								
Series / issue	**Share type**	**Type of privilege**	**Type of limitation**	**Number of shares**	**Series / issue value**	**Paid up**	**Registered on**	**Dividend right since**
11-12-86	ordinary bearer**	-	-	9 972 500	39 890 000	fully paid up in cash	23-12-86	01-01-89
11-12-86	ordinary registered**	-	-	27 500	110 000	fully paid up in cash	23-12-86	01-01-89
20-10-93	ordinary bearer	-	-	2 500 000	10 000 000	fully paid up in cash	04-03-94	01-01-94
18-10-94	ordinary bearer	-	-	2 000 000	8 000 000	fully paid up in cash	17-02-95	01-01-95
28-05-97	ordinary bearer	-	-	4 500 000	18 000 000	fully paid up in cash	10-10-97	10-10-97
27-05-98	ordinary bearer	-	-	3 800 000	15 200 000	fully paid up in cash	20-08-98	01-01-99
24-05-00	ordinary bearer	-	-	170 500	682 000	fully paid up in cash	15-09-00	01-01-01
21-04-04	ordinary bearer	-	-	5 742 625	22 970 500	fully paid up in cash	30-06-04	01-01-04
21-05-03	ordinary bearer	-	-	2 355	9 420	fully paid up in cash	05-07-05*	01-01-05
21-05-03	ordinary bearer	-	-	11 400	45 600	fully paid up in cash	05-07-05*	01-01-05
21-05-03	ordinary bearer	-	-	37 164	148 656	fully paid up in cash	11-08-05*	01-01-05
21-05-03	ordinary bearer	-	-	44 194	176 776	fully paid up in cash	09-09-05*	01-01-05
21-05-03	ordinary bearer	-	-	60 670	242 680	fully paid up in cash	18-10-05*	01-01-05
21-05-03	ordinary bearer	-	-	13 520	54 080	fully paid up in cash	12-10-05*	01-01-05
21-05-03	ordinary bearer	-	-	4 815	19 260	fully paid up in cash	14-11-05*	01-01-05
21-05-03	ordinary bearer	-	-	28 580	114 320	fully paid up in cash	14-11-05*	01-01-05
21-05-03	ordinary bearer	-	-	53 399	213 596	fully paid up in cash	08-12-05*	01-01-05
21-05-03	ordinary bearer	-	-	14 750	59 000	fully paid up in cash	08-12-05*	01-01-05
21-05-03	ordinary bearer	-	-	53 320	213 280	fully paid up in cash	10-01-06*	10-01-06*
21-05-03	ordinary bearer	-	-	3 040	12 160	fully paid up in cash	10-01-06*	10-01-06*
21-05-03	ordinary bearer	-	-	46 230	184 920	fully paid up in cash	08-02-06*	08-02-06*
21-05-03	ordinary bearer	-	-	19 700	78 800	fully paid up in cash	08-02-06*	08-02-06*
21-05-03	ordinary bearer	-	-	92 015	368 060	fully paid up in cash	09-03-06*	09-03-06*
21-05-03	ordinary bearer	-	-	19 159	76 636	fully paid up in cash	09-03-06*	09-03-06*
21-05-03	ordinary bearer	-	-	8 357	33 428	fully paid up in cash	11-04-06*	11-04-06*
21-05-03	ordinary bearer	-	-	800	3 200	fully paid up in cash	11-04-06*	11-04-06*
21-05-03	ordinary bearer	-	-	108 194	432 776	fully paid up in cash	16-05-06*	16-05-06*
21-05-03	ordinary bearer	-	-	20 541	82 164	fully paid up in cash	16-05-06*	16-05-06*
21-05-03	ordinary bearer	-	-	17 000	68 000	fully paid up in cash	09-06-06*	09-06-06*
21-05-03	ordinary bearer	-	-	2 619	10 476	fully paid up in cash	09-06-06*	09-06-06*
21-05-03	ordinary bearer	-	-	33 007	132 028	fully paid up in cash	10-07-06*	10-07-06*
21-05-03	ordinary bearer	-	-	2 730	10 920	fully paid up in cash	10-07-06*	10-07-06*
21-05-03	ordinary bearer	-	-	48 122	192 488	fully paid up in cash	09-08-06*	09-08-06*
21-05-03	ordinary bearer	-	-	700	2 800	fully paid up in cash	12-09-06*	12-09-06*
21-05-03	ordinary bearer	-	-	3 430	13 720	fully paid up in cash	11-10-06*	11-10-06*
21-05-03	ordinary bearer	-	-	38 094	152 376	fully paid up in cash	10-11-06*	10-11-06*
21-05-03	ordinary bearer	-	-	15 005	60 020	fully paid up in cash	08-12-06*	08-12-06*
21-05-03	ordinary bearer	-	-	800	3 200	fully paid up in cash	10-01-07*	10-01-07*
21-05-03	ordinary bearer	-	-	200	800	fully paid up in cash	16-02-07*	16-02-07*
21-05-03	ordinary bearer	-	-	1 150	4 600	fully paid up in cash	09-03-07*	09-03-07*
21-05-03	ordinary bearer	-	-	9 585	38 340	fully paid up in cash	09-03-07*	09-03-07*
21-05-03	ordinary bearer	-	-	600	2 400	fully paid up in cash	11-04-07*	11-04-07*
21-05-03	ordinary bearer	-	-	32 964	131 856	fully paid up in cash	17-05-07*	17-05-07*
21-05-03	ordinary bearer	-	-	2 700	10 800	fully paid up in cash	15-06-07*	15-06-07*
21-05-03	ordinary bearer	-	-	8 640	34 560	fully paid up in cash	12-07-07*	12-07-07*
21-05-03	ordinary bearer	-	-	41 898	167 592	fully paid up in cash	14-08-07*	14-08-07*
21-05-03	ordinary bearer	-	-	400	1 600	fully paid up in cash	14-09-07*	14-09-07*
21-05-03	ordinary bearer	-	-	2 540	10 160	fully paid up in cash	11-10-07*	11-10-07*
21-05-03	ordinary bearer	-	-	30 807	123 228	fully paid up in cash	15-11-07*	15-11-07*
21-05-03	ordinary bearer	-	-	12 349	49 396	fully paid up in cash	13-12-07*	13-12-07*
21-05-03	ordinary bearer	-	-	700	2 800	fully paid up in cash	13-02-08*	13-02-08*
21-05-03	ordinary bearer	-	-	2 410	9 640	fully paid up in cash	19-03-08*	19-03-08*
21-05-03	ordinary bearer	-	-	650	2 600	fully paid up in cash	15-04-08*	15-04-08*
21-05-03	ordinary bearer	-	-	18 609	74 436	fully paid up in cash	19-05-08*	19-05-08*
21-05-03	ordinary bearer	-	-	4 900	19 600	fully paid up in cash	13-06-08*	13-06-08*
Total number of shares				**29 687 937**				
Total registered share capital					**118 751 748**			
Nominal value per share			4					

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

** as at the balance sheet date

5.21. Material share packages

There was no change in the holding of material share packages of the Bank in H1 2008.

Commerzbank Auslandsbanken Holding AG is a shareholder holding over 5% of the share capital and votes at the General Meeting. As at 30 June 2008 Commerzbank Auslandsbanken Holding AG held 69.792% of the share capital and votes at the General Meeting of BRE Bank SA (as at 31 December 2007 – 69.86%).

On 19 March 2008 BRE Bank informed in Current Report No. 43/2008 that it received from BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych SA a notification concerning a decrease of its stake in both the share capital and the votes at the General Meeting of BRE Bank SA below 5%.

On 8 April 2008 BRE Bank informed in Current Report No. 51/2008 that it received from BZ WBK AIB Asset Management SA a notification concerning a decrease of its stake in both the share capital and the votes at the General Meeting of BRE Bank SA below 5%.

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5.22. Earnings per share (stand alone data)

Earnings per share for 6 months

the period	from 01.01.2008 to 30.06.2008	from 01.01.2007 to 30.06.2007
Basic:		
Net profit	660 072	422 224
Weighted average number of ordinary shares	29 670 203	29 535 896
Net basic profit per share (in PLN per share)	**22.25**	**14.30**
Diluted:		
Net profit applied for calculation of diluted earnings per share	660 072	422 224
Weighted average number of ordinary shares	29 670 203	29 535 896
Adjustments for:		
- stock options for employees	6 404	126 098
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 676 607	29 661 994
Diluted earnings per share (in PLN per share)	**22.24**	**14.23**

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

As at 30 June 2008, BRE Bank SA ("Bank") was not involved in any proceedings before a court, arbitration body, or public administration authority concerning liabilities of the Bank or its subsidiaries whose value would be equal to or greater than 10% of the Bank's equity. Moreover, the total value of claims concerning liabilities of the issuer or its subsidiary in all proceedings before a court, an arbitration body or a public administration authority underway at 30 June 2008 also was not greater than 10% of the issuer's equity.

Report on major proceedings concerning contingent liabilities of the issuer

1. Lawsuit initiated by Bank Leumi and Migdal Insurance Company against the Bank for indemnity

   At present proceedings against BRE Bank in the Court of Jerusalem takes place initiated by Bank Leumi and an insurance company of Bank Leumi "Migdal Insurance Company" it is an action for indemnity in the amount of USD 13.5 million (PLN 28.6 million according to the average exchange rate of the National Bank of Poland of 30 June 2008). In this action, which was originally initiated by ART-B Sp. z o.o. Eksport – Import with its registered office in Katowice ("ART-B") under liquidation, against the main defendant Bank Leumi, BRE Bank was garnished by Bank Leumi due to a settlement between ART-B and Bank Leumi and Migdal Insurance Company, on the basis of which ART-B received from Bank Leumi and Migdal Insurance Company an amount of USD 13.5 million. Currently Bank Leumi and Migdal Insurance Company claim from BRE Bank refund of the amount paid to ART-B that is USD 13.5 million. BRE Bank's liability towards Bank Leumi and Migdal Insurance Company is under recourse. The proceeding is at a pre-trial stage, prior to the first hearing.

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

   The Official Receiver of bankrupt Pozmeat brought the case against BRE Bank SA and TTI to court on 29 July 2005. The value of the dispute amounted to PLN 100 000 thousand. The purpose was to cancel Pozmeat's agreements to sell shares of Garbary Sp. z o.o. ("Garbary") 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 on the date of sale of Pozmeat's interest in Garbary (19 July 2001). The case is at the stage of proceeding in the court of first instance in the District Court in Warsaw. The District Court in Warsaw has granted the receiver a security by forbidding BRE Bank to dispose of or to encumber the interests in Garbary. The receiver applied for hearing of over twenty witnesses.

   The Court has not yet made a decision on personal evidence. However, it seems, that the possibility of accepting the application for hearing of all witnesses is high. This can mean that the hearing of evidence in the court of first instance will be long (the Bank estimates that the proceedings in the Regional Court in Warsaw might take up to 2 years).

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 42 854 thousand. The purpose was to recognize actions related to the creation of Garbary 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 contributed in kind to Garbary as payment for Pozmeat's stake in the PLN 100 000 thousand share capital of Garbary. On 6 June 2006 the District Court in Poznań issued a verdict according to which the claims were dismissed in their entirety. The claimant filed an appeal against that verdict. On 6 February 2007 the Court of Appeal dismissed the claimant's appeal. The claimant filed the last resort appeal against the ruling of the Court of Appeal. On 2 October 2007, the Supreme Court revoked the ruling of the Court of Appeal and referred the case back. After re-examining the case, the Court of Appeals dismissed the ruling of the District Court in Poznań on 4 March 2008, and referred the case back.

The dispute focuses on determination of the value of the right to perpetual usufruct of real estate located at Garbary Street on the day (December 2000) of contribution in kind of the right to perpetual usufruct to Milenium Center Sp. z o.o. (now Garbary Sp. z o.o.). The claimant filled for hearing of over twenty witnesses. The Court has not yet made a decision on personal evidence. This might cause a risk of long hearing of evidence in the court of first instance.

Legal counsellors of Garbary raised an objection that there are no grounds for accepting representation in proceedings at law of Pekao SA Bank in the place of BPH SA Bank. The Court should dismiss the claim against Garbary Sp. z o.o., if it agrees on the standpoint of Garbary.

4. Lawsuit brought by Bank BPH SA against BRE Bank SA and Tele-Tech Investment Sp. z o.o.

Bank BPH SA on 17 November 2007 brought to court a case to pay damages in the amount of PLN 34 880 thousand with statutory interests from 20 November 2004 to the day of payment, due to alleged illegal actions such as the sale by Pozmeat SA to Tele-Tech Investment Sp. z o.o. of all shares in the equity of Garbary Sp. z o.o. (previously Milenium Center Sp. z o.o.), an important part of its assets, when insolvency was a threat to the company.

The case was filled with the District Court in Warsaw. The Court has not set the date of the first trial in this case. In the light of the action, the claimed amount of damages of PLN 34 880 thousand is equivalent to the claim of the creditor under at credit agreement between Pozmeat SA and Bank BPH SA not paid to date in the bankruptcy proceeding of Pozmeat SA.

The defendants filed a reply to the claim, where they request for dismissal of the claim due to the lack of right of action on the part of the claimant. In case the District Court does not accept their arguments, the defendants refer to the merit of the claim, raising an objection that their actions were not illegal and that the claimant has not proven incurring losses.

5. Claims of the clients of Interbrok

As of September 01, 2008 the Bank was requested by 62 entities who were the client of Interbrok Investment E. Dróżdż i Spółka Spółka jawna (further referred to as Interbrok) to pay compensation claims in a total amount of PLN 139 120 thousand, including 55 entities who called the Bank for settlement the matter amicably via District Court in Warsaw. Additionally until 1 September 2008 7 legal suits were deliver to the Bank where former clients of Interbrok claimed compensation in the total amount of PLN 700 thousand with the reservation that the claims may be extended up to the total amount of PLN 5 450 thousand. Plaintiffs allege that Bank aided in illegal Interbrok's activities, which caused damage to plaintiffs. In all court cases Bank moves for dismiss the claims wholly and objects to charges included in the legal suits. The legal analysis of the abovementioned claims indicates that there are not significant grounds to state that the Bank bears liability in the discussed case. Therefore BRE Bank did not create provisions for the above claims.

As at 30 June 2008, the Bank was not involved in any proceedings before a court, arbitration body, or public administration authority concerning receivables of the issuer or its subsidiaries whose value would be equal to or greater than 10% of the issuer's equity. The total value of claims concerning receivables of the issuer or its subsidiaries in all proceedings before a court, an arbitration body or a public administration authority underway at 30 June 2008 did not go above 10% of the issuer's equity.

Taxes

Within the period from 14 May to 30 June 2008, the officers of the First Mazovian Treasury Office carried out tax audits, concerning correctness of the payment of the corporate income tax to the Treasury for the period from 1 January to 31 December 2005. The audits did not indicate any irregularities that would have material impact on the financial statements.
In the fourth quarter of 2007, tax audits concerning correctness of the payment of the corporate income tax to the Treasury for the year 2002 were carried out at the BRE Bank and the findings of the audits were presented in the

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report of 21 December 2007. The audits did not indicate essential irregularities and consequently BRE Bank did not make any reservations or explanations to the report.

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

5.24. Off-balance Sheet Liabilities

Off-balance sheet liabilities as at 30 June 2008, 31 December 2007 and 30 June 2007

30.06.2008	**up to 1 year**	**1 - 5 years**	**over 5 years**	**Total**
Contingent liabilities granted and received				
Commitments granted	**13 283 597**	**2 827 186**	**871 643**	**16 982 426**
1. Financing	**10 559 317**	**2 022 965**	**797 881**	**13 380 163**
a) Lending commitments	10 542 451	1 955 502	696 686	13 194 639
b) Operating lease commitments	16 866	67 463	101 195	185 524
2. Guarantees and other financial facilities	**1 980 801**	**804 221**	**73 762**	**2 858 784**
a) Banker's acceptances	3 849	-	-	3 849
b) Guarantees and standby letters of credit	1 633 500	804 221	73 762	2 511 483
c) Guarantees of issue	134 500	-	-	134 500
d) Documentary and commercial letters of credit	208 952	-	-	208 952
3. Other commitments	**743 479**	**-**	**-**	**743 479**
Commitments received	**340 109**	**109 958**	**23 790**	**473 857**
a) Financing	78 514	-	-	78 514
b) Guarantees	261 595	109 958	23 790	395 343
Total off-balance sheet items	**13 623 706**	**2 937 144**	**895 433**	**17 456 283**

31.12.2007	**up to 1 year**	**1 - 5 years**	**over 5 years**	**Total**
Contingent liabilities granted and received				
Commitments granted	**11 954 137**	**3 349 551**	**1 063 019**	**16 366 707**
1. Financing	**9 010 267**	**2 361 576**	**1 037 829**	**12 409 672**
a) Lending commitments	8 992 256	2 271 520	938 767	12 202 543
b) Operating lease commitments	18 011	90 056	99 062	207 129
2. Guarantees and other financial facilities	**2 425 960**	**987 975**	**25 190**	**3 439 125**
a) Banker's acceptances	6 454	-	-	6 454
b) Guarantees and standby letters of credit	2 056 868	987 975	25 190	3 070 033
c) Guarantees of issue	219 500	-	-	219 500
d) Documentary and commercial letters of credit	143 138	-	-	143 138
3. Other commitments	**517 910**	**-**	**-**	**517 910**
Commitments received	**850 884**	**123 466**	**9 660**	**984 010**
a) Financing	500 000	-	-	500 000
b) Guarantees	350 884	123 466	9 660	484 010
Total off-balance sheet items	**12 805 021**	**3 473 017**	**1 072 679**	**17 350 717**

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30.06.2007	up to 1 year	1 - 5 years	over 5 years	Total
Contingent liabilities granted and received				
Commitments granted	**12 494 652**	**1 812 513**	**491 336**	**14 798 501**
1. Financing	**8 942 277**	**895 398**	**433 793**	**10 271 468**
a) Lending commitments	8 915 515	812 396	301 245	10 029 156
b) Operating lease commitments	26 762	83 002	132 548	242 312
2. Guarantees and other financial facilities	**3 456 546**	**917 115**	**57 543**	**4 431 204**
a) Banker's acceptances	14 424	-	-	14 424
b) Guarantees and standby letters of credit	2 914 647	917 115	57 543	3 889 305
c) Guarantees of issue	343 500	-	-	343 500
d) Documentary and commercial letters of credit	183 975	-	-	183 975
3. Other commitments	**95 829**	**-**	**-**	**95 829**
Commitments received	**679 857**	**1 167 428**	**21 608**	**1 868 893**
a) Financing	217 723	1 136 500	-	1 354 223
b) Guarantees	462 134	30 928	21 608	514 670
Total off-balance sheet items	**13 174 509**	**2 979 941**	**512 944**	**16 667 394**

5.25. Transactions with Related Entities

BRE Bank SA is the 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 PLN 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 9 January 2008 BRE Bank issued subordinated bonds of unspecified maturity, with variable interest rate, of total value of CHF 170 000 thousand (PLN 373 388 thousand at average NBP exchange rate of 9 January 2008). The issue fulfilled conditions of the agrement, concluded with Commerzbank AG on 12 December 2007, upon which Commerzbank committed itself to take up the issue. On 16 January 2008, in accordance with the next agreement concluded on 12 December 2007 with Commerzbank AG, BRE Bank repurchased bonds of value of EUR 100 000 thousand (PLN 359 500 thousand at average NBP exchange rate of 16 January 2008) which were redeemed on the same day. The bond repurchase and the redemption was connected with the issuance described above and the main reason for such action was the change in the currency of the Bank's subordinated debt from EUR to CHF.

- On 5 February 2008, in accordance with the agreement concluded with BRE Holding, the Bank transferred shares and stocks of chosen Bank's subsidiaries. The transfer resulted from restructuring, conducted within BRE Bank Group with the purpose of maintenance of effective supervision over selected Companies of Corporate Banking.

The aforementioned transaction was described under item 1 of Notes to the Consolidated Financial Statements.

- On 17 March 2008, in accordance with the agreement as of 10 March 2008 concluded between the Bank and Commerzbank AG, the Bank received a loan in the amount of CHF 500 000 thousand (PLN 1 147 850 thousand according to NBP's average exchange rate as of 17 March 2008) and it was assigned to fulfil general financial needs of the Bank. The loan was granted for a period of 3 years, the interest on the loan consists of 3M LIBOR plus margin.
- On 25 April 2008, in accordance with the service sub-issue agreement concluded between BRE Bank and BRE Bank Hipoteczny ("BBH") on 23 April 2008, BRE Bank took up 250 thousand pieces of 3-year mortgage bonds issued by BBH of PLN 250 000 thousand in total.
- On 25 April 2008 BRE Bank entered into a loan agreement with Commerzbank AG. In accordance with the agreement, the Bank received a loan in the amount of CHF 1 000 000 thousand for the purpose of fulfilling general financial needs of the Bank. The loan is granted for 3 years, interest rate consists of LIBOR 3M plus margin. On 28 April 2008 the Bank received the first tranche in the amount of CHF 700 000 thousand (PLN 1 490 580 thousand at average NBP exchange rate of 28 April 2008). The Bank received the second tranche in the amount of CHF 300 000 thousand on 29 May 2008 (PLN 623 130 thousand at average NBP exchange rate of 29 May 2008).
- On 24 June 2008 the Bank entered into the Agreemnt on Underwriting Rate with BRE.locum (the Bank's subsidiary). On the basis of the agreement, the Bank was committed to underwrite the assumption of bonds issued by the company up to the maximum amount of PLN 180 000 thousand. The agreement was concluded

for the period from 1 July 2008 to 30 June 2009.The aforementioned agreement is the highest-value agreement entered into with the company within the last 12 months. The total amount of agreements concerning the issue of bonds by BRE.locum and their assumption underwriting by the Bank amounts to PLN 363 000 thousand.

- On 24 June 2008 the Bank issued subordinated bonds of unspecified maturity, with variable interest rate, of total par vaue of CHF 90 000 thousand (PLN 186 732 thousand at average NBP exchange rate of 24 June 2008). The bonds were fully acquired, at par value, by Commerzbank AG (the Bank is an indirect subsidiary of the Investor), on the basis of the Note Issuance Facility Agreement of 11 June 2008. Following the above mentioned issuance, the Bank obtained the funds in respect of which it applied to the Financial Supervision Authority ('KNF') for classification as supplementary funds. The consent was given by KNF on 1 July 2008.
- On 24 June 2008 on the basis of the agreement of 11 June 2008, Commerzbank AG granted a subordinated loan to the Bank of value of CHF 90 000 million (PLN 186 732 thousand at average NBP exchange rate of 24 June 2008) with a ten-year repayment term and variable interest rate. The Bank has applied to the Financial Supervision Commission for permission to include funds raised from the loan in supplementary funds of the Bank. The respective consent was given by KNF on 12 August 2008.

In all reporting periods there were no related-party transactions with the direct parent entity of BRE Bank.

The amounts of the transactions with related entities, i.e., receivable balances and commitment balances and related expenses and income as at 30 June 2008, 31 December 2007 and 30 June 2007 were as follows:

Numerical data concerning transactions with related entities (in PLN thousand) - 30 June 2008

No.	Company's name	Balance sheet		Profit and loss account				Off-balance sheet items		
		Receivables	Liabilities	Interest income	Interest cost	Commission income	Commission cost	Commitments granted	Commitments received	Purchase/Sale commitments
	Subsidiaries									
1	AMBRESA Sp. z o.o.	-	447	-	-	1	-	-	-	-
2	BRE Bank Hipoteczny SA *)	542 166	46 860	14 538	-	-	-	49 919	-	2 309 412
3	BRE Finance France SA	-	13 551	-	(18 296)	-	-	21 277	-	-
4	BRE Holding Sp. z o.o.	-	11 699	-	-	-	-	-	-	-
5	BRE Leasing Sp. z o.o. *)	246 591	30 988	4 912	-	-	-	105 474	-	-
6	BRE Ubezpieczenia TU SA	-	7 361	-	(236)	4	-	-	-	-
7	BRE Wealth Management SA (previously Skarbiec Investment Management SA)	-	3 197	-	-	-	-	-	-	-
8	BRE.locum SA	139 092	-	4 076	-	-	-	-	-	-
9	BRELINVEST Sp. z o.o. Fly 2 Commandite company	-	72	-	-	1	-	-	-	-
10	BREL-MAR Sp. z o.o.	-	-	-	-	1	-	-	-	-
11	Centrum Rozliczeń i Informacji CERI Sp. z o.o.	13 073	10 006	-	-	-	(12 324)	4 608	-	-
12	Dom Inwestycyjny BRE Bank SA	4 059	369 064	-	(11 970)	3 804	(2 137)	70 000	-	-
13	emFinanse Sp. z o.o.	7 166	-	-	-	-	(3 537)	-	-	-
14	Intermarket Bank AG	77 147	-	2 048	-	-	-	-	-	-
15	Polfactor SA *)	310 653	-	8 313	-	-	-	101 529	-	-
16	ServicePoint Sp. z o.o.	-	456	3	(3)	4	-	500	-	-
17	Tele-Tech Investment Sp. z o.o.	39 036	-	-	-	-	-	-	-	-
	Associates									
1	Aegon PTE SA	-	6 079	-	(117)	6	-	-	-	-
2	Xtrade SA	-	112	-	(3)	4	-	-	-	-
	Commerzbank AG Group (Ultimate Parent Group)	622 009	13 099 104	8 942	(216 918)	-	-	103 628	109 914	-

*) BRE Bank SA owns shares in companies marked through BRE Holding Sp. z o.o., a 100% subsidiary of the Bank

Numerical data concerning transactions with related entities (in PLN thousand) - 31 December 2007

No.	Company's name	Balance sheet		Profit and loss account				Off-balance sheet items		
		Receivables	Liabilities	Interest income	Interest cost	Commission income	Commission cost	Commitments granted	Commitments received	Purchase/Sale commitments
	Subsidiaries									
1	AMBRESA Sp. z o.o.	-	354	-	-	2	-	-	-	-
2	BRE Bank Hipoteczny SA	425 374	27 769	6 625	-	-	-	16 189	-	1 070 170
3	BRE Corporate Finance SA	-	3 195	-	-	-	-	-	-	-
4	BRE Finance France SA	-	731 809	-	(64 423)	-	-	740 733	-	-
5	BRE Holding Sp. z o.o.	-	98	-	-	-	-	-	-	-
6	BRE Leasing Sp. z o.o.	174 441	52 692	9 737	(5 944)	-	-	25 000	-	-
7	BRE Ubezpieczenia TU SA	-	8 383	-	(121)	2	-	-	-	-
8	BRE Wealth Management SA (previously Skarbiec Investment Management SA)	-	3 712	-	-	2 307	-	-	-	-
9	BRE.locum SA	82 475	1 938	2 842	-	-	-	18 500	-	-
10	BRELINVEST Sp. z o.o. Fly 2 Commandite company	-	1	-	(8)	1	-	-	-	-
11	BREL-MAR Sp. z o.o.	-	1	-	-	1	-	-	-	-
12	Centrum Rozliczeń i Informacji CERI Sp. z o.o.	3 465	12 684	-	-	-	-	16 535	-	-
13	Dom Inwestycyjny BRE Bank SA	3 939	581 333	-	(21 808)	13 995	(6 447)	70 000	-	-
14	emFinanse Sp. z o.o.	6 803	-	-	-	-	(6 082)	-	-	-
15	Garbary Sp. z o.o.	3 000	2 138	-	-	-	-	-	-	-
16	Intermarket Bank AG	82 386	-	4 377	-	-	-	-	-	-
17	Polfactor SA	234 968	-	13 272	-	-	-	165 032	-	-
18	PTE Skarbiec Emerytura SA	-	4 055	-	-	-	-	-	-	-
19	ServicePoint Sp. z o.o.	155	74	1	(14)	10	-	345	-	-
20	Tele-Tech Investment Sp. z o.o.	38 978	-	3 867	-	-	-	-	-	-
	Associated									
	Xtrade SA	-	61	-	(4)	7	-	-	-	-
	Commerzbank AG Group (Ultimate Parent Group)	387 525	9 861 963	25 838	(246 096)	-	-	54 308	106 369	-

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

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

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

The Bank's exposure under extended guarantees in excess of 10% of the equity as at 30 June 2008 related to guarantees of the redemption of euronotes issued by order of BRE Finance France SA (issuer of eurobonds), a 100%-owned subsidiary of BRE Bank SA. The guarantee of USD 10 million took effect in December 2004 and it is valid up to December 2009. The guarantee of EUR 225 million, granted in October 2004, was repaid in October 2007 and the guarantee of EUR 200 million, granted in June 2005, was repaid in June 2008.

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

On 14 March 2008, the Supervisory Board of BRE Bank SA appointed Management Board Members, as of 15 March 2008, for a joint five-year term of office:

1. Mr Mariusz Grendowicz as President of the Management Board of BRE Bank SA, General Director of the Bank,
2. Mr Andre Carls as Deputy President of the Management Board of BRE Bank SA, Chief Financial Officer,
3. Mr Wiesław Thor as Deputy President of the Management Board of BRE Bank SA, Head of Risk Management,
4. Mr Bernd Loewen as Member of the Management Board of BRE Bank SA, Head of Investment Banking,
5. Mr Jarosław Mastalerz as Member of the Management Board, Head of Retail Banking,
6. Mr Christian Rhino as Member of the Management Board, Head of Operations and IT.

Moreover, Mr Bernd Loewen will temporarily supervise Corporate Banking.

Simultaneously, the following persons ceased performing their functions on the Management Board of BRE Bank SA:

1. Mr Sławomir Lachowski – President of the Management Board, Director General of the Bank,
2. Mr Jerzy Jóźkowiak – Member of the Management Board, Chief Financial Officer,
3. Mr Rainer Ottenstein – Member of the Management Board, Head of Operations and IT,
4. Mr Janusz Wojtas – Member of the Management Board, Head of Corporate Banking.

On 8 August 2008 the Bank received the information on the agreement of the Polish Financial Supervision Authority in regard to Mr Mariusz Grendowicz taking up the position of the Management Board President of BRE Bank SA.

On 14 March 2008, the Ordinary General Meeting of BRE Bank SA elected three new persons to the Supervisory Board of the Bank SA:

1. Mr Waldemar Stawski,
2. Mr Marek Wierzbowski,
3. Mr Martin Zielke.

The following persons were re-elected to the Supervisory Board for another term of office:

1. Mr Maciej Leśny,
2. Mr Martin Blessing,
3. Mr Achim Kassow,
4. Ms Teresa Mokrysz,
5. Mr Michael Schmid,
6. Mr Jan Szomburg.

On 15 July 2008, Mr Andre Carls, Member of the Management Board and Chief Financial Officer of the Bank resigned from the office as of 4 September 2008.

On the same day, Mr Martin Blessing, Member of the Supervisory Board of the Bank, resigned from the office as of 4 September 2008.

According to Resolution of the Supervisory Board of BRE Bank SA as of 5 September 2008 the following persons were appointed to the following positions:

1. Mr Andre Carls as Member of the Supervisory Board and as Deputy Chairman of the Supervisory Board of the Bank as of 5 September 2008 for the period of performance of the existing Supervisory Board term of office, as Member of the Supervisory Board Presidential Commission of the Bank, as Member of the Supervisory Board Audit Commission of the Bank, and as Member of the Supervisory Board Risk Commission of the Bank as of 5 September 2008 for the period of performance of the existing Supervisory Board term of office,

2. Ms Karin Katerbau as Member of the Management Board, Bank Director as of 5 September 2008 for the period of performance of the existing Management Board term of office,

3. Mr Przemysław Gdański as Member of the Management Board, Bank Director as of 19 November 2008 for the period of performance of the existing Management Board term of office.