BRE BANK SA

BRE Bank SA Group

IFRS Consolidated Financial Statements
for the first half of 2008

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Selected Financial Data

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

	SELECTED FINANCIAL DATA FOR THE GROUP	in'000 PLN (functional currency)		in EUR '000	
		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	**1 599 294**	**1 040 598**	**459 884**	**270 384**
II.	Fee and commission income	**458 277**	**408 010**	**131 780**	**106 015**
III.	Net trading income	**254 466**	**258 282**	**73 173**	**67 111**
IV.	Operating profit	**721 001**	**530 605**	**207 327**	**137 870**
V.	Profit before income tax	**721 001**	**530 605**	**207 327**	**137 870**
VI.	Net profit attributable to minority interest	**24 092**	**15 753**	**6 928**	**4 093**
VII.	Net profit	**640 325**	**403 866**	**184 128**	**104 938**
VIII.	Net cash flows from operating activities	**(186 372)**	**(2 432 549)**	**(53 592)**	**(632 061)**
IX.	Net cash flows from investing activities	**121 464**	**40 231**	**34 928**	**10 453**
X.	Net cash flows from financing activities	**3 633 391**	**776 149**	**1 044 798**	**201 670**
XI.	Net increase / decrease in cash and cash equivalents	**3 568 483**	**(1 616 169)**	**1 026 134**	**(419 937)**
XII.	Total assets	**64 490 250**	**48 575 481**	**19 226 716**	**12 899 113**
XIII.	Amounts due to the Central Bank	**-**	**-**	**-**	**-**
XIV.	Amounts due to other banks	**16 365 665**	**8 964 550**	**4 879 156**	**2 380 517**
XV.	Amounts due to customers	**36 383 973**	**28 971 781**	**10 847 288**	**7 693 393**
XVI.	Capital and reserves attributable to the Company's equity holders	**3 798 085**	**3 023 655**	**1 132 337**	**802 925**
XVII.	Minority interest	**131 699**	**97 216**	**39 264**	**25 815**
XVIII.	Share capital	**118 752**	**118 256**	**35 404**	**31 403**
XIX.	Number of shares	**29 687 937**	**29 564 034**	**29 687 937**	**29 564 034**
XX.	Book value per share (in PLN/EUR)	**127.93**	**102.27**	**38.14**	**27.16**
XXI.	Diluted book value per share (in PLN/EUR)	**127.91**	**101.84**	**38.13**	**27.04**
XXII.	Capital adequacy ratio	**9.23**	**10.44**	**9.23**	**10.44**
XXIII.	Earnings per 1 ordinary share (in PLN/EUR) (for 6 months)	**19.00**	**11.16**	**5.46**	**2.90**
XXIV.	Diluted earnings per 1 ordinary share (in PLN/EUR) (for 6 months)	**19.00**	**11.12**	**5.46**	**2.89**
XXV.	Declared or paid dividend per share (in PLN/EUR per share)	**-**	**-**	**-**	**-**

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

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

- <u>for balance sheet items</u> – 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
- <u>for profit and loss account items</u> – 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 of 2008 and 2007: EUR 1 = PLN 3.4776 and EUR 1 = PLN 3.8486 respectively.

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

Consolidated Income Statement

	Note	period from 01.01.2008 to 30.06.2008	period from 01.01.2007 to 30.06.2007
Continued operations			
Interest income	6	1 596 864	1 039 001
Interest expense	6	(954 623)	(570 071)
Net interest income		**642 241**	**468 930**
Fee and commission income	7	432 901	386 075
Fee and commission expense	7	(127 452)	(96 587)
Net fee and commission income		**305 449**	**289 488**
Dividend income	8	3 733	2 159
Net trading income, including:	9	254 467	258 282
Foreign exchange result		*260 461*	*208 443*
Other trading income		*(5 994)*	*49 839*
Gains less losses from investment securities	23	137 817	7 161
Other operating income	10	176 992	76 928
Impairment losses on loans and advances	14	(67 868)	(5 866)
Overhead costs	11,13	(613 627)	(521 919)
Amortization and depreciation	25, 26	(93 732)	(88 344)
Other operating expenses	12	(103 379)	(50 413)
Operating profit		**642 093**	**436 406**
Profit before income tax from continued operations		**642 093**	**436 406**
Income tax expense	15	(54 248)	(90 949)
Net profit from continued operations including minority interest		**587 845**	**345 457**
Discontinued operations	28		
Profit before income tax from discontinued operations		**78 908**	**94 199**
Income tax expense		(2 336)	(20 037)
Net profit from discontinued operations including minority interest		**76 572**	**74 162**
Net profit from continued and discontinued operations including minority interest, of which:		**664 417**	**419 619**
Net profit attributable to minority interest		24 092	15 753
Net profit		**640 325**	**403 866**
Net profit from continued operations attributable to the Bank's equity holders (for 6 months)		**563 753**	**329 704**
Weighted average number of ordinary shares		**29 670 203**	**29 535 896**
Earnings per 1 ordinary share (in PLN)	16	**19.00**	**11.16**
Weighted average number of ordinary shares for diluted earnings		**29 676 607**	**29 661 994**
Diluted earnings per 1 ordinary share (in PLN)	16	**19.00**	**11.12**

Notes presented on pages 9 – 100 constitute an integral part of these Consolidated Financial Statements.

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

Consolidated Balance Sheet

	Note	30.06.2008	31.12.2007	30.06.2007
ASSETS				
Cash and balances with the Central Bank	17	2 901 134	2 003 535	2 562 731
Debt securities eligible for rediscounting at the Central Bank	18	24 536	23 259	34 005
Loans and advances to banks	19	4 747 696	2 089 936	2 362 298
Trading securities	20	4 152 725	4 257 982	4 334 367
Derivative financial instruments	21	2 501 342	2 272 638	1 611 801
Loans and advances to customers	22	39 659 568	33 682 665	29 019 502
Investment securities	23	5 189 224	6 386 574	3 990 997
- Available for sale		5 189 224	6 386 574	3 990 997
Non-current assets held for sale	28	416 150	336 078	324 106
Pledged assets	20, 23, 38	2 590 976	2 812 277	2 473 770
Investments in associates	24	13 675	4 823	4 004
Intangible assets	25	408 135	404 967	372 955
Tangible fixed assets	26	715 880	670 213	591 243
Deferred income tax assets	35	209 543	116 290	84 988
Other assets	27	959 666	880 663	808 714
Total assets		**64 490 250**	**55 941 900**	**48 575 481**
EQUITY AND LIABILITIES				
Amounts due to other banks	29	16 365 665	12 245 867	8 964 550
Derivative financial instruments and other trading liabilities	21	2 555 426	2 164 214	1 559 834
Amounts due to customers	30	36 383 973	32 401 863	28 971 781
Debt securities in issue	31	2 191 871	2 928 414	3 503 245
Subordinated liabilities	32	1 993 213	1 661 785	1 473 771
Other liabilities	33	885 956	879 975	792 828
Current income tax liabilities		100 213	134 234	85 805
Deferred income tax liabilities	35	426	455	26 152
Provisions	34	83 723	71 227	66 326
Liabilities held for sale	28	-	12 543	10 318
Total liabilities		**60 560 466**	**52 500 577**	**45 454 610**
Equity				
Capital and reserves attributable to the Bank's equity holders		**3 798 085**	**3 324 511**	**3 023 655**
Share capital:		**1 521 294**	**1 517 432**	**1 503 744**
- Registered share capital	39	118 752	118 643	118 256
- Share premium	40	1 402 542	1 398 789	1 385 488
Other reserves	41	**(94 688)**	**74 204**	**88 869**
Retained earnings:	42	**2 371 479**	**1 732 875**	**1 431 042**
- Profit from the previous years		1 731 154	1 022 781	1 027 176
- Profit for the current year		640 325	710 094	403 866
Minority interest		**131 699**	**116 812**	**97 216**
Total equity		**3 929 784**	**3 441 323**	**3 120 871**
Total equity and liabilities		**64 490 250**	**55 941 900**	**48 575 481**
Capital adequacy ratio	48	**9.23**	**10.16**	**10.44**
Book value		**3 798 085**	**3 324 511**	**3 023 655**
Number of shares		**29 687 937**	**29 660 668**	**29 564 034**
Book value per share (in PLN)		**127.93**	**112.08**	**102.27**
Diluted number of shares		**29 694 341**	**29 690 132**	**29 690 132**
Diluted book value per share (in PLN)		**127.91**	**111.97**	**101.84**

Notes presented on pages 9 – 100 constitute an integral part of these Consolidated Financial Statements.

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

Consolidated Statement of Changes in Equity

Changes in equity from 1 January 2008 to 30 June 2008

	Note	Share capital		Revaluation reserve	Retained earnings					Minority interest	Total equity
		Registered share capital	Share premium		Other supplementary capital	Other reserve capital	General risk fund	Profit from the previous years	Profit for the current year		
Equity as at 1 January 2008		**118 643**	**1 398 789**	**74 204**	**322 262**	**22 288**	**559 110**	**829 215**	**-**	**116 812**	**3 441 323**
- 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**	**74 204**	**322 262**	**22 288**	**559 110**	**829 215**	**-**	**116 812**	**3 441 323**
Net change in investments available for sale, net of tax	41	-	-	(164 857)	-	-	-	-	-	-	(164 857)
Currency translation differences	41	-	-	(4 035)	-	-	-	-	-	(2 185)	(6 220)
Net profit/(loss) not recognised in the income statement		**-**	**-**	**(168 892)**	**-**	**-**	**-**	**-**	**-**	**(2 185)**	**(171 077)**
Net profit	42	-	-	-	-	-	-	-	640 325	24 092	**664 417**
Total profit recognised in current year		**-**	**-**	**(168 892)**	**-**	**-**	**-**	**-**	**640 325**	**21 907**	**493 340**
Dividends paid		-	-	-	-	-	-	-	-	(12 418)	(12 418)
Transfer to General Banking Risk Fund		-	-	-	-	-	54 200	(54 200)	-	-	-
Transfer to reserve capital		-	-	-	-	8 471	-	(8 471)	-	-	-
Transfer to supplementary capital		-	-	-	653 893	-	-	(653 893)	-	-	-
Loss coverage with supplementary capital		-	-	-	(2 731)	-	-	2 731	-	-	-
Issue of shares	39, 40	109	2 513	-	-	-	-	-	-	-	2 622
Additional shareholder payments		-	-	-	-	-	-	-	-	2	2
Other changes		-	-	-	-	-	-	(5 396)	-	5 396	-
Stock option program for employees	42	-	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**	**(94 688)**	**973 424**	**34 434**	**613 310**	**109 986**	**640 325**	**131 699**	**3 929 784**

Changes in equity from 1 January 2007 to 31 December 2007

	Note	Share capital		Revaluation reserve	Retained earnings					Minority interest	Total equity
		Registered share capital	Share premium		Other supplementary capital	Other reserve capital	General risk fund	Profit from the previous years	Profit for the current year		
Equity as at 1 January 2007		**118 064**	**1 378 882**	**5 110**	**9 451**	**20 899**	**558 000**	**440 360**	**-**	**91 433**	**2 622 199**
- reclassification to book value through profit and loss account		-	-	-	-	-	-	-	-	-	**-**
- changes to accounting policies		-	-	-	-	-	-	-	-	-	**-**
- adjustment of errors		-	-	-	-	-	-	-	-	-	**-**
Adjusted equity as at 1 January 2007		**118 064**	**1 378 882**	**5 110**	**9 451**	**20 899**	**558 000**	**440 360**	**-**	**91 433**	**2 622 199**
Net change in investments available for sale, net of tax	41	-	-	75 352	-	-	-	-	-	-	75 352
Currency translation differences	41	-	-	(6 258)	-	-	-	-	-	(3 366)	(9 624)
Net profit not recognised in the income statement		**-**	**-**	**69 094**	**-**	**-**	**-**	**-**	**-**	**(3 366)**	**65 728**
Net profit	42	-	-	-	-	-	-	-	710 094	37 523	**747 617**
Total profit recognised in current year		**-**	**-**	**69 094**	**-**	**-**	**-**	**-**	**710 094**	**34 157**	**813 345**
Dividends paid		-	-	-	-	-	-	-	-	(6 360)	(6 360)
Transfer to General Banking Risk Fund		-	-	-	-	-	1 110	-	-	-	1 110
Transfer to reserve capital		-	-	-	-	7 318	-	(8 428)	-	-	(1 110)
Transfer to supplementary capital		-	-	-	312 811	-	-	(312 811)	-	-	-
Issue of shares	39, 40	579	13 330	-	-	-	-	-	-	-	13 909
Additional shareholder payments		-	-	-	-	-	-	-	-	(2 418)	(2 418)
Stock option program for employees	42	-	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**	**74 204**	**322 262**	**22 288**	**559 110**	**119 121**	**710 094**	**116 812**	**3 441 323**

Notes presented on pages 9 – 100 constitute an integral part of these Consolidated Financial Statements.

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

Changes in equity from 1 January 2007 to 30 June 2007

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

Notes presented on pages 9 – 100 constitute an integral part of these Consolidated Financial Statements.

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

Consolidated Cash Flow Statement

	Note	from 01.01.2008 to 30.06.2008	from 01.01.2007 to 30.06.2007
A. Cash flow from operating activities		**(186 372)**	**(2 432 549)**
Profit before income tax		**721 001**	**530 605**
Adjustments:		***(907 373)***	***(2 963 154)***
Income taxes paid (negative amount)		(153 521)	(46 779)
Amortisation		93 977	88 543
Foreign exchange (gains) losses		(97 895)	(75 789)
(Gains) losses on investing activities		(206 183)	(86 011)
Dividends received		(3 734)	(1 252)
Interest paid		734 814	522 475
Change in loans and advances to banks		(797 253)	(2 106)
Change in trading securities		1 142 563	(571 190)
Change in derivative financial instruments		(228 704)	(198 736)
Change in loans and advances to customers		(5 976 903)	(5 974 808)
Change in investment securities		897 998	(890 457)
Change in other assets		(128 883)	(159 990)
Change in amounts due to other banks		70 312	265 748
Change in financial instruments and other trading liabilities		391 212	305 934
Change in amounts due to customers		3 540 125	3 932 052
Change in debt securities in issue		(208 690)	(82 764)
Change in provisions		12 496	(10 539)
Change in other liabilities		10 896	22 515
Net cash from operating activities		**(186 372)**	**(2 432 549)**
B.Cash flows from investing activities		**121 464**	**40 231**
Investing activity inflows		**274 459**	**169 863**
Disposal of stocks or shares in subsidiaries, net of cash disposed	46	-	165 305
Disposal of intangible assets and tangible fixed assets		5 341	3 306
Other investing inflows		269 118	1 252
Investing activity outflows		**152 995**	**129 632**
Acquisition of stocks or shares in subsidiaries, net of cash acquired		-	29 053
Purchase of intangible assets and tangible fixed assets		152 995	70 088
Other investing outflows		-	30 491
Net cash used in investing activities		**121 464**	**40 231**
C. Cash flows from financing activities		**3 633 391**	**776 149**
Financing activity inflows		**9 400 261**	**4 855 572**
Proceeds from loans and advances from other banks		5 826 431	942 633
Proceeds from other loans and advances		5 031	-
Issue of debt securities		2 819 325	2 931 394
Increase of subordinated liabilities		746 852	968 440
Issue of ordinary shares		2 622	4 616
Other financing inflows		-	8 489
Financing activity outflows		**5 766 870**	**4 079 423**
Repayments of loans and advances from other banks		1 751 085	213 235
Repayments of other loans and advances		102 798	9 833
Redemption of debt securities		3 347 178	2 743 433
Decrease of subordinated liabilities		359 500	967 075
Payments of financial lease liabilities		476	-
Dividends and other payments to shareholders		12 266	9 243
Other financing outflows		193 567	136 604
Net cash from financing activities		**3 633 391**	**776 149**
Net increase / decrease in cash and cash equivalents (A+B+C)		**3 568 483**	**(1 616 169)**
(Decrease)/increase in cash and cash equivalents in respect of foreign exchange gains and losses		6 905	(5 985)
Cash and cash equivalents at the beginning of the reporting period		7 516 362	9 082 846
Cash and cash equivalents at the end of the reporting period	44	**11 091 750**	**7 460 692**

Notes presented on pages 9 – 100 constitute an integral part of these Consolidated Financial Statements.

Explanatory Notes to the Consolidated Financial Statements

1. Information Concerning the Group of BRE Bank SA

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

- strategic - shares and equity interests in companies supporting the different particular business lines of BRE Bank SA (corporates and financial markets line, retail banking line, asset management line) with investment horizon not shorter than 3 years. The formation or acquisition of these companies was intended to expand the range of services offered to the clients of the Bank;
- other - company shares and equity interests acquired in exchange for receivables, in transactions resulting from composition and work out agreements with debtors, with the intention to recover a part or all claims to loan receivables and insolvent companies under liquidation or receivership.

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

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

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

As at 30 June 2008, the BRE Bank's Group covered by the Consolidated Financial Statements comprised the following companies:

BRE Bank SA; the parent entity

Bank Rozwoju Eksportu SA (Export Development Bank) was established by Resolution of the Council of Ministers N° 99 of 20 June 1986. The Bank was registered pursuant to the legally valid decision of the District Court for the Capital City of Warsaw, 16th Economic Registration Division on 23 December 1986 in the Business Register under the number RHB 14036. The 9th Extraordinary Meeting of Shareholders held on 4 March 1999 adopted the resolution changing the Bank's name to BRE Bank SA. The new name of the Bank was entered in the Business Register on 23 March 1999. On 11 July 2001, the District Court in Warsaw issued the decision on the entry of the Bank in the National Court Register (KRS) under number KRS 0000025237.

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

According to the By-laws of the Bank, the scope of its business consists of providing banking services and consulting-advisory services in financial matters, as well as the conduct of business activities within the scope described in its By-laws. The Bank operates within the scope of corporate, institutional and retail banking (including private banking) throughout the whole country and operates trading and investment activity.

In November 2007, foreign branches of mBank in both the Czech Republic and Slovakia opened business under the retail banking umbrella of BRE Bank.

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

The Bank may open and maintain accounts with Polish and foreign banks, and can possess foreign exchange assets and trade in them.

The average employment in the first half of 2008 was: in BRE Bank SA 5 090 persons and in the Group 6 688 persons (the first half of 2007: BRE Bank 4 187; the Group 5 624).

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

Corporates and Financial Markets, including:

Corporates and Institutions

- **BRE Bank Hipoteczny SA,** subsidiary

The core business of BRE Bank Hipoteczny SA is to grant mortgage credits to finance commercial real estate, development projects and development projects for the local governments and issuing mortgage and public letters of pledge.

Moreover, the company takes term deposits, receives loans, is entrusted with securities for safekeeping and purchases shares of other entities which legal form ensures the limitation of the Bank's liability up to the level of money invested.
The Bank holds directly and indirectly 100% of the shares of the company through BRE Holding, the subsidiary.

- **BRE Corporate Finance SA**, subsidiary

The company focuses on four key areas: mergers and acquisitions, privatization, strategic consulting, and fund resourcing, including public and private issues of stocks.

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

The company was founded in connection with restructuring conducted within BRE Bank Group with the object of maintenance of effective cooperation with the companies of corporate banking. The company holds 50.004% of the equity interests of BRE Leasing Sp. z o.o., 50% of the shares of Polfactor SA and 75.71% of the shares of BRE Bank Hipoteczny. The agreement on the transfer of the equity interests and shares of the aforementioned companies from BRE Bank to BRE Holding was described below under "Other information concerning the companies of the Group".

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

The company has belonged to the Group since June 1991. The company's business activity is to acquire, rent, lease, and hire chattels, and to acquire, build, rent and lease all types of plots of land, buildings, and facilities. The company may conduct transactions and take actions aimed at direct or indirect pursuit of its business objectives, including purchase of receivables and agency services in real estate trading. The company has a network of offices in the largest cities of Poland. The Bank holds indirectly 50.004% of the company's equity interests through BRE Holding, the subsidiary.

- **Dom Inwestycyjny BRE Banku S.A.,** subsidiary

The company has belonged to the Group since July 1998. The company's core business activity is to provide services related to securities trading, rights in property other than securities, and other financial instruments on the capital market in accordance with the applicable law and the licences held by the company.

- **Intermarket Bank AG**, subsidiary

Four companies, centred around Austrian Intermarket Bank AG, which are market leaders at their home markets, provide factoring activity both on domestic and foreign markets. The Intermarket Group, apart from Intermarket Bank AG, consists of: Transfinance a.s. (in Czech Republic), Magyar Factor zRt. (in Hungary) and Polfactor SA (in Poland).

The Intermarket Group primarily offers its services to the fast moving consumer goods sector, the metal sector, and building materials and food sector.

Intermarket Bank AG has been the company of the Group since July 2000. The main products of the company are: *finance factoring* - providing financing against bought receivables and *full finance* – which is the product combining financing together with receivables management services as well as vindication.

- **Magyar Factor zRt.**, subsidiary

The company has belonged to the Group since January 2003. Magyar Factor zRt. provides domestic, export and import factoring services as part of Factors Chain International, an international organisation of factoring companies. The Bank holds 50% of Magyar Factor zRt.'s shares and Intermarket Bank AG holds the remaining 50%.

- **Polfactor SA**, subsidiary

The company arose in 1995. The Bank holds an indirect (through BRE Holding, the subsidiary) 50% share in the share capital and 50.01% of votes at the General Meeting of Shareholders of the Company and Intermarket Bank AG holds the rest of the shares. The Company provides factoring services for domestic, export and import transactions under Factors Chain International.

- **Transfinance a.s.**, subsidiary

The company has belonged to the Group since October 2000. The core business of the company includes purchase of receivables and intermediary services in collection of these receivables. The Bank holds 50% of Transfinance's shares and Intermarket Bank AG holds the remaining 50%.

Trading and Investments

- **BRE Finance France SA**, subsidiary

This is a company for special purposes. The company obtains funds for the Bank, issuing debt securities at international financial markets.

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

Managing a real estate located at 101/111 Garbary St. in Poznań is the only task of the Company. The real estate consists of several meat factories which are not used at present. The Company employs 2 persons.

- **Tele-Tech Investment Sp. z o.o**., subsidiary

The company has belonged to the Group since 1999. The company's core business involves investment in securities and receivables trading, executing securities transactions on its own account, management of controlled companies as well as business and management consulting services. The Company has no employees.

Retail Banking (including private banking)

- **BRE Wealth Management SA**, subsidiary

The core business of BRE Wealth Management is securities portfolio management according to disposition as well as providing wealth management services comprising: finance planning, tax and investment advising.

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

The company emFinanse Sp. z o.o. was registered in August 2005 and it operates on the market of financial agents and advisors and sells bank and bank-insurance products. In the first half of 2008 the restructuring process began in order to strengthen the sales network of BRE Bank Retail Banking products. The change includes the conversion of emFinanse outlets into a sales network of BRE Bank Retail Banking products. In restructuring the emFinanse model will be integrated with the mBank and MultiBank model. The company will continue its business but in a limited scope. The process is going to be completed by the end of the current year.

Asset Management (discontinued operations Note 28)

- **Aegon PTE SA,** associate

On 30 June 2008, in connection with the transaction of merger of PTE Skarbiec-Emerytura SA and Aegon PTE SA, the Bank took up 54 812 shares of Aegon PTE SA constituting 49.7% of the share capital and general number of votes at the General Meeting of the company. The detailed information on the transaction as well as assets held for sale and discontinued operations was presented in the Note 28 of these financial statements.

Remaining business

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

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

- **BRE.locum SA**, subsidiary

BRE.locum is a property developer. It invests in real estate (primarily residential buildings), manages the property and provides consulting services. As its core business, the company develops and assesses investment projects; arranges for, supervises and prepares building designs; supervises and performs construction work; acts as a 'substitute investor' for building projects; resources funds for investments; finds lessees; operates commercial real estates; trades in real estates; provides real estate trading services; offers advices for realisation of investments in real estate and real estate trading and mediates in real estate trading.

Other information concerning the companies of the Group

BRE Holding Sp. z o.o.

On 22 November 2007 the District Court in Warsaw registered BRE Holding Sp. z o.o. ("BRE Holding") which was founded by BRE Bank. On the same day BRE Bank took over 100% of BRE Holding's shares, constituting 100% of the total number of votes at the General Meeting of Shareholders of the company. The book value of acquired shares amounted to PLN 100 thousand. The company was founded in connection with restructuring conducted within BRE Bank Group with the purpose of maintenance of effective cooperation with the companies of the Corporate Banking area.

Upon the restructuring, on 5 February 2008 the Bank concluded with BRE Holding an agreement on the transfer of shares and stocks of certain of the Bank's subsidiaries in the total amount of PLN 170 983 thousand. In accordance with the agreement BRE Holding took over:

- 6 121 shares of BRE Leasing Sp. z o.o. ("BRE Leasing") with a nominal value of PLN 500 each, which constitute 50.004% of the share capital of BRE Leasing as well as voting rights at the general meeting of shareholders of the company. The book value of the transferred shares amounted to PLN 3 737 thousand. The Bank has had no shares of BRE Leasing since the transaction,

- 2 301 ordinary registered shares of Polfactor SA ("Polfactor") with a nominal value of PLN 2 500 each, which constitute 50.00% of the share capital and authorise to exercise 2 302 votes at the general meeting of Polfactor, which constitute 50.01% of general number of voting rights at the general meeting of Polfactor. The book value of the transferred shares amounted to PLN 4 808 thousand. The Bank has had no shares of Polfactor since the transaction,

- 1 325 000 ordinary registered shares of BRE Bank Hipoteczny SA ("BBH") with a nominal value of PLN 100 each, which constitute 75.71% of the share capital of BBH as well as voting rights at the general meeting of BBH. The book value of the transferred shares amounted to PLN 162 437 thousand. After the transaction the Bank has had 425 000 shares of BBH, representing 24.29% of the share capital and voting rights at the general meeting of BBH.

Prior to the above indicated transactions BRE Holding had no shares or stocks of the above mentioned companies. The above indicated transactions did not affect the result of either the Bank or the Group.
On 27 February 2008 the District Court in Warsaw registered an increase of the share capital of BRE Holding through the issuance of new 1 900 shares to the amount of PLN 1 000 thousand. On the same day the Bank took over shares with a nominal value of PLN 0.5 thousand each, issued by BRE Holding. The takeover took place in exchange for a contribution in kind in the form of shares of the above mentioned Bank subsidiaries. As a result of the increase of the share capital of BRE Holding, the Bank in total holds 2 000 shares authorizing the exercise of 2 000 votes at the General Meeting of Shareholders which constitute 100% of the share capital and total number of votes at the General Meeting of BRE Holding. The total book value of all shares of BRE Holding amounts to PLN 171 083 thousand.

PTE Skarbiec-Emerytura SA

On 30 June 2008 PTE Skarbiec-Emerytura SA and Aegon PTE SA were merged together.

Prior to the merger the Bank held 8 516 181 shares of PTE Skarbiec-Emerytura SA, which constituted 100% of the share capital and voting rights at the General Meeting of the company.

Detailed data concerning the merger as well as assets held for sale and discontinued operations were presented under the Note 28 of these financial statements.

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

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

Company	Share of voting rights (directly and indirectly)	Consolidation method
BRE Bank Hipoteczny SA	100%	full
BRE Corporate Finance SA	100%	full
BRE Holding Sp. z o.o.	100%	full
BRE Wealth Management SA	100%	full
Centrum Rozliczeń i Informacji CERI Sp. z o.o.	100%	full
Dom Inwestycyjny BRE Banku SA	100%	full
emFinanse Sp. z o.o.	100%	full
Garbary Sp. z o.o.	100%	full
Tele-Tech Investment Sp. z o.o.	100%	full
BRE Finance France SA	99.98%	full
BRE.locum SA	79.99%	full
Polfactor SA	78.12%	full
Magyar Factor zRt.	78.12%	full
Transfinance a.s.	78.11%	full
Intermarket Bank AG	56.24%	full
BRE Leasing Sp. z o.o.	50.004%	full
Aegon PTE SA*	49.67%	non-current assets held for sale

* In relation to the merger of PTE Skarbiec-Emerytura SA and Aegon PTE SA of 30 June 2008, the share of the Group in the net assets of Aegon PTE SA was recognized in the consolidated Balance Sheet as at 30 June 2008. The shares of Aegon PTE SA were classified as assets held for sale and they were valued at the carrying value being lower than the fair value less any cost to sell. Simultaneously, the profit generated by PTE Skarbiec-Emerytura SA within the first half of 2008 was presented in the consolidated Profit and Loss Account for the first half of 2008. The transaction of merger was described in detail under the Note 28 "Assets and Liabilities Held for Sale and Discontinued Operations".

In the first quarter of 2008, BRE Holding Sp. z o.o. was included in consolidation.

The Management Board of BRE Bank SA approved these Consolidated Financial Statements for issue on September 10, 2008.

2. Description of Relevant Accounting Policies

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

2.1 Accounting Basis

These Consolidated Financial Statements of the BRE Bank SA Group have been prepared for the 6 - month period ended 30 June 2008.

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

Since 1 January 2007 the Group has applied the provisions of International Financial Reporting Standard 7, Financial Instruments: Disclosures, which has been binding as from the date and the amended provisions of International Accounting Standard 1. All disclosures in accordance with IFRS 7 were presented in the Consolidated Financial Statements for the year 2007 and in these Consolidated Financial Statements.

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

2.2 Consolidation

Subsidiaries

Subsidiaries comprise any entities (including special purpose vehicles) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of a majority of the voting rights. When assessing whether the Group actually controls the given entity, the existence and impact of potential voting rights that are currently exercisable or convertible are considered. Subsidiary entities are subject to full consolidation from the date of acquisition of control over them by the Group. Their consolidation is discontinued from the date when control is not exercised any longer. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement (see Note 2.15).

Inter-company transactions, balances and unrealised gains on transactions between the companies of the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are settled using the equity method of accounting and they are initially recognized at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment losses) identified on the acquisition date (see Note 2.15).

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

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

2.3 Interest Income and Expenses

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

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

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

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

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

Interest income on impaired loans is recognised in interest income with the application of interest rates used to discount the future cash flows for the purpose of measuring impairment losses.

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

2.4 Fee and Commission Income

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

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

2.5 Segment Reporting

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

2.6 Financial Assets

The Group classifies its financial assets to the following categories: financial assets valued at fair value through the Profit and Loss Account; loans and receivables; investments held to maturity; financial assets available for sale. 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 the Profit and Loss Account at inception. A financial asset is classified in this category if it was acquired principally for the purpose of short-term resale or if it was classified in this category by the companies of the Group. Derivative instruments are also classified as "held for trading", unless they were designated for hedging.

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

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

a) financial assets/financial liabilities are classified as held for trading i.e. they are acquired or incurred principally for the purpose of selling or repurchasing them in the near term, they are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit making or they are derivatives (except for derivatives that are designated 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 Group 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 Group also designates the financial assets/liabilities at fair value through the Profit and Loss Account 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 financial 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 the Note 2.12, 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 Group 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 Group supplies monetary assets, goods or services directly to the debtor without any intention of trading the receivable.

Held to Maturity Investments

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

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

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

Available for Sale Investments

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

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

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

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

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

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

Investments in associates are recognized in the Balance Sheet at the purchase price reduced by impairment.

2.7 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.

2.8 Impairment of Financial Assets

Assets Carried at Amortised Cost

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

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

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

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

The calculation of the present value of estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is 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 collateral provided, overdue status outstanding, maturities and their combinations. Such features influence the estimation of the future cash flows attached to specific groups of assets as they indicate the capabilities of repayment on the part of debtors of their total liabilities in conformity with the terms and conditions of the contracts concerning the assessed assets.

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

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

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

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

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

Assets Measured at Fair Value

At each Balance Sheet date the Bank estimates whether there is an 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 – is removed from equity and recognised in the Profit and Loss Account. The above indicated difference should be reduced by the impairment concerning given asset which was previously 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 the fair value of a debt instrument classified as available for sale increases in a subsequent period, and such increase can be objectively related to an event occurring after the recording of the impairment loss in the Profit and Loss Account, then the respective impairment loss is reversed in the Profit and Loss Account.

Renegotiated agreements

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

2.9 Financial Guarantee Contracts

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

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

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

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

2.10 Cash and Cash Equivalents

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

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

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

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 Group, financial assets are tranferred in such way that they do not qualify for derecognition. Thus, the Group retains substantially all risks and rewards of ownership of the financial assets.

2.12 Derivative Financial Instruments and Hedge Accounting

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

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

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

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

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

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

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

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

<u>Fair Value Hedges</u>

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

In case a hedge has ceased to fulfil the criteria of hedge accounting, the adjustment to the carrying value of the hedged item for which the effective interest method is used is amortised to 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.

<u>Cash Flow Hedges</u>

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

The amounts recognised in equity are transferred to the Profit and Loss Account and recognised as income or cost of the same period in which the hedged item will affect the Profit and Loss Account (e.g., 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.

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

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

The Group holds the following derivative instruments in its portfolio:

Market risk instruments:

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

Interest rate risk instruments:

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

Foreign exchange risk instruments:

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

2.13 Gains and Losses on Initial Recognition

The best evidence of fair value at initial recognition is the transaction price (i.e., the fair value of the 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 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 Group assumes that the transaction price is the best indicator of fair value, although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value, commonly referred to as 'day one profit and loss', is not recognised immediately in 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 income statement without reversal of deferred day one profits and losses.

2.14 Borrowings

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

2.15 Intangible Assets

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

Goodwill

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

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

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

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Computer software

Purchased computer software licences are capitalised in the amount of costs incurred for the purchase and adaptation for use of specific computer software. These costs are amortised on the basis of the expected useful life of the software (2-11 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 Group, which are likely to generate economic benefits in excess of such costs expected to be gained over a period exceeding one year, are recognised as intangible assets.
Direct costs comprise personnel expenses attached to the development of software and the corresponding part of the respective general overhead costs.

Capitalised costs attached to the development of software are amortised over the period of their estimated useful life.

Computer software directly connected with the functioning of specific information technology hardware is recognised as "Tangible fixed assets".

Development costs

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

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

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

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

2.16 Tangible Fixed Assets

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

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

Fixed assets designated for liquidation or decommissioning are measured at net book value or at fair value less selling costs, depending on which value is lower: the difference arising on this account is recognised under "Other 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	5-15 years,
- Transport vehicles	5 years,
- Information technology hardware	3.33-5 years,
- Investments in the third party (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 Group 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.

2.17 Non-Current Assets Held for Sale and Discontinued Operation

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

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

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

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

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

2.18 Deferred Income Tax

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

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

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

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

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

In the case of the Bank, the deferred income tax assets and deferred income tax provisions are netted against each other for each country separately where the Bank conducts its business and is obliged to settle up due to corporate income tax.

The Group discloses separately the amount of negative temporary differences (mainly on account of unused tax losses or unutilised tax allowances) in connection with which the deferred income 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 income tax provision has been formed.

Deferred income tax for the Group is provided on assets or liabilities due to temporary differences arising from investments in subsidiaries and associates, except where, on the basis of any evidence, the timing of the reversal of the temporary difference is controlled by the Group and it is possible that the difference will not reverse in the foreseeable future.

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

2.19 Assets Repossessed for Debt

Assets repossessed for debt at their initial recognition are measured at their fair values. In 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.

2.20 Prepayments, Accruals and Deferred Income

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

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

2.21 Leasing

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

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

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

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

In the case of finance lease contracts, under which the Group holds leased assets, subject of such lease agreement is recognised as a fixed asset and 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 for the Group's fixed assets.

2.22 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 Group has a present legal or constructive obligation as a result of past events, it is more likely that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

2.23 Retirement Benefits and Other Employee Benefits

Retirement Benefits

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

Benefits Based on Shares

The Group runs a program of remuneration based on and settled in own shares and shares of the ultimate parent of the Group. 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 Group. 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 Group 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.

2.24 Equity

Equity consists of capital and own funds attributable to the Bank's equity holders, and minority interest 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 By-laws and with the entry in the business register.

a) Share Issue Costs

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

b) Dividends

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

c) Own Shares

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

Share premium

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

Revaluation reserve

Revaluation reserve is formed as a result of:

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

Retained earnings

Retained earnings include:

- other supplementary capital,
- other 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 they are assigned to purposes specified in the By-laws or other regulations of the law.

2.25 Valuation of Items Denominated in Foreign Currencies

Functional Currency and Presentation Currency

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

Transactions and Balances

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

Foreign exchange differences arising on account of such non-monetary items such as financial assets measured at fair value through the Profit and Loss Account are recognised under gains or losses arising in connection with changes of fair value. Foreign exchange differences on account of such non-monetary assets as equity instruments classified as available for sale financial assets are recognised under 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 the presentation currency with the application of mid exchange rate on the balance sheet date. Profit and Loss Account items of these entities are converted to presentation currency with the application of the arithmetical mean of mid exchange rates quoted by the National Bank of Poland on the last day of each month of the reporting period. Foreign exchange differences so arisen are recognized under revaluation reserve.

Companies Belonging to the Group

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

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

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

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

Leasing Business

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

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

2.26 Trust and Fiduciary Activities

BRE Bank SA operates trust and fiduciary activities including domestic and foreign securities and services provided to investment and pension funds.

Dom Inwestycyjny BRE Banku SA operates trust and fiduciary activities in connection with the handling of securities accounts of the clients.

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

Other companies belonging to the Group do not conduct any trust or fiduciary activities.

2.27 New Standards, Interpretations and Amendments to Published Standards

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

- 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

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

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

2.28 Comparative Data

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.

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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 Consolidated 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	3 403 174	854 808	4 257 982
Pledged assets	3 708 158	(895 881)	2 812 277
Amounts due to banks	12 286 940	(41 073)	12 245 867
Total assets	55 982 973	(41 073)	55 941 900

Changes in the Balance Sheet as at 30 June 2007.

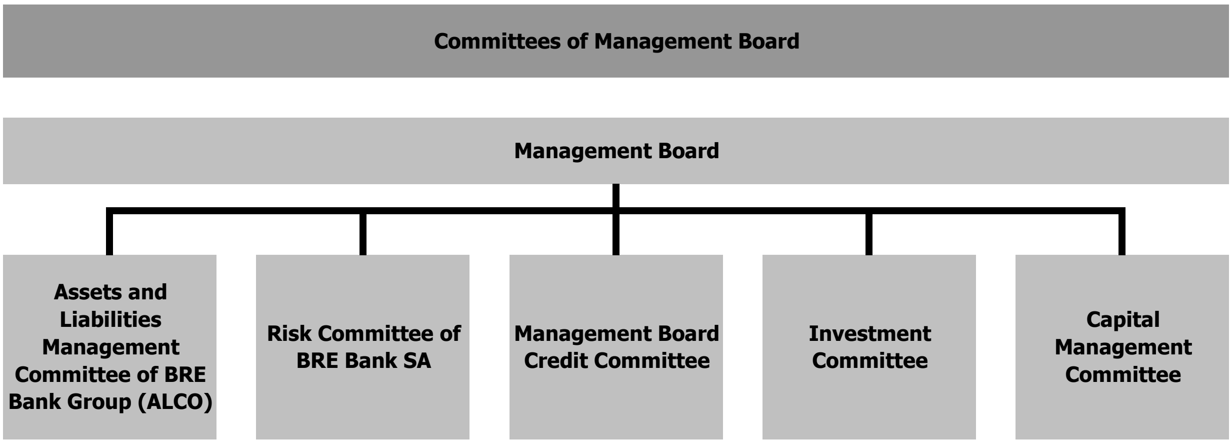
30.06.2007	**30.06.2007 before adjustments**	**presentation adjustments**	**30.06.2007 after adjustments**
Trading securities	3 847 054	487 313	4 334 367
Pledged assets	3 319 230	(845 460)	2 473 770
Amounts due to banks	8 988 762	(24 212)	8 964 550
Amounts due to customers	29 305 716	(333 935)	28 971 781
Total assets	48 933 628	(358 147)	48 575 481

3. Financial Risk Management

The structure of Risk Management in BRE Bank

Overall risk management in BRE Bank starts with widely understood responsibility of the Supervisory Board of BRE Bank. The Supervisory Board Risk Committee, a committee of the Supervisory Board, grants approvals to the risk management strategies and polices, supervises market, liquidity, credit and operational risk management processes, and assesses the Bank's exposure to particular risks. Furthermore, the Supervisory Board Risk Committee, based on the Management Board's recommendations, approves the limits of exposures which are significant from the Commerzbank Group's point of view.

The daily risk management process is performed on several defined management levels, starting with the Management Board level at the top and ranging to the risk control and risk management units level at the bottom. The Management Board has established a few types of risk Committees in order to effectively execute the risk management duties as well as defined the organizational structure of the Bank with assigned responsibilities according to the best market practice. The below chart presents the structure of the Committees:

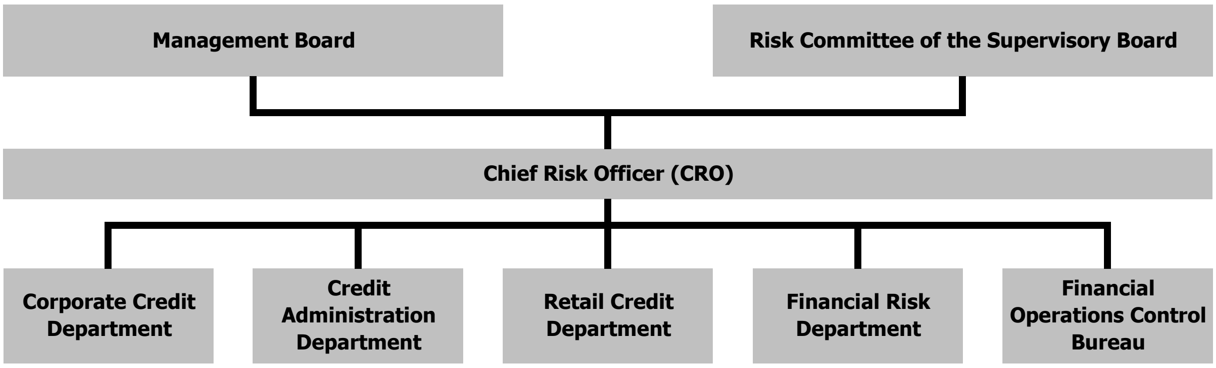


The Management Board Members, adequately to their duties and powers, have assigned responsibilities for the different risk types present in the Bank's activities. The President of the Management Board of the Bank is responsible for the Bank's business strategy, reputation risk and compliance risk. The Deputy President, Chief Risk Officer bears responsibility for the supervision of all quantifiable types of risk, i.e., credit, market, liquidity and operational risk, and accordingly for the implementation of the risk strategies and realization of the risk management polices in the Bank. The Chief Investment Officer is responsible for the investment risks. The Head of Operations and IT bears responsibility for business processes risk. Moreover, the human resources risks are under supervision of the Bank Director in charge of Human Resources Management.

The Risk Committee of BRE Bank SA carries out the Management Board responsibilities in the area of control and management of financial, credit and operational risks, including coordination of actions of the Bank's units participating in these processes. The Risk Committee is comprised of four Management Board Members, out of which the Chief Risk Officer chairs the Committee, and of the heads of the departments which control and monitor the risks, of the heads of departments which manage operationally the relevant risks, and of the heads of the Controlling Department, the Strategy Department, and the Internal Audit Department. The Committee is responsible for: setting the rules and the framework for the processes of control of financial and operational risks, setting the risk limits, accepting methodologies for calculations of regulatory and economical capital, approving financial risk measurement methodologies and forms of the risk reporting, setting the rules for inclusion of Bank's operations in the trading book or in the banking book respectively, setting the structure and minimal volume of liquidity reserves of the Bank, taking actions to neutralize situations engendering the Bank's liquidity. Moreover, the Risk Committee reviews regularly the Bank's exposure to market risk, banking book interest rate risk, liquidity risk, portfolio credit and operational risk, and assesses the Bank's capital adequacy level and the level of capital requirements, and reviews operational losses and the profile of operational risk of the Bank, reviews utilization of limits established by the Committee and limits imposed by external supervisory institutions, presettlement and settlement limits, P&L results of front-office departments, and conformity of concluded transactions with the market. The Committee holds its meetings on at least monthly basis.

The Management Board Credit Committee consists of: the Management Board Members, the adviser of the Management Board and the Heads of: Corporate Credit Department, Credit Administration Department (both Heads of the Departments enjoy voting power), Trading Transaction Department (the Head of the Department does not enjoy voting power). The Committee is responsible for credit decisions concerning: exposures exceeding PLN 50 million; debt conversions into shares, bonds etc. and other decisions exceeding competences of lower level decision-making bodies. This Committee meets on weekly basis and ad hoc in justifiable cases.

The Chief Risk Officer (CRO) supervises the Risk Line, which consists of the Bank's units shown in the bottom on the diagram below.



Credit risk management is an integrated and continuous process operating at both the transaction and portfolio levels. The process is carried out within the credit departments responsible for clear defining complementary areas. The mission of the Corporate Credit Department ("DKK") is mainly focused on the implementation of the Bank's credit policy as well as credit risk controlling and management in the area of Corporate Banking on the Bank level and the level of the subsidiaries of BRE Bank Group. The key functions of the DKK include: analyzing and managing credit risk of the Bank's customers and the BRE Bank Group's subsidiaries (except for retail credits); monitoring the structure of exposure of the risk portfolio; analyzing and managing country credit risk and controlling country limits; controlling customer limits (for non-financial customers, banks, and international financial institutions); assignment of customer and Expected Loss ratings. The mission of the Credit Administration Department ("DAK") is to administer credit risk in the Corporate Banking and Private Banking Area. In particular, DAK administers credit risk provisions and monitors concentration risk in the case of large exposures. The mission of the Retail Credit Department is credit risk management within the framework of Retail Banking. The main credit risk management functions of the Department include: administering and calculating the greatness of loans to customers of Retail Banking, monitoring and enforcing loan receivables, setting up specific provisions in the Retail Banking, development and implementation of credit risk scoring systems and credit decision-making systems. All of the three Departments cooperate closely in common areas. Finally, the credit risk on the portfolio level is monitored and reported by the Financial Risk Department ("DRF").

Market risk is controlled and monitored by the Financial Risk Department and the Financial Operations Control Bureau ("BKF"). In relation to this task, DRF is responsible for development of market risk measurement methodologies, producing financial instruments valuation models, measurement of front-office units' portfolios exposures to market risk using Value at Risk (VaR) and stress tests methodologies. DRF controls and monitors utilization of the limits set by the Risk Committee for these risk measures, provides daily and periodical reporting on the market risk exposition to the front-office units, to relevant Committees, and, directly, to the Chief Risk Officer. Moreover, DRF monitors the level of market risk in the subsidiaries of BRE Bank Group.

Financial Operations Control Bureau calculates daily P&L on transactions carried out by the front-office units and delivers daily reconciled P&L to the financial division. Moreover, the Bureau is responsible for the administration of the front-office dealing systems, grants access rights to the systems and delivers proper market data to the systems. BKF monitors whether transactions carried out are within earlier established credit limits (pre-settlement, settlement, issuer and country risk) imposed on trading activities and monitors infringement escalation. Moreover, BKF verifies the conformity with the market prices binding at the timing of the transactions carried out by the front-office units.

The purpose of liquidity risk management is to ensure and maintain the Bank's ability to fulfill both current and future liabilities taking into account the cost of liquidity obtaining. The Treasury Department is responsible for the liquidity management. The Financial Risk Department is in charge of controlling and monitoring financial liquidity risk of the Bank on the strategic level and carrying reporting to the Chief Risk Officer and to the Risk Committee of BRE Bank. The Financial Risk Department monitors on a daily basis the financial liquidity using methods based on the cash flow analysis. The liquidity risk measurement is based on the internal model, which has been established taking into consideration the specific character of the Bank, volatility of deposit base, level of funding concentration and projected development of particular portfolios. The value of mismatch of cash flows over defined periods of time (the liquidity gap), the level of liquidity reserve of the Bank, the usage of internal liquidity limits are monitored daily. The Bank assesses the currently liquidity situation and the probability of its deterioration using scenario's methods including stress tests. The Bank established the Liquidity Contingency Plan, which regulates the proceedings in the case of illiquidity threat. The Contingency Plan defines the organization of appropriate warning system, the scope of responsibilities of particular people and Committees in relation to the whole process and on each of its stages.

The operational risk control and monitoring function is realized by the Financial Risk Department to keep close control over operational risk on the Bank and the BRE Bank Group (consolidated) level. As a part of the operational risk control activities BRE Bank collects data about operational risk events and losses (loss collection database), regularly carries out the operational risk self-assessment within organizational units, collects and monitors key risk indicators and performs scenario analysis in order to identify exposure to potential high-severity events. At the same time the function maintains the communication channels for remedial action once the systems spots critical patterns of operational risk in any area of business or support. The results of operational risk control and monitoring are reported to the Supervisory Board, Financial Risk Committee and the Chief Risk Officer on a regular basis. Financial Risk Department – within the scope of its operational risk control function duties – closely cooperates with other units and projects within the Bank in particular with the Compliance Bureau, the Internal Audit Department and the Business Continuity Project.

The enhanced credit risk control function on the Group level is carried out by a specially dedicated Bureau established in the Corporate Credit Department. The main tasks of the Bureau are: analysing credit risk connected with new exposures of the companies and taking part in credit risk committees, monitoring credit risk of the biggest exposures, analysis of risk portfolio quality, participation in development and modification of strategies, policies and risk management rules applied by the companies and the supervision over planning and realization of provisions, furthermore the biggest exposures audit with reference to the whole Group's commitments (consolidation of commitments).

The important part in the risk management process in the Bank plays well organized reporting system. On the one hand, the Heads of the Departments that operationally deal with risk manegement, report directly and on ongoing basis to the Management Board Members responsible for the Departments. On the other hand, units of the Risk Line that control and monitor the risks submit independent risk reports to the Heads of the Departments that deal with risk management and to the Chief Risk Officer, and to appropriate Risk Committees of the Bank. The CRO regularly presents reports concerning the risks under his supervision to the Risk Committee of the Supervisory Board and to the Management Board. Moreover, the above mentioned bodies are provided with regular reports about the risk profile of the Bank as a whole. In particular, a quarterly risk report addressed to the Risk Committee of the Supervisory Board, prepared by the units of the Risk Line, presents a comprehensive and synthetic approach of the risk profile of the Bank. Furthermore, every event that has considerable impact on the risk profile of the Bank is on ad hoc basis and with no delay reported to the appropriate, to the significance of the situation, levels of risk management system.

The Capital Management Committee under the direction of the Deputy President of the Management Board of the Bank (the Chief Financial Officer) is an advisory body performing among others advisory functions in relation to capital management to the Management Board. The Committee consists of the Heads of Departments of Finance, Risk, Investment Banking, Corporate Banking and Retail Banking Line. In particular, the Committee recommends: capital management activities, including the Capital Management Policy, to the Management Board; activities concerning maintenance the safe level and optimal capital structure by the Bank and the Group; activities related to enhancement of capital utilization; projects of internal procedures, concerning planning and capital management processes.

Moreover, the Committee monitors and forms the structure of the capital in order to provide optimal allocation of the capital, taking into account the Bank's internal strategy, concerning adequacy ratio and elaborating optimal return on capital. Additionally, the Committee participates in identification and validation of relevance of the risks. The Committee has powers in making-decisions on:

1) establishing the management rules in relation to regulating and internal capital,
2) approvals concerning estimation and maintenance of internal capital,
3) establishing the rules of capital estimation and allocation of capital to particular business areas of the Bank's activities, depending on the actual level of the risk taken,
4) establishing the rules of minimal margins assessment in relation to the capital exposure and the risk taken,
5) introducing capital measures,
6) limits of capital utilization by particular business activities of the Bank and the units of the Bank.

Moreover, the Committee has approval powers related to activities aiming at optimization of the capital utilization and the capital strategy of the Bank, in particular long-term capital objects of the Bank within the scope of capital adequacy as well as preferred structure of the capital.

The Bank operates an Assets and Liabilities Committee (ALCO).

ALCO operates in the following areas:

1) liquidity,
2) financing,
3) the capital and capital ratios,
4) risk weighted assets shaping,
5) application of transfer pricing system and adequate internal settlement system.

Its functions are:

1) analysing and predicting development of elements already mentioned,

2) establishing values of ranges for individual objects,
3) making decisions on solutions for these aims achievement,
4) stress tests analysing.

The Committee consists of:

1) Chairman of the Committee – the Chief Investment Officer,
2) Deputy Chairman of the Committee – the Chief Financial Officer,
3) Members of the Committee:
   - the Director General of the Bank,
   - the Head of the Department of the Treasury,
   - the Head of the Accounting Department,
   - the Head of the Strategic Controlling Department,
   - the Representative of the Controlling and Management Information Department.

The Chairman of the Committee can invite other employees of the Bank or employees of the companies of BRE Bank SA Group to meetings if he deems their presence to be justified by the topics to be discussed.

The Members of the Committee meet once a month. In justified cases, the Chairman or the Deputy Chairman of the Committee can convoke on their own initiative or on a motion of one of the Members of the Committee an extraordinary session.

Authority to Approve Credit Decisions

The Bank actively manages credit risk, striving to optimise its level. For this purpose, uniform principles of credit risk management apply across the Bank's structure. The main principles include: separation of the functions of credit risk rating from the business functions; setting exposure limits; monitoring the concentration risk of large exposures; monitoring concentration risk in other significant dimensions. The separation of the functions of credit risk rating from the business functions applies at all levels in the Bank, up to and including the Management Board level. After a product is sold, exposures generating credit risk are also administered by the Risk Line, completely independently from the Sales Line. Limits of exposure are set per individual clients and groups of associated entities, sectors, countries, etc. The concentration risk of large exposures is monitored by means of imposing limits, making observations, and by provisioning by the units which offer products generating the risk of planned future exposure in correspondence with regulatory limits under the Banking Law.

The Corporate Banking Line has a credit decision-making scheme. Decisions on products generating credit risk are made by decision-making bodies whose composition, tasks, and procedures are uniform across all levels, the only difference is their powers. The authority of the decision-making bodies is determined on the basis of the amount of the Bank's total acceptable exposure to a client or a group of associated clients and the rating of exposure to a client or a group of associated clients set pursuant to the Bank's internal regulations. The specific rating is determined on the basis of the client's probability of default. Each credit decision is preceded by risk assessment carried out by an experienced analyst. The main purpose of the analysis is to determine the EL rating, i.e., the quality of the client as measured by expected loss caused by the Bank's exposure to the client's business. Depending on the level of the Bank's exposure to the client and the client's rating, the decisions are made by the relevant decision-making bodies.

The decision-making process for the Private Banking clients is identical to the process in Corporate Banking, i.e., the decision-making bodies (Credit Committees) make decisions within the scope of their authority, while appeals against credit decisions are elevated to a superior decision-making level. Products offered to the Private Banking clients have a flexible structure and they are individually tailored to specific needs.

Within the retail activity of the Bank (mBank and MultiBank) a different approach of risk financing is adopted.

The risk assessment and the criteria of credit decision-making in relation to retail clients differ from those concerning corporate clients because of different profile of the retail clients, the exposures to the clients and thorough standardization of products offered to them. The decision-making process is largely automated, both in the collection of borrower information from internal and external sources and in risk assessment based on scoring and segmentation methods. The narrow margin of discretion applies only to manual functions including mainly the verification of credit documentation. Such functions are performed by operating units of the Risk Line. In relation to the clients of mBank and MultiBank any non-standard cases are escalated to a superior decision-making body.

Mortgage-backed real estate credits are the key area of the Bank's retail credit operations. The Bank strives to minimise the risk of default by means of a very conservative approach to creditworthiness rating and preference for customers with a positive credit track record. In the case of other credit products of mBank and MultiBank, the Bank strictly follows the principle of refusing non-secured credits including overdraft facilities, credit cards, and cash loans to new customers without an existing relationship with the Bank or a positive credit track record in the banking system. The principle effectively eliminates both credit and operational risk.

The New Basel Capital Accord

The Bank has successfully accomplished the Basel II, strategic project with the implementation of the New Basel Capital Accrord (Basel II). As a result, the Bank is not only prepared to fulfill the reporting requirements (Pillar III of Basel II, COREP) but also the business, risk control and capital management processes have been adjusted appropriately to comply with the new Polish Banking Supervision Authority's resolutions, which incorporate regulations of the the European Union's Directives concerning Basel II into the Polish provisions.

The cooperation with the Bank's strategic equity holder under the Basel II project creates relevant added value in respect of implementation of new, highly predictive rating and scoring systems in the Bank. The systems are not only advanced in respect of methodology but they also upgrade business processes in the Bank. It is important to underline that these concepts are adjusted in the way to reflect and provide for the Polish market conditions appropriately.

3.1 Strategy in Using Financial Instruments

Due to its nature, the business of the Group focuses on using financial instruments, including derivatives. The Group accepts customers' deposits with both fixed and variable interest for various terms and attempts to earn above-average percent margins by investing the funds in top quality assets. The Group works to increase its percent margins by accumulating short-term funds and lending the funds for longer terms, for higher interest rates, while retaining liquidity at a level ensuring that all liabilities are met.

Further, the Group works to improve its earnings by obtaining above-average margins, net of provisions, by lending funds to corporate and household customers with varying credit ratings. Such exposures include not only credits and loans recognized in the Balance Sheet but also guarantees and other off-balance sheet liabilities, such as letters of credit, good performance guarantees, etc.

Also, the Group trades with listed and unlisted financial instruments, including derivatives, in order to take advantage of short-term changes on the equity instruments, bonds, currencies and interest rate markets. The Management Board sets exposure limits for overnight and intra-day market positions.

Hedge Accounting

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

3.2 Credit Risk

The Group is exposed to credit risk, i.e., risk that a contracting party may be unable to repay its liabilities to the Group on time. The Group creates provisions for its losses on the Balance Sheet date. Because of strong concentration of the risk portfolio, a change in the economy or an industry sector with a large share in the Group's portfolio may create additional risk, for which no provisions were made on the Balance Sheet date. For this reason, the Management monitors the customers and customer groups in connection with the service of which the exposure of the Group is significant.

The Group manages the level of its credit exposure by setting limits for risks acceptable to each borrower or group of related borrowers and by using a structure of sub-limits. Sub-limits make it possible to adjust a limit to the requirements of customers in functional terms and, on the other hand, they enable control of the use of funds provided to each customer. The risk management exercise involves also setting limits for geographic and industrial concentration. Credit risk is monitored daily on the basis of financial documents received from customers and observation of all trends, signals, and economic projections. In addition, the Group can access external database and information services that capture information in various cross-sections.

3.2.1 Collateral

Derivative instruments

The Group controls net open derivatives, i.e., the difference between purchase and sale contracts, both in terms of amount and maturity. The amount exposed to credit risk is limited at any time to the present fair value of the instruments with positive values (assets), which, in relation to derivative instruments, represents only a small fraction of contract or nominal value used to express the volume of the existing instruments. The level of exposure to this credit risk, together with potential risk exposure related to market changes, is managed under the overall credit limits for customers. If the value of exposure related to transactions on derivatives or in case of exceeding a limit increases (growth of value favourable to the Group or, in theory, growth of weights of the risk for calculation of potential loss), the customer is asked to provide (or increase) the collateral. Typically, the Group does not require collateral for credit risk related to such instruments. The exception is a situation when the Group requires deposits as collateral from its contracting parties.

Master netting agreements

Master netting agreements made with contracting parties with which the Group concludes large transactions are an additional measure used by the Group to limit the credit risk. As a rule, such master netting agreements do not result in compensation of balance sheet assets and liabilities because transactions are usually settled in gross amounts. However, credit risk related to a favourable agreement is alleviated through execution of a master netting agreement because if the agreement is breached, all accounts with the contracting party are terminated and realized in net amounts. The total credit risk exposure of the Group related to derivative instruments covered by master netting agreements can undergo significant changes over a short time because each transaction covered by the agreement affects the exposure.

Off-balance sheet credit-related commitments

These instruments are used mainly to ensure availability of required funds to customers. "Standby" guarantees and letters of credit, representing irrevocable assurance of payment of a customer's liabilities to third parties by the Group if the customer is unable to do so, involve the same risk as credits. Documentary letters of credits and commercial letters of credit (CLC), representing written commitments of the Group given to a customer, authorizing third parties to draw checks on the Group up to an agreement and on specified terms, are secured with deliveries of goods they relate to, by which they involve less risk than direct credits.

Credit-related off-balance sheet commitments concern the unused parts of credits, guarantees and letters of credit granted by the Group. As regards credit risk related to credit commitments, the Group can be exposed to loss equal to the whole amount of unused credit commitments. However, the probable amount of loss is smaller than the whole amount of unused credit commitments because most of such commitments are contingent on meeting specific credit standards by customers. The Group monitors the terms of validity of credit commitments because, as a rule, longer terms involve larger risk.

Collateral on securities resulting from buy-sell-back transactions

The Bank accepts collateral in the form of securities in connection with the "buy-sell-back" transactions concluded. Depending on the agreement such collateral may be sold or repledged. The total market value of collateral that can be sold or repledged, icluding the case of lack of default of the customer, as at 30 June 2008 amounted to PLN 1 650 018 thousand (as at 31 December 2007 and 30 June 2007: PLN 1 183 586 thousand and PLN 488 139 thousand respectively), including the value of taken collaterals which were resold or pledged with another pledge as at 30 June 2008 amounted to PLN 1 328 776 thousand (as at 31 December 2007 and 30 June 2007: PLN 1 129 754 thousand and PLN 487 314 thousand respectively).

Collateral accepted by BRE Bank

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

The most frequently applied collateral includes:

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

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

In the case of tangible collateral the following principles for assessing their value are applied:
The value of fixed assets set up as collateral is determined on the basis of a valuation survey prepared by an expert surveyor. The valuation survey submitted at the Bank is verified by a team of specialists situated in the

Corporate Credit Department who verifies the correctness of the market value assumptions and assesses the liquidity of the collateral from the Bank's point of view. The following factors are taken into account in the verification process:

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

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

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

Collateral accepted by the BRE Bank Group companies

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

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

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

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

3.2.2 Rating System Description

Rating system of BRE Bank

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

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

PD rating calculation includes seven steps:

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

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

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

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

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

Mapping the internal PD-rating scale to external ratings

Sub-portfolio	1				2			3		4			5			6	7		8	
Rating PD	1.0 - 1.2	1.4	1.6	1.8	2	2.2	2.4 - 2.6	2.8	3	3.2 - 3.4	3.6	3.8	4	4.2 - 4.6	4.8	5	5.2 - 5.4	5.6 - 5.8	No rating	6.1 - 6.5
S&P	AAA	AA+	AA, AA-	A+, A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B+	B	B-	B-	CCC+	CCC down to CC-	n/a	C, D-I, D-II
	Investment Grade								Non-Investment Grade											Default

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

The BRE Bank customization was mainly focused on:

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

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

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

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

Probability of disclosure of a loss is modeled by logistic regression based on financial indicators and qualitative data. The model is calibrated on the internal Bank's data, comprising several years' period of observation of corporate portfolio. 9-month-period was established as the average period between the loss event occurrence and its identification by the Bank (loss identification period "LIP"). Therefore, the Bank performed calculation on the basis of default observation of 9 months. The value of incurred loss is calculated based on current engagement multiplied by LGD (parameter describing the loss resulting from the lack of loan repayment), calculated by rating model RC-POL on the stage of estimating EL-rating.

For the purposes of calculating of provisions for retail receivables, loan contracts are classified into 21 subportfolios – the groups of contracts of similar risk level. Two parameters are subjected to each transaction: probability of defaulf of a client (PD) and loss so arisen (LGD). Contracts upon one portfolio with the same status of delay, have the same values of PD and LGD parameters. Portfolio provision is created for the transaction with no insolvency event occurrence* as well as for default receivables for which 100% of PD is taken into account.

* In the case of retail receivables, insolvency event definition is used in relation to individual loan transactions instead of in relation to the debtors. This means that default of the debtor does not result in default in relation to his/her other commitments. However, if the default concerns the client (eg. as a result of subreption), all of the client's transactions are considered as default.

Procedure of calculating of portfolio provision for retail receivables comprises amortised value of credit exposure and PD and LGD parameters calculated on the basis of historical observations for respective portfolios.

The horizon of observations used for portfolio provision calculating is of three months' duration, i.e., the average period of loss identification in the case of retail loans granted by the Bank.

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

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

3.2.3 Measurement of Impairment

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

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

If there are no impairment indicators for a specified customer, a provision for losses which occurred but they were not identified (IBNI, Incurred But Not Identified Losses) is calculated based on the probability of default (PD).

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

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

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PD/Rating	30.06.2008		31.12.2007		30.06.2007	
	Exposure (%)	Provision coverage (%)	Exposure (%)	Provision coverage (%)	Exposure (%)	Provision coverage (%)
1	34.58	0.01	31.21	0.01	30.98	0.01
2	12.15	0.13	11.89	0.12	11.93	1.99
3	21.18	0.28	21.08	0.30	14.61	1.62
4	17.39	0.61	17.03	0.67	25.80	5.11
5	3.95	1.42	5.22	1.54	6.41	2.56
6	0.36	2.05	0.34	2.72	0.26	0.48
7	0.52	2.65	0.24	1.79	0.43	0.14
8	3.97	1.39	6.49	0.28	3.65	0.79
other *)	4.21	1.78	4.57	1.68	3.58	4.57
Default category	1.69	56.67	1.93	54.85	2.35	82.64
Total	**100.00**	**1.35**	**100.00**	**1.44**	**100.00**	**2.04**

*) position "other" concerns these entities which do not use the same systems as BRE Bank SA

3.2.4 Maximum Exposure to Credit Risk – before taking account of the adopted collateral

as at	30.06.2008	31.12.2007	30.06.2007
Credit risk exposures relating to on-balance sheet assets:			
Debt securities eligible for rediscounting at the Central Bank	**24 536**	**23 259**	**34 005**
Loans and advances to banks	**4 747 696**	**2 089 936**	**2 362 298**
Loans nad advances to customers	**39 659 568**	**33 682 665**	**29 019 502**
Loans to individuals:	16 916 740	13 692 771	11 314 113
– current accounts	2 686 373	2 184 779	1 871 756
– term loans, including:	14 230 367	11 507 992	9 442 357
housing and mortgage loans	13 146 030	10 597 448	8 688 416
Loans to corporate clients:	21 772 435	18 978 524	16 494 852
– current accounts	3 559 445	2 688 130	2 712 376
– term loans:	15 857 266	13 864 715	11 720 743
corporate & institutional enterprises	3 690 258	2 934 338	2 414 567
medium & small enterprises	12 167 008	10 930 377	9 306 176
– Reverse repo / buy sell back transactions	470 353	669 018	333 875
– Other	1 885 371	1 756 661	1 727 858
Loans and advances to public sector	596 148	598 841	942 735
Other receivables	374 245	412 529	267 802
Trading assets			
– Debt securities	4 148 455	4 253 719	4 328 453
Derivative financial instruments	**2 501 342**	**2 272 638**	**1 611 801**
Investment securities			
– Debt securities	5 065 584	5 997 991	3 553 779
Pledged assets	**2 590 976**	**2 812 277**	**2 473 770**
Other assets	**959 666**	**880 663**	**808 714**
Total exposures relating to on-balance sheet assets	**59 697 823**	**52 013 148**	**44 192 322**
Credit risk exposures relating to off-balance sheet items:			
Loan commitments and other financial liabilities	15 351 925	14 407 045	11 203 452
Guarantees, banker's acceptences, documentary and commercial letters of credit	2 878 408	2 739 787	2 850 419
Total exposures relating to off-balance sheet items	**18 230 333**	**17 146 832**	**14 053 871**
Total on-balance sheet assets and off-balance sheet items	**77 928 156**	**69 159 980**	**58 246 193**

The above table shows the maximum exposure to credit risk as at 30 June 2008, 31 December 2007 and 30 June 2007 without taking account of any collateral held or credit enhancements attached. Balance Sheet exposures set out above are based on net carrying amounts.

As shown above, 74.39% of the total maximum balance sheet exposure is derived from loans and advances to banks and customers (31 December 2007: 68.77%; 30 June 2007: 71.01%); 8.49% represents investments in debt securities (31 December 2007: 11.53%, 30 June 2007: 8.04%).

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

- 46.73% of loans and advances portfolio is categorized in the top two grades of the internal rating system (31 December 2007: 43.10%, 30 June 2007: 42.91%);
- 94.16% of the loans and advances portfolio are considered to be neither past due nor impaired (31 December 2007: 93.31%, 30 June 2007: 93.75%);
- 95.32% of the investments in debt securities got at least A- credit rating (31 December 2007: 81.88%, 30 June 2007: 70.56%).

3.2.5 Loans and Advances to Customers and Banks

Loans and advances to customers	30.06.2008		31.12.2007		30.06.2007	
	exposure in PLN '000	share / coverage	exposure in PLN '000	share / coverage	exposure in PLN '000	share / coverage
Neither past due nor impaired	38 006 497	94.16	32 067 523	93.31	27 985 867	93.75
Past due but not impaired	1 474 059	3.65	1 497 468	4.36	955 311	3.20
Impaired	883 777	2.19	800 377	2.33	911 809	3.05
Total, gross	**40 364 333**	**100.00**	**34 365 368**	**100.00**	**29 852 987**	**100.00**
Provision (provision for impaired loans and advances as well as IBNI provision)	(704 765)	1.75	(682 703)	1.99	(833 485)	2.79
Total, net	**39 659 568**	**98.25**	**33 682 665**	**98.01**	**29 019 502**	**97.21**

The table below shows amounts due from banks:

Loans and advances to banks	30.06.2008		31.12.2007		30.06.2007	
	exposure in PLN '000	share / coverage	exposure in PLN '000	share / coverage	exposure in PLN '000	share / coverage
Neither past due nor impaired	4 752 715	100.00	2 095 145	100.00	2 365 561	100.00
Past due but not impaired	-	-	-	-	-	0.00
Impaired	-	-	-	-	-	0.00
Total, gross	**4 752 715**	**100.00**	**2 095 145**	**100.00**	**2 365 561**	**100.00**
Provision (provision for impaired loans and advances as well as IBNI provision)	(5 019)	0.11	(5 209)	0.25	(3 263)	0.14
Total, net	**4 747 696**	**99.89**	**2 089 936**	**99.75**	**2 362 298**	**99.86**

The total impairment provision for loans and advances is PLN 709 784 thousand (as at 31 December 2007 and 30 June 2007: PLN 687 912 thousand and PLN 836 748 thousand relatively) of which PLN 577 742 thousand (as at 31 December 2007 and 30 June 2007: PLN 570 243 thousand and 721 415 relatively) represents the individually impaired loans and the remaining amount of PLN 132 042 thousand represents the portfolio provision (as at 31 December 2007 and 30 June 2007: PLN 117 669 thousand and 115 333 relatively). Further information on the impairment allowance for loans and advances to banks and to customers is provided in Notes 19 and 22.

In H1 2008, the amount of loans and advances granted to the Group's customers increased by 37% compared to H1 2007 and by 18% from the end of the year 2007 as a result of the expansion at the market of retail and corporate loans and advances. For the purpose of minimizing potential increase of exposure to credit risk, the Group focused on corporate enterprises and retail customers who provide sufficient collateral.

Loans and advances neither past due nor impaired

30 June 2008	Individuals			Corporate entities					Public sector	Other receivables	Total - Loans nad advances to customers	Loans and advances to banks
PD/Rating	Current accounts	Term loans	including: housing and mortgage loans	Current accounts	Term loans: corporate & institutional enterprises	Term loans: medium & small enterprises	Reverse repo / buy sell back transactions	Other				
1	948 454	13 386 256	12 719 710	66 622	104 927	129 423	-	-	572 259	-	15 207 941	4 617 852
2	958 340	134 187	-	588 381	635 657	1 235 565	-	-	330	-	3 552 460	51 546
3	535 642	235 756	36 221	828 031	1 642 393	4 641 491	-	375 473	278	-	8 259 064	1 474
4	-	58 915	58 915	1 393 364	999 615	3 831 872	-	-	1 826	-	6 285 592	-
5	-	-	-	405 849	181 681	857 735	-	-	21 528	-	1 466 793	-
6	-	-	-	7 221	38 614	66 317	-	-	-	-	112 152	-
7	-	-	-	29 555	92	127 441	-	-	-	-	157 088	-
8	102	277	225	127 688	88 301	431 049	470 353	-	155	374 245	1 492 170	8 157
other *)	-	-	-	1 348	-	24 971	-	1 410 868	-	-	1 437 187	73 686
Default category	1	1 430	78	12 332	6 767	15 520	-	-	-	-	36 050	-
Total	**2 442 539**	**13 816 821**	**12 815 149**	**3 460 391**	**3 698 047**	**11 361 384**	**470 353**	**1 786 341**	**596 376**	**374 245**	**38 006 497**	**4 752 715**

31 December 2007	Individuals			Corporate entities					Public sector	Other receivables	Total - Loans nad advances to customers	Loans and advances to banks
PD/Rating	Current accounts	Term loans	including: housing and mortgage loans	Current accounts	Term loans: corporate & institutional enterprises	Term loans: medium & small enterprises	Reverse repo / buy sell back transactions	Other				
1	830 083	10 667 540	10 247 208	20 583	350	100 339	-	-	15	-	11 618 910	2 026 989
2	560 089	182 790	-	471 053	420 428	1 236 998	-	-	-	-	2 871 358	1 753
3	630 807	345 759	100 149	653 210	1 200 462	3 834 188	-	-	577 571	-	7 241 997	-
4	-	-	-	876 519	732 039	3 334 698	-	298 942	4 365	-	5 246 563	484
5	-	-	-	408 769	167 611	1 039 668	-	-	6 229	-	1 622 277	-
6	-	-	-	10 635	34 477	77 794	-	-	-	-	122 906	-
7	-	-	-	10 573	2 763	61 265	-	-	-	-	74 601	-
8	-	-	-	128 140	178 642	455 501	669 018	-	3 883	412 529	1 847 713	-
other *)	-	-	-	3 623	34	33 241	-	1 373 108	-	-	1 410 006	65 919
Default category	111	1 232	135	224	-	9 625	-	-	-	-	11 192	-
Total	**2 021 090**	**11 197 321**	**10 347 492**	**2 583 329**	**2 736 806**	**10 183 317**	**669 018**	**1 672 050**	**592 063**	**412 529**	**32 067 523**	**2 095 145**

30 June 2007	Individuals			Corporate entities					Public sector	Other receivables	Total - Loans nad advances to customers	Loans and advances to banks
PD/Rating	Current accounts	Term loans	including: housing and mortgage loans	Current accounts	Term loans: corporate & institutional enterprises	Term loans: medium & small enterprises	Reverse repo / buy sell back transactions	Other				
1	577 571	8 780 772	8 394 232	36 290	12 781	158 401	-	-	916 530	-	10 482 345	2 272 177
2	722 708	79 202	-	473 424	380 373	1 130 457	-	-	151	-	2 786 315	-
3	436 160	337 276	106 501	609 885	685 818	1 429 249	-	-	11 595	-	3 509 983	-
4	-	15 092	-	1 059 760	911 747	4 517 708	-	363 761	2 528	-	6 870 596	-
5	-	-	-	377 175	166 485	1 200 058	-	-	10 234	-	1 753 952	-
6	-	-	-	3 364	15 862	58 847	-	-	-	-	78 073	-
7	-	572	563	38 722	39 032	67 916	-	-	-	-	146 242	-
8	-	-	-	87 536	40 444	216 698	333 875	-	491	267 802	946 846	-
other *)	-	-	-	-	-	34 885	-	1 338 078	-	-	1 372 963	93 384
Default category	1 577	2 384	1 111	4 965	1 229	28 397	-	-	-	-	38 552	-
Total	**1 738 016**	**9 215 298**	**8 502 407**	**2 691 121**	**2 253 771**	**8 842 616**	**333 875**	**1 701 839**	**941 529**	**267 802**	**27 985 867**	**2 365 561**

*) position "other" concerns these entities which do not use the same rating systems as BRE Bank

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Loans and advances past due but not impaired

Gross amounts of loans and advances which were past due but not impaired are presented below by classes of assets. No impairment is recognized in respect of loans and advances past due for less than 90 days, unless other available information indicates their impairment.

30 June 2008	Individuals			Corporate entities					Public sector	Other receivables	Total - Loans nad advances to customers	Loans and advances to banks
	Current accounts	Term loans	including: housing and mortgage loans	Current accounts	Term loans: corporate & institutional enterprises	Term loans: medium & small enterprises	Reverse repo / buy sell back transactions	Other				
Past due up to 30 days	200 988	339 258	266 746	20 443	7 656	630 135	-	28 293	71	-	1 226 844	-
Past due 31 - 60 days	29 999	31 977	27 109	7 521	69	100 967	-	3 560	-	-	174 093	-
Past due 61 - 90 days	20 823	15 397	11 194	6 155	26	29 872	-	849	-	-	73 122	-
Total	**251 810**	**386 632**	**305 049**	**34 119**	**7 751**	**760 974**	**-**	**32 702**	**71**	**-**	**1 474 059**	**-**

31 December 2007	Individuals			Corporate entities					Public sector	Other receivables	Total - Loans nad advances to customers	Loans and advances to banks
	Current accounts	Term loans	including: housing and mortgage loans	Current accounts	Term loans: corporate & institutional enterprises	Term loans: medium & small enterprises	Reverse repo / buy sell back transactions	Other				
Past due up to 30 days	136 395	238 146	190 570	17 261	78 936	619 726	-	43 415	4 416	-	1 138 295	-
Past due 31 - 60 days	17 224	24 617	21 709	3 298	-	72 548	-	6 648	-	-	124 335	-
Past due 61 - 90 days	15 903	16 350	13 086	34 838	133 439	31 408	-	224	2 676	-	234 838	-
Total	**169 522**	**279 113**	**225 365**	**55 397**	**212 375**	**723 682**	**-**	**50 287**	**7 092**	**-**	**1 497 468**	**-**

30 June 2007	Individuals			Corporate entities					Public sector	Other receivables	Total - Loans nad advances to customers	Loans and advances to banks
	Current accounts	Term loans	including: housing and mortgage loans	Current accounts	Term loans: corporate & institutional enterprises	Term loans: medium & small enterprises	Reverse repo / buy sell back transactions	Other				
Past due up to 30 days	109 581	165 246	134 292	4 986	91 553	275 497	-	21 377	1 460	-	669 700	-
Past due 31 - 60 days	10 334	14 856	10 691	1 242	85	46 187	-	9 845	-	-	82 549	-
Past due 61 - 90 days	10 759	22 839	18 833	3 724	75 611	88 386	-	1 743	-	-	203 062	-
Total	**130 674**	**202 941**	**163 816**	**9 952**	**167 249**	**410 070**	**-**	**32 965**	**1 460**	**-**	**955 311**	**-**

As at 30 June 2007 the fair value of received collaterals for mortgage loans to retail customers, amounted to PLN 326 560 thousand (31 December 2007 and 30 June 2007: PLN 250 296 thousand and PLN 187 677 thousand relatively).

In relation to corporate loans and advances portolio, upon initial recognition of loans and advances, fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, fair value is updated by reference to market prices of similar assets or on the basis of a valuation performed, if required. At present, procedures of credit risk management in relation to past due but not impaired portfolio (including monitoring in accordance with the Note 3.2.1) do not require to update fair value of collateral at each balance sheet date.

Loans and advances individually impaired

Loans and advances individually impaired amounted to PLN 306 035 thousand (as at 31 December 2007 and 30 June 2007: PLN 230 134 thousand and PLN 190 394 thousand relatively). Gross amounts of loans and advances individually impaired (i.e., before taking into consideration the cash flows from collateral held and expected repayments) are presented below by classes of assets, together with the corresponding collateral:

	Individuals			Corporate entities					Public sector	Other receivables	Total - Loans nad advances to customers
	Current accounts	Term loans	including: housing and mortgage loans	Current accounts	Term loans: corporate & institutional enterprises	Term loans: medium & small enterprises	Reverse repo / buy sell back transactions	Other			
30 June 2008											
Loans and advances with impairment	120 079	97 104	52 845	150 662	21 239	374 917	-	119 776	-	-	**883 777**
Fair value of collateral	14 665	57 050	54 767	58 167	-	124 511	-	-	-	-	**254 393**
31 December 2007											
Loans and advances with impairment	111 074	98 305	49 477	129 367	13 637	364 900	-	83 094	-	-	**800 377**
Fair value of collateral	13 708	53 167	47 277	45 391	4 334	90 610	-	-	-	-	**207 210**
30 June 2007											
Loans and advances with impairment	96 429	94 079	43 257	139 145	66 811	476 959	-	38 386	-	-	**911 809**
Fair value of collateral	16 413	109 303	94 200	34 411	14 830	187 399	-	-	-	-	**362 356**

Fair value of collateral was established as value of expected cash flows arising from collateral (recoverable value) discounted with the application of effective interest rate at the balance sheet date.

Decrease of gross amount of impaired loans and advances mainly resulted from sale of separated part of the portfolio.

In the 6-month-period ended 30 June 2008, the Group did not recognize impairment of any exposures to banks (PLN 0 as at 31 December 2007 and 30 June 2007).

Renegotiated loans and advances

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

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3.2.6 Debt Instruments: treasury bonds and other eligible debt securities

30 June 2008	Trading securities and pledged assets			Investment debt securities and pledged assets	Total
Rating	Government bonds	Treasury bills	Other debt securities		
AAA	-	-	-	-	-
AA- to AA+	-	-	23 723	48 430	72 153
A- to A+	4 622 866	952 297	529 199	5 075 824	11 180 186
BBB+ to BBB-	-	-	51 640	-	51 640
BB+ to BB-	-	-	-	-	-
B+ to B-	-	-	66 515	-	66 515
Lower than B-	-	-	-	-	-
Unrated	-	-	395 480	39 041	434 521
Total	**4 622 866**	**952 297**	**1 066 557**	**5 163 295**	**11 805 015**

31 December 2007	Trading securities and pledged assets			Investment debt securities and pledged assets	Total
Rating	Government bonds	Treasury bills	Other debt securities		
AAA	-	-	-	19 649	19 649
AA- to AA+	-	-	74 934	30 675	105 609
A- to A+	4 733 535	25 623	1 342 722	4 470 175	10 572 055
BBB+ to BBB-	-	-	-	-	-
BB+ to BB-	-	-	-	-	-
B+ to B-	-	-	1 015	-	1 015
Lower than B-	-	-	-	-	-
Unrated	-	-	807 725	1 557 934	2 365 659
Total	**4 733 535**	**25 623**	**2 226 396**	**6 078 433**	**13 063 987**

30 June 2007	Trading securities and pledged assets			Investment debt securities and pledged assets	Total
Rating	Government bonds	Treasury bills	Other debt securities		
AAA	-	-	-	224 090	224 090
AA- to AA+	-	-	212 343	2 084	214 427
A- to A+	3 577 378	10 827	18 968	3 261 327	6 868 500
BBB+ to BBB-	-	-	-	-	-
BB+ to BB-	-	-	-	-	-
B+ to B-	-	-	-	-	-
Lower than B-	-	-	-	-	-
Unrated	-	-	2 916 681	132 304	3 048 985
Total	**3 577 378**	**10 827**	**3 147 992**	**3 619 805**	**10 356 002**

Information about impairment allowance for investment debt securities occurs under the Note 23.

As at 31 June 2008 all presented above debt instruments were neither past due nor impaired.

3.2.7 Repossessed Collateral

In the first half of 2008, the Group did not take over or sale of any assets established as collateral. In 2007 the Group obtained assets in the net amount of PLN 122 thousand (takeovers minus sales).

The Group classifies repossessed collaterals as assets repossessed for debt and measures them in accordance with the adopted accounting policies described in Note 2.19. Repossessed collaterals classified as assets held for sale shall be put up for sale on an appropriate market and sold at the soonest possible date. The process of selling collaterals repossessed by the Bank is arranged in line with the policies and procedures specified by the Restructuring and Recovery Bureau for individual types of repossessed collaterals. The policy of the Companies of the Group is to sell repossessed assets or - in the case of leases - lease them out again to another customer. Cases in which the repossessed collateral is used for own needs are rare – such a step must be economically justified and reflect the Company's urgent need, and must each time be approved by the Management Board. In the first half of 2008, the Group did not have any repossessed collaterals that were difficult to sell. Repossessed collaterals are presented in "Other assets" (Note 27).

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

Geographic concentration risk

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

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

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

Sector concentration risk

If the exposure of the Bank is concentrated in an industry, the Bank monitors its share in the financing of the whole industry and the standing of each customer of the Bank vs. the rest of the industry.
For this purpose, the Bank uses a statistical database, in which each parameter of financing each of the Bank's customers is mapped onto a decile grid of the parameter for the whole industry. This enables the Bank to monitor its industry-related risk to its portfolio at times when the standing of the whole industry undergoes rapid changes under the influence of external factors.
Sector limits are set for sectors defined by BRE Bank SA in accordance with the internal regulations of the Bank, in quarterly reporting periods. Monitoring and analysis covers all the sectors in which the Bank's exposure exceeds PLN 700 million, and additionally those indicated by the Chief Risk Officer of the Bank. Unless the Bank's Credit Committee decides otherwise, an exposure limit is set for the Group in any sector on a level not higher than:

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

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

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

The structure of concentration of exposure of BRE Bank SA

No	Sector	Principal exposure (in PLN millions) 30.06.2008	%
1.	Household customers	16 880	52.0
2.	Leasing and renting	1 552	4.8
3.	Metals	1 014	3.1
4.	Banks	871	2.7
5.	Power industry and heat engineering	870	2.7
6.	Transport and travel agencies	771	2.4
7.	Wholesale trade	758	2.3
8.	Wood and furniture	714	2.2
9.	Liquid fuels and natural gas	674	2.1

Total exposure of the Bank in the above sectors (excluding household customers) amounts to about 22.2% of the credit portfolio. According to the newest (for the first half of 2008) study of The Gdańsk Institute for Market Economics the risk of investing in these sectors (in a 5-point scale, i.e., small, medium, increased, large and very large) was assessed as follows:

Leasing and renting	- non classified
Metals	- medium
Power industry and heat engineering	- medium
Banks	- non classified
Transport and travel agencies	- increased
Wholesale trade	- medium
Wood and furniture	- large
Liquid fuels and natural gas	- increased

No	Sector	Principal exposure (in PLN millions) 31.12.2007	%
1.	Household customers	13 674	50.8
2.	Metals	908	3.4
3.	Banks	788	2.9
4.	Leasing and renting	696	2.6
5.	Real estate	640	2.4
6.	Wholesale trade	610	2.3
7.	Wood and furniture	604	2.2
8.	Motorization	528	2.0
9.	Management, consulting, advertising	519	1.9

Total exposure of the Bank in the above sectors (excluding household customers) amounted to about 19.6% of the credit portfolio. According to the study of The Gdańsk Institute for Market Economics relating to the year 2007 the risk of investing in these sectors (in a 5-point scale, i.e., small, medium, increased, large and very large) was assessed as follows:

Metals	- small/medium
Banks	- non classified
Leasing and renting	- non classified
Real estate	- medium
Wholesale trade	- small
Equipment	- increased
Wood and furniture industry	- medium
Motorization	- medium
Management, consulting, advertising	- medium

No	Sector	Principal exposure (in PLN millions) 30.06.2007	%
1.	Household customers	11 297	47.7
2.	Banks	861	3.6
3.	Metals	840	3.5
4.	Wholesale trade	688	2.9
5.	Leasing and renting	686	2.9
6.	Equipment	611	2.6
7.	Wood and furniture	513	2.2
8.	Real estate	467	2.0
9.	Construction enterprises	451	1.9

Total exposure of the Bank in the above sectors (excluding household customers) amounted to about 22% of the credit portfolio. According to the study of The Gdańsk Institute for Market Economics for the first half of 2007 the risk of investing in these sectors (in a 5-point scale, i.e., small, medium, increased, large and very large) was assessed as follows:

Banks	- non classified
Metals	- small/medium
Wholesale trade	- medium
Leasing and renting	- non classified
Equipment	- increased
Wood and furniture industry	- medium
Real estate	- medium
Construction enterprises	- small

The structure of concentration of exposure of BRE Bank Hipoteczny

No	Sector	Principal exposure (in PLN millions) 30.06.2008	%	Principal exposure (in PLN millions) 31.12.2007	%	Principal exposure (in PLN millions) 30.06.2007	%
1.	Real estate management	2 262	63.58	1 898	58.97	1 589	58.17
2.	Building industry	551	15.49	512	15.90	418	15.31
3.	Health care and social security	407	11.44	417	12.97	280	10.25
4.	Public administration and national defence	128	3.60	140	4.34	164	6.02
5.	Household customers	69	1.94	81	2.51	96	3.52
6.	Hotels and restaurants	63	1.77	121	3.76	184	6.73
7.	Other	78	2.19	50	1.55	-	-

Large exposures concentration risk

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

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

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

The exposure related to each borrower (including banks and brokers) is additionally limited by application of detailed balance sheet and off-balance sheet exposure and daily risk limits for transactions such as forward currency contracts. The actual exposure is compared to the maximum limits on a daily basis.

The level of exposure to credit risk is managed by regular reviews of the existing and potential borrowers' ability to repay principal and interest, if necessary, the Bank may change credit limits or by asking customers to provide security and/or guarantees.

3.4 Market Risk

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

Market risk results both from trading book and banking book items. The Bank's trading portfolios are composed of items arising as a result of trading transactions concluded with the Bank's customers or transactions in which the Bank acts as a market maker. The banking book comprises items resulting from the Bank's interest rate risk management, mainly in the areas of corporate, investment and retail banking, and from management of the Bank's liquidity. Operating management in market risk takes place in the front office – in the Treasury Department responsible mainly for banking book items and in the Financial Markets Department, which mainly manages trading book items. Market risk resulting from transactions concluded by other units of the Bank is transferred, in principle, to the Treasury Department or the Financial Markets Department in line with the type of risk.

The strategic management of market risk, including independent monitoring and control, is performed in the Bank's units which are functionally independent of the units managing the items – including the Financial Risk Department, and the decisions relating to the strategic market risk management are made by the Risk Committee of BRE Bank. The management of market risk is performed in accordance with both the strategy and the market risk management policy approved by the Supervisory Board in BRE Bank.

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

The level of exposure to market risk

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

Value at Risk

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

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

The Bank has monitored market risk exposure of the companies of the BRE Bank Group since 2006. The table below shows the level of market risk exposure of BRE Bank Group in relation to the level of market risk exposure of the Bank according to the states as at 30 June 2008 and, in order to compare with the states at the end of 2007 and 30 June 2007 that is measured using value at risk (with a confidence level of 97.5% for a one-day period of maintaining a position).

Value at risk - VaR (PLN 000's)	**30.06.2008**	**31.12.2007**	**30.06.2007**
BRE Bank	4 392	5 041	6 604
BRE Bank Group (including the effect of diversification)	4 444	5 045	6 610
BRE Bank Group (excluding the effect of diversification)	5 162	5 341	7 157

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

PLN 000's	**The first half of 2008**				**The year 2007**				**The first half of 2007**			
	30.06.2008	**mean**	**maximum**	**minimum**	**31.12.2007**	**mean**	**maximum**	**minimum**	**30.06.2007**	**mean**	**maximum**	**minimum**
Interest rate risk	4 492	4 113	5 751	2 596	4 722	5 189	9 587	3 449	6 138	5 635	9 587	3 533
Foreign exchange risk	570	579	1 270	378	455	976	2 454	182	839	946	1 804	182
Equities risk	103	427	906	88	155	260	944	6	134	414	944	106
Total VaR	**4 392**	**4 306**	**5 975**	**2 792**	**5 041**	**5 754**	**10 275**	**3 530**	**6 604**	**6 324**	**10 275**	**3 988**

The utilization of VaR limits for the trading book was in the first half of 2008 on a safe level and amounted to 15% on average for trading portfolios of the Financial Markets Department, whereas for portfolios of the Department of the Treasury it amounted to 25% relatively.

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

Stress testing

Stress testing is an additional measure of market risk, supplementing the measurement of value at risk. The test shows the hypothetical change in the current valuation of the Bank's portfolios, which would take place as a result of the risk factors reaching specified extreme values. The Bank applies two methods for carrying out stress tests: the first one, in which the scenarios of changes in risk factors have been constructed on the basis of large changes in market parameters observed during crisis situations on the market in the past, and the second one, in which the scenarios are composed of larger changes in risk factors correlated on the extremes and the same in each group. The value of the stress test is subject to a limit in the form of a control number. The average value of a stress test (based on observed crisis situations in the past) in the first half of 2008 was PLN 16 million for trading portfolios of the Financial Markets Department and PLN 43 million for portfolios of the Department of the Treasury relatively.

3.5 Currency Risk

The Group is exposed to changes in currency exchange rates. The following table presents the exposure of the Group to currency risk as at 30 June 2008, 31 December 2007 and 30 June 2007. The table presents assets and liabilities of the Group at balance sheet carrying amount, for each currency:

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

30.06.2008	PLN	EUR	USD	CHF	GBP	Other	Total
ASSETS							
Cash and balances with the Central Bank	2 775 014	93 587	5 404	79	271	26 779	**2 901 134**
Debt securities eligible for rediscounting at the Central Bank	24 536	-	-	-	-	-	**24 536**
Loans and advances to banks	3 143 450	406 708	460 967	5 955	5 685	724 931	**4 747 696**
Trading securities	4 082 394	58 208	12 123	-	-	-	**4 152 725**
Derivative financial instruments	2 498 011	24 890	15 694	(36 004)	2 249	(3 498)	**2 501 342**
Loans and advances to customers	21 441 423	4 780 243	893 730	11 622 343	9 053	912 776	**39 659 568**
Investment securities	5 066 037	113 668	9 505	-	-	14	**5 189 224**
- Available for sale	5 066 037	113 668	9 505	-	-	14	**5 189 224**
Pledged assets	2 590 976	-	-	-	-	-	**2 590 976**
Investments in associates	238	13 437	-	-	-	-	**13 675**
Intangible assets	405 291	947	-	-	268	1 629	**408 135**
Tangible fixed assets	692 285	5 076	-	-	-	18 519	**715 880**
Other assets, including deferred income tax assets	1 147 350	11 615	1 426	620	109	8 089	**1 169 209**
Total assets	**43 867 005**	**5 508 379**	**1 398 849**	**11 592 993**	**17 635**	**1 689 239**	**64 074 100**
LIABILITIES							
Amounts due to other banks	4 307 364	2 850 797	27 976	8 568 289	824	610 415	**16 365 665**
Derivative financial instruments and other trading liabilities	2 472 353	114 543	22 668	(50 696)	5 514	(8 956)	**2 555 426**
Amounts due to customers	30 397 661	3 123 426	1 058 292	22 797	49 343	1 732 454	**36 383 973**
Debt securities in issue	1 945 744	171 659	74 468	-	-	-	**2 191 871**
Subordinated liabilities	-	-	-	1 993 213	-	-	**1 993 213**
Other liabilities including tax liabilities	907 962	40 701	2 777	850	1	34 304	**986 595**
Provisions	71 565	5 306	6 852	-	-	-	**83 723**
Total liabilities	**40 102 649**	**6 306 432**	**1 193 033**	**10 534 453**	**55 682**	**2 368 217**	**60 560 466**
Net on-balance sheet position	**3 764 356**	**(798 053)**	**205 816**	**1 058 540**	**(38 047)**	**(678 978)**	**3 513 634**
Credit commitments	**12 287 953**	**1 562 843**	**272 483**	**687 045**	**5 702**	**535 899**	**15 351 925**

31.12.2007	PLN	EUR	USD	CHF	GBP	Other	Total
ASSETS							
Cash and balances with the Central Bank	1 989 778	8 817	3 636	170	358	776	**2 003 535**
Debt securities eligible for rediscounting at the Central Bank	23 259	-	-	-	-	-	**23 259**
Loans and advances to banks	967 951	386 307	708 767	3 255	6 701	16 955	**2 089 936**
Trading securities	4 133 520	88 755	35 707	-	-	-	**4 257 982**
Derivative financial instruments	2 240 771	16 441	13 332	1 849	-	245	**2 272 638**
Loans and advances to customers	18 451 745	4 430 302	941 124	9 252 549	10 359	596 586	**33 682 665**
Investment securities	6 262 372	92 960	31 228	-	-	14	**6 386 574**
- Available for sale	6 262 372	92 960	31 228	-	-	14	**6 386 574**
Pledged assets	2 812 277	-	-	-	-	-	**2 812 277**
Investments in associates	238	4 585	-	-	-	-	**4 823**
Intangible assets	403 477	777	-	-	-	713	**404 967**
Tangible fixed assets	660 305	4 954	-	-	-	4 954	**670 213**
Other assets, including deferred income tax assets	983 774	8 035	20	1 021	11	4 092	**996 953**
Total assets	**38 929 467**	**5 041 933**	**1 733 814**	**9 258 844**	**17 429**	**624 335**	**55 605 822**
LIABILITIES							
Amounts due to other banks	3 404 821	1 601 082	48 391	6 790 730	1 454	399 389	**12 245 867**
Derivative financial instruments and other trading liabilities	2 059 643	85 338	18 616	268	116	233	**2 164 214**
Amounts due to customers	27 589 001	3 358 181	1 264 051	21 368	72 175	97 087	**32 401 863**
Debt securities in issue	1 899 713	914 907	113 794	-	-	-	**2 928 414**
Subordinated liabilities	-	362 440	-	1 299 345	-	-	**1 661 785**
Other liabilities including tax liabilities	961 237	32 749	3 520	1 360	1	15 797	**1 014 664**
Provisions	69 133	1 717	377	-	-	-	**71 227**
Total liabilities	**35 983 548**	**6 356 414**	**1 448 749**	**8 113 071**	**73 746**	**512 506**	**52 488 034**
Net on-balance sheet position	**2 945 919**	**(1 314 481)**	**285 065**	**1 145 773**	**(56 317)**	**111 829**	**3 117 788**
Credit commitments	**11 983 843**	**1 063 412**	**338 543**	**490 637**	**27 560**	**503 050**	**14 407 045**

30.06.2007	PLN	EUR	USD	CHF	GBP	Other	Total
ASSETS							
Cash and balances with the Central Bank	2 541 775	11 784	7 684	296	432	760	**2 562 731**
Debt securities eligible for rediscounting at the Central Bank	34 005	-	-	-	-	-	**34 005**
Loans and advances to banks	1 436 600	272 262	620 383	8 453	3 575	21 025	**2 362 298**
Trading securities	4 015 625	218 274	100 468	-	-	-	**4 334 367**
Derivative financial instruments	1 592 788	5 777	12 428	563	-	245	**1 611 801**
Loans and advances to customers	15 412 759	4 485 729	730 271	7 967 570	9 918	413 255	**29 019 502**
Investment securities	3 696 313	127 260	167 411	-	-	13	**3 990 997**
- Available for sale	3 696 313	127 260	167 411	-	-	13	**3 990 997**
Pledged assets	2 473 770	-	-	-	-	-	**2 473 770**
Investments in associates	238	3 766	-	-	-	-	**4 004**
Intangible assets	372 464	98	-	-	-	393	**372 955**
Tangible fixed assets	584 191	5 438	-	-	-	1 614	**591 243**
Other assets, including deferred income tax assets	876 525	13 863	255	1 748	35	1 276	**893 702**
Total assets	**33 037 053**	**5 144 251**	**1 638 900**	**7 978 630**	**13 960**	**438 581**	**48 251 375**
LIABILITIES							
Amounts due to other banks	2 786 494	1 476 806	48 305	4 323 613	3 192	326 140	**8 964 550**
Derivative financial instruments and other trading liabilities	1 502 291	41 171	15 815	160	130	267	**1 559 834**
Amounts due to customers	23 665 917	3 663 612	1 449 180	25 539	115 451	52 082	**28 971 781**
Debt securities in issue	1 574 316	1 796 133	132 796	-	-	-	**3 503 245**
Subordinated liabilities	-	380 668	-	1 093 103	-	-	**1 473 771**
Other liabilities including tax liabilities	829 161	57 970	9 766	1 680	11	6 197	**904 785**
Provisions	63 623	2 220	483	-	-	-	**66 326**
Total liabilities	**30 421 802**	**7 418 580**	**1 656 345**	**5 444 095**	**118 784**	**384 686**	**45 444 292**
Net on-balance sheet position	**2 615 251**	**(2 274 329)**	**(17 445)**	**2 534 535**	**(104 824)**	**53 895**	**2 807 083**
Credit commitments	**9 098 932**	**1 171 229**	**299 254**	**615 098**	**6 175**	**12 764**	**11 203 452**

3.6 Interest Rate Risk

BRE Bank SA

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

As at 30 June 2008, 31 December 2007 and 30 June 2007 a sudden, lasting and disadvantageous change of market interest rates by 100 base points for all maturities would result in decrease in the annual interest income within 12 months after the Balance Sheet date by the following amounts, on average:

30.06.2008		31.12.2007		30.06.2007	
in PLN millions	currency	in PLN millions	currency	in PLN millions	currency
24.17	PLN	28.58	PLN	20.15	PLN
7.75	EUR	4.19	EUR	5.73	EUR
1.55	USD	3.32	USD	2.98	USD
5.48	CHF	2.68	CHF	4.54	CHF

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

BRE Bank Hipoteczny SA

Restatement date misfit gap and interest earnings at risk (EaR) based on the former are the key interest rate risk measures at BRE Bank Hipoteczny SA.

As at 30 June 2008, 31 December 2007 and 30 June 2007 a sudden, lasting and disadvantageous change of market interest rates by 100 base points for all maturities would result in decrease in the annual interest income by the following amounts, on average:

30.06.2008		31.12.2007		30.06.2007	
in PLN millions	currency	in PLN millions	currency	in PLN millions	currency
3.16	PLN	2.91	PLN	2.64	PLN
0.17	EUR	0.08	EUR	0.06	EUR
0.02	USD	0.04	USD	0.03	USD

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

BRE Leasing Sp. z o.o.

BRE Leasing Sp. z o.o. performs risk analysis based on the following risk factors:
- interest rates;
- fx rates.

The sensitivity of individual transactions to the risk factors is calculated by adding the shock rate and analysing its impact on the present value of the portfolio (MTM).

As at 30 June 2008, 31 December 2007 and 30 June 2007 a sudden, lasting and disadvantageous change of market interest rates by 100 base points for all maturities would result in decrease in the annual interest income by the following amounts, on average:

30.06.2008		**31.12.2007**		**30.06.2007**	
in PLN millions	**currency**	**in PLN millions**	**currency**	**in PLN millions**	**currency**
4.75	PLN	1.6	PLN	3.2	PLN
1.95	EUR	1.1	EUR	2.4	EUR
-	USD	0.01	USD	0.02	USD
0.15	CHF	0.1	CHF	0.07	CHF
0.54	JPY	-	JPY	-	JPY

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

30.06.2008	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**More than 5 years**	**Non-interest bearing**	**Total**
ASSETS							
Cash and balances with the Central Bank	1 059 180	-	-	-	-	1 841 954	**2 901 134**
Debt securities eligible for rediscounting at the Central Bank	-	24 536	-	-	-	-	**24 536**
Loans and advances to banks	2 948 675	1 295 844	313 328	5 072	634	184 143	**4 747 696**
Securities (trading securities, investment securities and pledged assests)	5 123 772	2 518 400	2 090 750	1 376 152	697 677	126 174	**11 932 925**
Loans and advances to customers	34 769 428	3 116 922	1 114 625	180 293	50 358	427 942	**39 659 568**
Other assets and derivative financial instruments	519 565	385 390	1 184 178	657 789	10 892	703 194	**3 461 008**
Total assets	**44 420 620**	**7 341 092**	**4 702 881**	**2 219 306**	**759 561**	**3 283 407**	**62 726 867**
LIABILITIES							
Amounts due to other banks	7 025 128	5 211 177	981 214	3 092 339	24 522	31 285	**16 365 665**
Amounts due to customers	33 280 514	2 075 115	803 626	177 079	2 981	44 658	**36 383 973**
Debt securities in issue	442 009	467 204	1 282 658	-	-	-	**2 191 871**
Subordinated liabilities	359 589	1 633 624	-	-	-	-	**1 993 213**
Other liabilities and derivative financial instruments	414 460	370 524	1 220 888	499 840	12 958	922 712	**3 441 382**
Total liabilities	**41 521 700**	**9 757 644**	**4 288 386**	**3 769 258**	**40 461**	**998 655**	**60 376 104**
Total interest repricing gap	**2 898 920**	**(2 416 552)**	**414 495**	**(1 549 952)**	**719 100**		

31.12.2007	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**More than 5 years**	**Non-interest bearing**	**Total**
ASSETS							
Cash and balances with the Central Bank	968 441	-	-	-	-	1 035 094	**2 003 535**
Debt securities eligible for rediscounting at the Central Bank	-	23 259	-	-	-	-	**23 259**
Loans and advances to banks	1 535 899	290 090	243 996	-	-	19 951	**2 089 936**
Securities (trading securities, investment securities and pledged assests)	6 251 316	1 835 861	1 673 094	2 300 509	1 001 566	394 487	**13 456 833**
Loans and advances to customers	29 136 875	2 955 009	875 132	235 647	32 270	447 732	**33 682 665**
Other assets and derivative financial instruments	566 318	418 252	908 197	340 824	10 868	908 842	**3 153 301**
Total assets	**38 458 849**	**5 522 471**	**3 700 419**	**2 876 980**	**1 044 704**	**2 806 106**	**54 409 529**
LIABILITIES							
Amounts due to other banks	7 481 037	3 991 179	255 227	38 732	-	479 692	**12 245 867**
Amounts due to customers	30 277 001	1 317 245	622 708	122 927	2 742	59 240	**32 401 863**
Debt securities in issue	697 457	1 112 371	1 111 270	7 316	-	-	**2 928 414**
Subordinated liabilities	6 745	1 655 040	-	-	-	-	**1 661 785**
Other liabilities and derivative financial instruments	401 039	369 012	1 006 931	330 879	10 494	925 834	**3 044 189**
Total liabilities	**38 863 279**	**8 444 847**	**2 996 136**	**499 854**	**13 236**	**1 464 766**	**52 282 118**
Total interest repricing gap	**(404 430)**	**(2 922 376)**	**704 283**	**2 377 126**	**1 031 468**		

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30.06.2007	Up to 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Non-interest bearing	Total
ASSETS							
Cash and balances with the Central Bank	1 742 646	-	-	-	-	820 085	**2 562 731**
Debt securities eligible for rediscounting at the Central Bank	-	34 005	-	-	-	-	**34 005**
Loans and advances to banks	1 886 888	144 310	314 620	3 528	-	12 952	**2 362 298**
Securities (trading securities, investment securities and pledged assests)	4 947 543	1 389 922	528 036	2 967 604	759 821	206 208	**10 799 134**
Loans and advances to customers	23 269 137	2 307 792	1 470 967	1 568 596	59 812	343 198	**29 019 502**
Other assets and derivative financial instruments	650 097	225 542	587 434	221 870	6 221	729 351	**2 420 515**
T o t a l a s s e t s	**32 496 311**	**4 101 571**	**2 901 057**	**4 761 598**	**825 854**	**2 111 794**	**47 198 185**
LIABILITIES							
Amounts due to other banks	5 374 295	3 135 128	420 367	19 366	-	15 394	**8 964 550**
Amounts due to customers	26 580 746	1 343 273	645 646	190 784	169 680	41 652	**28 971 781**
Debt securities in issue	1 533 517	1 054 606	901 849	7 078	-	6 195	**3 503 245**
Subordinated liabilities	6 151	1 467 620	-	-	-	-	**1 473 771**
Other liabilities and derivative financial instruments	445 814	231 076	566 798	222 362	6 738	879 874	**2 352 662**
Total liabilities	**33 940 523**	**7 231 703**	**2 534 660**	**439 590**	**176 418**	**943 115**	**45 266 009**
Total interest repricing gap	**(1 444 212)**	**(3 130 132)**	**366 397**	**4 322 008**	**649 436**		

3.7 Liquidity Risk

BRE Bank SA

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

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

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

Liquidity risk management process contains two stages:

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

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

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

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

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

The Bank monitors financial liquidity daily, using methods based on cash flows analyses. The measurement of liquidity risk is based on an internal model created on the basis of analyses of the Bank's specificity, deposit base variability, financing concentration and developments planned for each item. The following are monitored daily: value of mismatch in specific time intervals (gap), the level of liquidity reserves of the Bank, and the rate of usage of internal limits. The Bank systematically estimates liquidity as well as probability of its worsening, using scenario methods, herein stress test.

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

For the purposes of securing liquidity, the Bank establishes resources of current and immediate reinforcement of liquidity which are liquidity reserves.

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

For the purposes of current monitoring liquidity, the Bank establishes values of realistic, cumulated gap of cash flows misfit. The gap is calculated on the basis of contractual cash flows (Note 3.7.1). Both cash flows in portfolios of: non-banking customers' deposits and current account loans are mainly materialized. It is also assumed that term loans portfolio is stable and that there is an earlier sale clause or a clouse of pledge of liquid securities portfolio.

Value of realistic, cumulative gap of cash flows misfit (in PLN millions)

Time range	30.06.2008	31.12.2007	30.06.2007
up to 3 working days	3 029	3 600	3 356
up to 7 calendar days	2 918	3 706	5 149
up to 15 calendar days	2 504	3 647	5 078
up to 1 month	3 262	4 005	5 742
up to 2 months	4 136	4 656	5 642
up to 3 months	4 616	4 655	5 440
up to 4 months	4 689	4 024	4 660
up to 5 months	3 794	3 817	4 661
up to 6 months	3 854	3 217	4 640
up to 7 months	3 873	2 743	4 575
up to 8 months	3 817	2 242	4 489
up to 9 months	3 787	2 276	4 417
up to 10 months	3 672	2 346	3 699
up to 11 months	3 792	1 344	3 960
up to 12 months	3 666	1 425	2 711

The liquidity of the Bank was maintained on the safe and stable level in the periods presented.

BRE Bank Hipoteczny SA

Liquidity risk occurs due to a gap between the maturity of the Bank's assets and its liabilities. The Bank manages liquidity risk by implementing procedures of monitoring of and reporting on the expected inflows and outflows and the net cash flows.

The sources of financing are diversified by means of co-operation with multiple partners and the selection of diverse instruments in order to finance lending. The Bank finances long-term assets in the first place with mortgage bonds of long-term maturity and fulfils its current demand for financing in the interbank market by means of issues of short-term bonds and accepted placements.

The Bank has put in place a contingency plan applicable in the event of deterioration of liquidity.

In the first half of 2008, the liquidity ratios up to 1 month were between 33.24% and 128.75% and the average liquidity ratio was 65.11%. The liquidity ratio was 65.94% at 30 June 2008.*

* Liquidity ratio up to 1 month on the level of 65.94% results from including unconditional stand-by lines of credit in the total amount of PLN 300 million.

BRE Leasing Sp. z o.o.

The purpose of liquidity risk management is to assure and maintain the capacity of the company to honour both its current and future liabilities, taking into the account the costs of achieving liquidity.

The company manages its liquidity risk by matching the maturity of amounts receivable under leasing contracts with the maturity of credit liabilities on the basis of cash flow reports. In addition, the company has open sources of refinancing for periods exceeding 6 months.

3.7.1 Cash Flows from Transactions in Non-derivative Financial Instruments

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

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Liabilities (by contractual maturity dates)	as at 30.06.2008					
	up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
Amounts due to other banks	2 337 445	1 204 269	2 140 548	10 657 069	24 522	16 363 853
Amounts due to customers	33 125 826	2 085 795	876 331	417 605	44 634	36 550 191
Debt securities in issue	351 146	214 440	623 185	1 759 298	-	2 948 069
Subordinated liabilities	722 106	13 529	38 826	207 780	1 492 016	2 474 257
Other liabilities	467 552	141 705	53 001	7 583	32 995	702 836
Total liabilities	37 004 075	3 659 738	3 731 891	13 049 335	1 594 167	59 039 206
Assets (by remaining contractual maturity dates)						
Total assets	15 124 462	6 026 010	9 071 219	13 894 193	24 621 057	68 736 941
Net liquidity gap	(21 879 613)	2 366 272	5 339 328	844 858	23 026 890	9 697 735

Liabilities (by contractual maturity dates)	as at 31.12.2007					
	up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
Amounts due to other banks	2 107 563	696 793	3 914 038	5 897 205	1 814	12 617 413
Amounts due to customers	29 009 445	1 164 424	694 740	300 339	1 946 554	33 115 502
Debt securities in issue	535 515	179 843	1 222 306	993 190	-	2 930 854
Subordinated liabilities	537 857	15 047	31 380	166 715	1 309 242	2 060 241
Other liabilities	471 905	5 495	21 327	7 265	19 765	525 757
Total liabilities	32 662 285	2 061 602	5 883 791	7 364 714	3 277 375	51 249 767
Assets (by remaining contractual maturity dates)						
Total assets	13 497 096	4 034 611	9 019 547	16 623 119	27 510 434	70 684 807
Net liquidity gap	(19 165 189)	1 973 009	3 135 756	9 258 405	24 233 059	19 435 040

Liabilities (by contractual maturity dates)	as at 30.06.2007					
	up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
Amounts due to other banks	1 877 707	433 549	1 902 760	4 717 131	63 461	8 994 608
Amounts due to customers	26 800 181	1 395 587	744 771	335 417	227 297	29 503 253
Debt securities in issue	354 973	271 054	1 816 439	847 297	216 783	3 506 546
Subordinated liabilities	564 571	12 113	21 994	117 275	1 048 228	1 764 181
Other liabilities	608 414	11 772	158 435	13 867	7 523	800 011
Total liabilities	30 205 846	2 124 075	4 644 399	6 030 987	1 563 292	44 568 599
Assets (by remaining contractual maturity dates)						
Total assets	15 967 147	3 202 904	6 457 034	13 759 034	17 695 204	57 081 323
Net liquidity gap	(14 238 699)	1 078 829	1 812 635	7 728 047	16 131 912	12 512 724

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

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

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

3.7.2 Cash Flows from Derivatives

<u>Derivative financial instruments settled in net amounts</u>

Derivative financial instruments settled in net amounts by the Group comprise:

- Derivative futures;
- Forward Rate Agreements (FRA);
- Options;
- Warrants;
- Interest rate swaps (IRS);
- Cross currency interest rate swaps (CIRS);
- Security forwards.

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

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30.06.2008

Derivatives settled on a net basis *	up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
Forward Rate Agreements (FRA)	55 172	43 079	156 311	30 781	-	285 343
Overnight Index Swaps (OIS)	2 614	1 937	11 439	-	-	15 990
Interest Rate Swaps (IRS)	84 352	175 025	347 010	639 029	93 687	1 339 103
Cross Currency Interest Rate Swaps (CIRS)	983	73	13 769	50 565	555	65 945
Options	47 793	83 784	115 343	56 072	7 310	310 302
Futures contracts	-	44	-	-	-	44
Other	8 049	196	1 742	745	-	10 732
Total derivatives settled on a net basis	198 963	304 138	645 614	777 192	101 552	2 027 459

31.12.2007

Derivatives settled on a net basis *	up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
Forward Rate Agreements (FRA)	22 154	14 274	94 817	17 014	-	148 259
Overnight Index Swaps (OIS)	3 576	483	12 109	98	-	16 266
Interest Rate Swaps (IRS)	38 202	47 500	324 847	388 744	48 435	847 728
Cross Currency Interest Rate Swaps (CIRS)	2 130	36	39 128	53 738	2 571	97 603
Options	29 364	19 833	110 519	25 275	7 245	192 236
Futures contracts	-	-	435	-	-	435
Other	-	-	1 917	5 040	10 988	17 945
Total derivatives settled on a net basis	95 426	82 126	583 772	489 909	69 239	1 320 472

30.06.2007

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

* "Derivatives settled on a net basis" is a negative amount of the valuation of the derivative transactions on the date of payment of the last cash flow upon the contract.

Derivative financial instruments settled in gross amounts

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

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

30.06.2008

Derivatives settled on a gross basis	up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
Currency derivatives:						
-outflows	12 124 393	4 014 200	7 625 908	2 936 500	5 000	26 706 001
-inflows	12 195 404	4 066 700	7 756 514	2 912 800	4 800	26 936 218

31.12.2007

Derivatives settled on a gross basis	up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
Currency derivatives:						
- outflows	15 352 270	3 284 341	12 341 266	786 180	-	31 764 057
- inflows	15 374 162	3 327 334	12 436 107	765 524	-	31 903 127

30.06.2007

Derivatives settled on a gross basis	up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
Currency derivatives:						
- outflows	14 360 038	5 702 833	9 719 096	320 776	-	30 102 743
- inflows	14 596 584	5 699 428	9 595 974	311 479	-	30 203 465

The amounts disclosed in the table are undiscounted contractual outflows/inflows.

The amounts presented in the table above are nominal cash flows which have not been settled up yet due to currency derivatives, while the Note 21 shows nominal values of all open by contract derivative transactions.

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

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3.8 Fair Value of Financial Assets and Liabilities

Fair value is a price, for which an asset could be exchanged, or an obligation fulfilled, between well informed and interested parties in a direct transaction other than a forced sale or liquidation. The market price, if available, is the best reflection of fair value.

The Group estimated that the fair value of variable rate and short-term (less than 1 year) fixed rate financial instruments was equal to the balance sheet values of such items.

In addition, the Group assumed that the estimated fair value of fixed interest instruments with maturities longer than 1 year was based on discounted cash flows. The discounting factor used to discount cash for such financial instruments was based on the zero coupon curve.

The following table presents a summary of balance sheet and fair values for each group of financial assets and liabilities not recognized in the Balance Sheet of the Group at their fair values.

	30.06.2008		31.12.2007		30.06.2007	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets						
Loans and advances to banks	**4 747 696**	**4 746 886**	**2 089 936**	**2 089 932**	**2 362 298**	**2 362 960**
Loans and advances to customers	**39 659 568**	**39 593 349**	**33 682 665**	**33 869 929**	**29 019 502**	**29 020 087**
Loans and advances to individuals	***16 916 740***	***16 915 602***	***13 692 771***	***13 691 515***	***10 371 456***	***10 370 664***
current accounts	2 686 373	2 686 373	2 184 779	2 184 779	917 861	917 861
term loans including:	14 230 367	14 229 229	11 507 992	11 506 736	9 453 595	9 452 803
- housing and mortgage loans	13 146 030	13 145 369	10 597 448	10 597 069	8 863 152	8 863 073
Loans and advances to corporate entities	***21 772 435***	***21 707 354***	***18 978 524***	***19 167 044***	***17 456 488***	***17 457 859***
current accounts	3 559 445	3 559 445	2 688 130	2 688 130	2 927 690	2 927 690
term loans	15 857 266	15 824 066	13 864 715	14 053 235	12 467 065	12 468 436
- corporate & institutional enterprises	3 690 258	3 680 019	2 934 338	2 921 539	2 415 258	2 413 842
- medium & small enterprises	12 167 008	12 144 047	10 930 377	11 131 696	10 051 807	10 054 594
reverse repo / buy sell back transactions	470 353	470 353	669 018	669 018	333 875	333 875
other	1 885 371	1 853 490	1 756 661	1 756 661	1 727 858	1 727 858
Loans and advances to public sector	***596 148***	***596 148***	***598 841***	***598 841***	***942 735***	***942 741***
Other receivables	***374 245***	***374 245***	***412 529***	***412 529***	***248 823***	***248 823***
Assets available for sale						
Debt securities unlisted	**39 041**	**39 041**	**64 008**	**64 008**	**88 397**	**88 397**
Equity securities unlisted	**115 829**	**115 829**	**378 562**	**378 562**	**425 772**	**425 772**
Financial liabilities						
Amounts due to other banks	**16 365 665**	**16 339 562**	**12 245 867**	**12 245 732**	**8 964 550**	**8 965 688**
Amounts due to customers	**36 383 973**	**36 322 499**	**32 401 863**	**32 384 977**	**28 971 781**	**28 979 087**
Debt securities in issue	**2 191 871**	**2 199 714**	**2 928 414**	**2 927 792**	**3 503 245**	**3 502 495**

The following sections present the key assumptions and methods used by the Group for estimation of the fair values of financial instruments:

<u>Amounts due from banks.</u> The fair values of variable interest deposits and fixed interest deposits with less than 1 year to maturity are the balance sheet carrying amounts.

<u>Loans and advances to customers</u> are disclosed at net values adjusted for impairment write-offs. The fair value of fixed interest rate loans and advances granted to customers with more than 1 year to maturity was calculated as value of expected future receivables on the account of principal and interest discounted on the basis of zero-coupon curve, including credit spread. It was assumed that credits and loans would be repaid on dates set in agreements. The fair values of credits with recognised impairment are equal to their net balance sheet values that take account of all premises indicative of impairment of the value of such credits. So estimated fair value of credits and loans reflects changes in credit risk from the grant of each credit/loan and changes in interest rates for fixed rate credits.

As at 30 June 2008 the value of loans and advances to customers includes the value of bonds of the following companies: ABC Data Holding SA (bonds with embedded warrant), Internet Group SA (bonds with embedded warrant), Marvipol SA (convertible bonds). The aforementioned bonds were taken up by the Bank. The maturity dates for the bonds are from 1 year to 5 years with earlier redemption clause through refinancing at capital market (it is possible to take up capital shares by BRE Bank in the future). Because of complicated agreements and lack of analogous transactions at the Polish market in relation to bonds of the companies: ABC Data Holding SA and Marvipol SA it is not possible to determine reliably the fair value of acquired instruments at the moment of the transaction.

So, the Bank, abiding by the principle of prudence, recognised the transactions at acquisition cost being also the nominal value of the acquired bonds.

As at 30 June 2008 the Bank valued share warrant embedded in bonds of Internet Group SA. The valuation was recognised in the Balance Sheet under the item "Derivative financial instruments" and reflected in the Profit and Loss Account.

Additionally, as at 31 December 2007 the Bank held bonds of JM Holdings S.a.r.l. (exchange bonds), which were redeemed in June 2008.

All acquired bonds were classified as credit receivables undergoing tests for impairment and valuation at amortised cost.

Available for sale financial assets. Listed available for sale financial instruments held by the Group are valued at fair value. The fair value of the unlisted at active market debt securities is calculated by the use of zero-coupon curve (including credit spread). The Group was unable to prepare reliable fair value estimates for unlisted equity instruments and it used the acquisition price adjusted for impairment losses for the balance sheet valuation purposes.

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

The Group holds 653 660 shares of PZU SA, representing 0.76% of the share capital; their book value is PLN 73 988 480.48. PZU SA is Poland's largest property insurer and the owner of the life insurer PZU Życie SA.

Shares of PZU SA are not listed in a regulated market. Shareholders frequently trade in its shares but this usually involves small packages of employee-held shares. The market is liquid to an extent, but in view of a conflict between the major shareholders and due to the fact that the potential IPO date of PZU SA remains unknown, the transaction prices are believed to include a large discount. It is estimated that the actual value is between PLN 220 and PLN 400 per share.

Financial Liabilities. Financial instruments on the liabilities side include the following:

1. Contracted loans;
2. Liabilities resulting from the issue of securities;
3. Deposits.

The fair value for these fixed interest rate financial liabilities with more than 1 year to maturity is based on cash flows from principal and interest repayments discounted by a discounting factor based on zero coupon curve.

The Group assumed that the fair values of such variable interest rate instruments or fixed interest rate instruments with less than 1 year to maturity was equal to the balance sheet values of the instruments.

The fair value of the listed debt securities issued was calculated on the basis of the quoted market prices.

Credit risk exposures relating to off-balance sheet items. As at 30 June 2008 the fair value of financial guarantees amounted to PLN 17 415 thousand (31 December 2007 and 30 June 2007: PLN 18 523 thousand and PLN 25 581 thousand relatively). As at 30 June 2008, 31 December 2007 and 30 June 2007 the fair value of lending commitments did not significantly differ from their carrying amount.

3.9 Other Business

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties. In connection with these, the Group makes decisions concerning allocation, purchase and sale of numerous financial instruments of many types. Assets held in a fiduciary capacity are not disclosed in these financial statements.

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

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

Impairment of loans and advances

The Group reviews its loan portfolio in terms of possible impairments at least once per quarter. In order to determine whether any impairment loss should be recognised in the Profit and Loss Account, the Group assesses whether any evidence exists that would indicate some measurable reduction of estimated future cash flows attached to the loan portfolio, before such a decrease will be able to be attributed to a specific loan. The estimates may take into account any observable indications pointing at the occurrence of an unfavourable change in the solvency position of debtors belonging to any particular group or in the economic situation of a given country or part of a country, which is associated with the problems appearing in that group of assets. The Management plans future cash flows based on estimates drawing on historical experience of losses incurred on assets featuring the traits of credit risk exposure and objective impairment symptoms similar to those which characterise the portfolio. The methodology and the assumptions on the basis of which the estimated cash flow amounts and their anticipated timing 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%, the 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 regarding valuation of bonds acquired under mezzanine transaction were described in the Note 3.8.

Fair value of derivative instruments

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

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 objective evidence of impairment.

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

Impairment of debt instruments available for sale

Impairment and increase in value of debt securities available for sale is determined at the date of valuation, i.e. the Balance Sheet date, separately for each category of debt security. Impairment is recognised, if over a period of at least three months the listed price of the given security persists at a level lower than its cost of acquisition 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 Group 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 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 Group's consolidated Balance Sheet as a result of merger of PTE Skarbiec-Emerytura SA and Aegon PTE SA. The value of such deferred asset in the consolidated financial statements amounts to PLN 61 601 thousand.

5. Business Segments

The classification by business segments is based on client groups and products defined by homogenous transaction characteristics. The classification is consistent with sales management and the philosophy of delivering complex products to the Bank's clients, including both standard banking products and more sophisticated investment products. The method of the presentation of financial results coupled with the business management model ensures constant focus on creating added value in relations with the Bank's and Group companies and should be seen as a primary division which serves best both managing and perceiving business within the Group.

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

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

Since the beginning of the fourth quarter of 2007, the results of Retail Banking include the results of foreign branches of mBank: mBank Czech Republic and mBank Slovakia. Within the year 2008 the branches provided basic products such as current and savings accounts as well as cash loans and mortgage loans. The aim is to operate a full scope of services typical of retail banking.

Retail Banking also includes the results of BRE Wealth Management SA and emFinanse Sp. z o.o. BRE Wealth Management SA provides corporate finance advisory and complex asset management services for wealthy private banking clients. emFinanse Sp z o.o. operates on the market of financial agents and advisors and sells bank and bank-insurance products. In the first half of 2008 the restructuring process began in order to strengthen the sales network of BRE Bank Retail Banking products through the change of emFinanse outlets into a sales network of BRE Bank Retail Banking products. In restructuring the emFinanse model will be integrated with the mBank and MultiBank model. The company will continue its business but in a limited scope. The process is going to be completed by the end of the current year.

2) Corporates and Markets - consists of two sub-segments:

2.1) Corporates and Institutions, including current accounts, savings accounts and term deposits, FX products and derivative instruments, trust and fiduciary activities, sell buy back and buy sell back transactions, offering of investment products, credit cards and debit cards, business loans, as well as financial and operating leasing of vehicles, machines, office equipment, real estate as well as administration support in leasing of the above indicated fixed assets. Within that sub-segment, the Bank finances large projects with loans single-handedly and in syndicates with other banks.

The Bank's product offer within this business sub-segment, is targeted at large, medium-sized and small companies, as well as local governments. A significant part of the activities within the Corporates and Institutions segment consists of services supporting foreign trade transactions. The Bank's offer addressed to enterprises includes currency exchange, international transfers, checks, collection of payments, short-term loans, as well as a whole range of financial tools, such as purchasing of claims to receivables, forfaiting, letters of credit, bank guarantees, and others. Moreover, clients are offered financial instruments designed to hedge against foreign exchange risk exposure. The Bank also offers financial instruments used in interest rate risk management, including forward rate agreements (FRA), interest rate swaps (IRS), interest rate options, as well as cross-currency interest rate swaps (CIRS).

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

The Corporates and Institutions sub-segment includes the results of the following subsidiaries: BRE Bank Hipoteczny SA, BRE Leasing Sp. z o.o., Dom Inwestycyjny BRE Banku SA, BRE Corporate Finance SA, Intermarket Bank AG, Polfactor SA, Transfinance a.s. and Magyar Factor zRt. The subsidiaries enrich the Bank's offer with commercial and municipal real estate financing, leasing, factoring, publicly traded stocks and securities, purchase and sales of securities on the account of client, merger and acquisition advisory, corporate restructuring consulting and privatization projects. The sub-segment has also comprised the results of BRE Holding Sp. z o.o. since the first quarter of 2008.

2.2) Trading and Investments, including financial instruments dealing, purchase and sale of stocks and securities on primary and secondary markets, i.e., transactions in Treasury Bills, Treasury Bonds, monetary bills of the National Bank of Poland, placements and deposits and FX swaps. The Bank also participates in the securities market, focusing on trading in securities on the primary and secondary markets, as well as repo and reverse repo transactions. Moreover the Bank is engaged in sell buy back and buy sell back transactions on the inter-bank market. The Bank also participates in money market inter-bank transactions.

Within the Trading and Investments sub-segment, the Bank underwrites issues of securities (bonds, investment bills and certificates of deposit) single-handedly and in syndicates with other banks.

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

3) Asset Management (discontinued operations) includes the activity of PTE Skarbiec-Emerytura SA (PTE) for the first half of 2008. On 30 June 2008 PTE Skarbiec-Emerytura SA and Aegon PTE SA were merged together and the result of the transaction was included in the results of this segment. Detailed information concerning the merger as well as assets held for sale and discontinued operations were presented in the Note 28 of these financial statements.

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

The principles of segment classification of the Group's activities are described below.

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

Allocation of funds to the Group companies and assigning them to particular business segments results in funding cost transfers. Interest charged for these funds is based on the Group's weighted average cost of capital and presented in operating income.

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

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

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

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

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

Business segment reporting on the activities of the BRE Bank Group
for the period from 01.01.2008 to 30.06.2008
(PLN'000)

	Corporates & Markets		Retail Banking (including Private Banking)	Asset Management (discontinued operation)	Remaining Business	Eliminations	Group
	Corporates & Institutions	Trading & Investments					
Net interest income	**316 635**	**38 937**	**300 766**	**(6 393)**	**(5 274)**	**-**	**644 671**
- sales to external clients	372 459	97 161	176 480	2 430	(3 859)	-	644 671
- sales to other segments	(55 824)	(58 224)	124 286	(8 823)	(1 415)	-	-
Net fee and commission income	**189 591**	**(11 875)**	**115 821**	**13 793**	**(412)**	**12 324**	**319 242**
- sales to external clients	178 340	(2 529)	117 726	13 793	(412)	12 324	319 242
- sales to other segments	11 251	(9 346)	(1 905)	-	-	-	-
Unallocated costs							-
Gross profit / (loss) of the segment	**251 434**	**186 828**	**174 786**	**69 258**	**35 002**	**3 693**	**721 001**
Profit on operating acitivities							721 001
Contribution of profit / (loss) sharing in associated companies (before tax)	-	-	-	-	-	-	-
Gross profit (before tax)							721 001
Corporate income tax							(56 584)
Net profit attributable to minority interest							24 092
Net profit (after tax)							640 325
Asset of the segment	**25 715 253**	**22 395 256**	**17 570 325**	**398 588**	**906 320**	**(2 495 492)**	**64 490 250**
Total assets							64 490 250
Segment's liabilities	**34 768 479**	**9 192 175**	**17 702 451**	**9 410**	**752 299**	**(1 864 348)**	**60 560 466**
Total liabilities							60 560 466
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(85 603)	(4 286)	(49 704)	(300)	(13 638)	-	(153 531)
Amortisation/depreciation	(52 782)	(5 079)	(34 150)	(557)	(1 597)	188	(93 977)
Losses on credits and loans	(148 646)	(1 816)	(28 847)	-	(83)	-	(179 392)
Other costs/ income without cash outflows/ inflows*	-	(53 937)	1	-	-	-	(53 936)
- other costs without outflows	-	*(1 094 836)*	*1*	-	-	-	*(1 094 835)*
- other income without inflows	-	*1 040 899*	-	-	-	-	*1 040 899*

*Other costs/income without cash outflows/inflows include income and expenses arising from valuation of both trading financial instruments and foreign exchange result.

Business segment reporting on the activities of the BRE Bank Group
for the period from 01.01.2007 to 31.12.2007
(PLN'000)

	Corporates & Markets		Retail Banking (including Private Banking)	Asset Management (discontinued operation)	Remaining Business	Eliminations	Group
	Corporates & Institutions	Trading & Investments					
Net interest income	**556 947**	**63 964**	**431 516**	**(12 979)**	**(1 129)**	**(7 129)**	**1 031 190**
- sales to external clients	633 704	73 846	327 355	3 407	7	(7 129)	1 031 190
- sales to other segments	(76 757)	(9 882)	104 161	(16 386)	(1 136)	-	-
Net fee and commission income	**392 657**	**(17 400)**	**189 977**	**26 978**	**(712)**	**-**	**591 500**
- sales to external clients	374 336	(1 808)	192 706	26 978	(712)	-	591 500
- sales to other segments	18 321	(15 592)	(2 729)	-	-	-	-
Unallocated costs							-
Gross profit / (loss) of the segment	**444 811**	**131 930**	**227 507**	**91 285**	**80 808**	**(21 796)**	**954 545**
Profit on operating acitivities							954 545
Contribution of profit / (loss) sharing in associated companies (before tax)	-	-	-	-	-	-	-
Gross profit (before tax)							954 545
Corporate income tax							(206 928)
Net profit attributable to minority interest							37 523
Net profit (after tax)							710 094
Asset of the segment	**22 304 587**	**21 231 555**	**14 201 223**	**501 522**	**759 334**	**(3 056 321)**	**55 941 900**
Total assets							55 941 900
Segment's liabilities	**31 534 832**	**9 870 498**	**12 927 618**	**12 543**	**632 240**	**(2 477 154)**	**52 500 577**
Total liabilities							52 500 577
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(170 508)	(12 094)	(91 711)	(1 853)	(9 292)	-	(285 458)
Amortisation/depreciation	(99 443)	(7 937)	(63 136)	(1 117)	(3 057)	(2 082)	(176 772)
Losses on credits and loans	(233 292)	(6 409)	(38 039)	-	(1 221)	-	(278 961)
Other costs/ income without cash outflows/ inflows*	-	(51 781)	(1)	-	-	-	(51 782)
- other costs without outflows	-	*(1 308 542)*	*(1)*	-	-	-	*(1 308 543)*
- other income without inflows	-	*1 256 761*	-	-	-	-	*1 256 761*

*Other costs/income without cash outflows/inflows include income and expenses arising from valuation of both trading financial instruments and foreign exchange result.

Business segment reporting on the activities of the BRE Bank Group
for the period from 01.01.2007 to 30.06.2007
(PLN'000)

	Corporates & Markets		Retail Banking (including Private Banking)	Asset Management (discontinued operation)	Remaining Business	Eliminations	Group
	Corporates & Institutions	Trading & Investments					
Net interest income	**253 221**	**27 758**	**195 982**	**(6 250)**	**(186)**	**-**	**470 525**
- sales to external clients	287 906	45 274	135 480	1 595	270	-	470 525
- sales to other segments	(34 685)	(17 516)	60 502	(7 845)	(456)	-	-
Net fee and commission income	**199 441**	**(7 935)**	**98 143**	**12 189**	**83**	**-**	**301 921**
- sales to external clients	190 616	(221)	99 254	12 189	83	-	301 921
- sales to other segments	8 825	(7 714)	(1 111)	-	-	-	-
Unallocated costs							-
Gross profit / (loss) of the segment	**230 633**	**82 937**	**126 722**	**85 639**	**18 585**	**(13 911)**	**530 605**
Profit on operating acitivities							530 605
Contribution of profit sharing in associated companies (before tax)	-	-	-	-	-	-	-
Gross profit (before tax)							530 605
Corporate income tax							(110 986)
Net profit attributable to minority interest							15 753
Net profit (after tax)							403 866
Asset of the segment	**20 675 694**	**18 853 078**	**11 731 108**	**495 287**	**782 676**	**(3 962 362)**	**48 575 481**
Total assets							48 575 481
Segment's liabilities	**27 317 936**	**10 440 696**	**10 229 717**	**14 472**	**840 148**	**(3 388 359)**	**45 454 610**
Total liabilities							45 454 610
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(61 979)	(3 504)	(27 837)	(1 034)	(2 121)	-	(96 475)
Amortisation/depreciation	(48 074)	(4 324)	(33 027)	(552)	(1 525)	(1 041)	(88 543)
Losses on credits and loans	(113 714)	(2 793)	(16 087)	-	(1 166)	-	(133 760)
Other costs/ income without cash outflows/ inflows*	-	399	(2)	-	-	-	397
- other costs without outflows	-	*(111 714)*	*(2)*	-	-	-	*(111 716)*
- other income without inflows	-	*112 113*	-	-	-	-	*112 113*

*Other costs/income without cash outflows/inflows include income and expenses arising from valuation of both trading financial instruments and foreign exchange result.

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6. Net Interest Income

the period	from 01.01.2008 to 30.06.2008	from 01.01.2007 to 30.06.2007
Interest income		
Loans and advances including the unwind of the impairment provision discount	1 185 883	739 556
Cash and short-term investments	154 179	131 021
Investment securities	129 922	84 437
Trading debt securities	108 910	67 355
Other	17 970	16 632
	1 596 864	**1 039 001**
Interest expense		
Arising from amounts due to banks and customers	(835 881)	(460 143)
Arising from issue of debt securities	(81 957)	(82 832)
Other borrowed funds	(35 328)	(25 053)
Other	(1 457)	(2 043)
	(954 623)	**(570 071)**

Interest income related to financial assets which have been impaired amounted to PLN 13 080 thousand (PLN 5 818 thousand in 2007).

Net interest income per segment is as follows:

the period	from 01.01.2008 to 30.06.2008	from 01.01.2007 to 30.06.2007
Interest income		
From banking sector	186 060	165 891
From clients, including:	1 410 804	873 110
- corporate clients	753 524	479 784
- individual clients	437 860	260 838
- public sector	219 420	132 488
	1 596 864	**1 039 001**
Interest expense		
From banking sector	(353 056)	(187 301)
From clients, including:	(575 509)	(373 735)
- corporate clients	(289 272)	(227 479)
- individual clients	(265 340)	(126 883)
- public sector	(20 897)	(19 373)
Own issue	(26 058)	(9 035)
	(954 623)	**(570 071)**

7. Net Fee and Commission Income

the period	from 01.01.2008 to 30.06.2008	from 01.01.2007 to 30.06.2007
Fee and commission income		
Credit-related fees and commissions	151 047	106 946
Payment cards-related fees	92 714	68 203
Fees from brokerage activity	39 161	66 585
Commissions from money transfers	35 883	37 750
Commissions from bank accounts	31 372	19 022
Guarantees granted and trade finance commissions	19 433	19 239
Commissions on trust and fiduciary activities	5 356	5 455
Fees from portfolio-management services and other management-related fees	4 321	5 941
Other	53 614	56 934
	432 901	**386 075**
Fee and commission expense		
Payment cards-related fees	(63 109)	(46 938)
Brokerage fees discharged	(10 557)	(12 746)
Other fees discharged*	(53 786)	(36 903)
	(127 452)	**(96 587)**

- In the first half of 2008 the amount of other fees discharged comprises mainly commissions paid for sale of the Bank's products.

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8. Dividend Income

the period	from 01.01.2008 to 30.06.2008	from 01.01.2007 to 30.06.2007
Trading securities	1 688	2
Securities available for sale	2 045	2 157
Total dividend income	**3 733**	**2 159**

9. Net Trading Income

the period	from 01.01.2008 to 30.06.2008	from 01.01.2007 to 30.06.2007
Foreign exchange result	**260 461**	**208 443**
Foreign exchange differences from the translation (net)	318 946	338 952
Net transaction gains and losses	(58 485)	(130 509)
Other net trading income	**(5 994)**	**49 839**
Interest-bearing instruments	(8 381)	20 397
Equities	(3 276)	24 647
Market risk instruments	5 663	4 795
Total net trading income	**254 467**	**258 282**

The "Foreign exchange result" includes profits and losses on spot transactions and forward contracts, options, futures and translated assets and liabilities denominated in foreign currencies. The "Interest-bearing instruments" include the profit/(loss) on money market instrument trading, swap contracts for interest rates and currencies (IRS), options and other derivative instruments. The "Equities" include the profit/(loss) on the global trade with equity securities and derivative equity instruments, such as swap contracts, options, futures and forward contracts. Market risk instruments result includes profits and losses on: bond futures, index futures, security options, stock exchange index options, and options on futures contracts as well as result from securities forward transactions and commodity swaps.

10. Other Operating Income

the period	from 01.01.2008 to 30.06.2008	from 01.01.2007 to 30.06.2007
Income from sale or liquidation of fixed assets, intangible assets and assets held for resale*	137 373	39 809
Income from the release of impairment provisions for tangible and intangible assets	-	90
Income from recovering receivables designated previously as prescribed, remitted or uncollectible	4 610	1 673
Income from compensation, penalties and fines received	102	67
Income due to release of provisions for future commitments	3 150	2 830
Income from services provided**	25 353	24 394
Other	6 404	8 065
Total other operating income	**176 992**	**76 928**

* The amount includes mainly BRE.locum's income from developer activity.
** Concerns non-banking services

11. Overhead Costs

the period	from 01.01.2008 to 30.06.2008	from 01.01.2007 to 30.06.2007
Staff-related expenses (Note 13)	(347 376)	(283 193)
Material costs	(243 774)	(222 890)
Taxes and fees	(12 190)	(6 295)
Contributions and transfers to the Banking Guarantee Fund	(3 639)	(2 852)
Contribution to the Social Benefits Fund	(2 964)	(2 018)
Other	(3 684)	(4 671)
Total overhead costs	**(613 627)**	**(521 919)**

"Material costs" consist of tangible assets operating lease payment costs (mainly real estate) of PLN 11 370 thousand (2007: PLN 14 693 thousand).

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12. Other Operating Expenses

the period	from 01.01.2008 to 30.06.2008	from 01.01.2007 to 30.06.2007
Costs arising from sale or liquidation of fixed assets, intangible assets and assets held for resale*	(88 586)	(28 060)
Costs arising from impairment provisions created for tangible fixed assets and intangible assets	-	(4 656)
Costs arising from impairment provisions created for other receivables (excluding loans and advances)	(2 473)	(694)
Costs arising from receivables and liabilities recognised as prescribed, remitted and uncollectible	(536)	(1 204)
Compensation, penalties and fines paid	(266)	(83)
Donations made	(3 276)	(2 256)
Provisions for future commitments	(723)	(4 914)
Costs of sale of services**	(891)	(2 955)
Other operating costs	(6 628)	(5 591)
Total other operating expenses	**(103 379)**	**(50 413)**

* The amount includes mainly the expenses incurred by BRE.locum in connection with its developer activity.
** Concern non-banking services

13. Staff Costs

the period	from 01.01.2008 to 30.06.2008	from 01.01.2007 to 30.06.2007
Wages and salaries	(279 741)	(228 862)
Social security expenses	(43 324)	(37 194)
Pension fund expenses	(476)	(3 034)
Remuneration settled in the form of shares and share options	(6 802)	(648)
Other staff expenses	(17 033)	(13 455)
Staff-related expenses, total	**(347 376)**	**(283 193)**

The average level of employment in the Group in the first half of 2008 was 6 688 persons (2007: 5 624).

The additional information related to share-based payment has been presented in the Note 42 "Retained earnings".

14. Impairment Losses on Loans and Advances

the period	from 01.01.2008 to 30.06.2008	from 01.01.2007 to 30.06.2007
Impairment losses on amounts due from other banks (Note 19)	234	1 315
Impairment losses on off-balance sheet contingent liabilities due to other banks (Note 34)	(467)	82
Impairment losses on loans and advances to customers (Note 22)	(61 544)	(13 547)
Impairment losses on off-balance sheet contingent liabilities due to customers (Note 34)	(6 091)	6 284
Total impairment losses on loans and advances	**(67 868)**	**(5 866)**

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15. Income Tax Expense

the period	from 01.01.2008 to 30.06.2008	from 01.01.2007 to 30.06.2007
Current tax	(141 888)	(116 684)
Deferred income tax (Note 35)	87 640	25 735
Total income tax	**(54 248)**	**(90 949)**
Profit before tax	**642 093**	**436 406**
Tax calculated at Polish current tax rate (19%)	(121 998)	(82 917)
Effect of different tax rates in other countries	(1 181)	(1 181)
Income not subject to tax	33 595	5 621
Costs other than tax deductible costs	(25 601)	(8 012)
Other positions effecting income tax*	60 937	(4 460)
Utilisation of previously unrecognized tax losses	-	-
Income tax expense	**(54 248)**	**(90 949)**
Effective tax rate calculation		
Profit before income tax	642 093	436 406
Income tax	(54 248)	(90 949)
Effective tax rate	**8.45%**	**20.84%**

* Other positions effecting income tax comprise deferred income tax assets not recognised in previous periods in relation to the transaction of merger of PTE Skarbiec-Emerytura SA and Aegon PTE SA, now reflected as considered probable of realisation.

Further information about deferred income tax is presented in the Note 35. The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the parent as presented above.

16. Earnings per Share

Earnings per share for 6 months – continued operations

the period	from 01.01.2008 to 30.06.2008	from 01.01.2007 to 30.06.2007
Basic:		
Net profit from continued operations attributable to the Bank's equity holders	563 753	329 704
Weighted average number of ordinary shares	29 670 203	29 535 896
Net basic profit per share (in PLN per share)	**19.00**	**11.16**
Diluted:		
Net profit from continued operations attributable to the Bank's equity holders applied for calculation of diluted earnings per share	563 753	329 704
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)	**19.00**	**11.12**

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

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

the period	from 01.01.2008 to 30.06.2008	from 01.01.2007 to 30.06.2007
Basic:		
Net profit attributable to the Bank's equity holders	640 325	403 866
Weighted average number of ordinary shares	29 670 203	29 535 896
Earnings per 1 ordinary share (in PLN per share)	**21.58**	**13.67**
Diluted:		
Net profit attributable to the Bank's equity holders applied for calculation of diluted earnings per share	640 325	403 866
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)	**21.58**	**13.62**

The basic earnings per share is computed as the quotient of the Bank stockholders' share of the profit and the weighted average number of ordinary shares during the year.

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares as if all possible ordinary shares causing the dilution were replaced with shares. The Bank has one category of potential ordinary shares causing the dilution: share options. The number of diluting shares is computed as the number of shares that would be issued if all share options were realised at the market price, determined as the average annual closing price of the Bank's shares.

According to IAS 33, the Bank prepares a calculation of the so-called "diluted earnings per share", taking account of share purchase options granted to employees.

The Bank conducted two option programs from 1 January 2007 to 30 June 2008. The programs were valued in accordance with IFRS 2.

The employee options program (initiated in May 2003) assumes that the members of the Bank's Management will receive 500 000 options to be exercised in phases between 1 June 2005 and 30 June 2008. Under these options, the employees may have assumed 500 000 of newly issued shares of the Bank.

On 14 March 2008, the Ordinary General Meeting of BRE Bank adopted a resolution approving an incentive program for Management Board Members of the Bank. Under the program, the Management Board Members can acquire bonds with the pre-emptive right to acquire shares of the Bank and shares of the ultimate parent of the Group, Commerzbank AG.

The detailed information concerning remuneration program based on and settled in shares was described in the Note 42.

17. Cash and Balances with Central Bank

as at	30.06.2008	31.12.2007	30.06.2007
Cash in hand	134 292	96 818	106 817
Current account	2 766 842	1 906 717	1 539 763
Other	-	-	916 151
Total cash and balances with the Central Bank (Note 44)	**2 901 134**	**2 003 535**	**2 562 731**
Including: mandatory reserve deposit	1 045 424	965 707	824 109

The mandatory reserve is held in an account with the Central Bank and in the Bank's hand. As at 30 June 2008, the former part of the reserve bore 5.63% interest (31 December 2007 and 30 June 2007: 4.73% and 4.27% relatively).

18. Debt Securities Eligible for Rediscounting at the Central Bank

Debt securities eligible for rediscounting are bills of exchange issued by non-financial organizations with maturities up to 3 months.

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19. Loans and Advances to Banks

as at	30.06.2008	31.12.2007	30.06.2007
Current accounts	115 674	87 756	1 112 492
Placements with other banks	2 475 243	638 590	156 416
Included in cash equivalents (Note 44)	**2 590 917**	**726 346**	**1 268 908**
Loans and advances	803 289	687 558	882 601
Reverse repo / buy sell back transactions	1 191 728	513 866	154 264
Other receivables	166 781	167 375	59 788
Total (gross) loans and advances to banks	**4 752 715**	**2 095 145**	**2 365 561**
Provisions created for loans and advances to banks (negative amount)	(5 019)	(5 209)	(3 263)
Total (net) loans and advances to banks	**4 747 696**	**2 089 936**	**2 362 298**
Short-term (up to 1 year)	4 433 950	1 851 413	2 145 791
Long-term (over 1 year)	313 746	238 523	216 507

The following table presents receivables from Polish and foreign banks:

as at	30.06.2008	31.12.2007	30.06.2007
Loans and advances to Polish banks (gross)	1 129 466	618 539	985 709
Provisions created for loans and advances to Polish banks	(660)	(247)	(183)
Loans and advances to foreign banks (gross)	3 623 249	1 476 606	1 379 852
Provisions created for loans and advances to foreign banks	(4 359)	(4 962)	(3 080)
Total (net) loans and advances to banks	**4 747 696**	**2 089 936**	**2 362 298**

The variable rate loans to banks amount to PLN 702 958 thousand and the fixed rate loans to banks amounted to PLN 66 806 thousand (as at 31 December 2007 – variable rate loans to banks amounted to PLN 558 833 thousand and fixed rate loans: PLN 31 178 thousand, and as at 30 June 2007 - variable rate loans to banks amounted to PLN 833 657 thousand and fixed rate loans to banks amounted to PLN 55 054 thousand). An average deposit interest rate for deposits in other banks and loans granted to banks amounted to 5.20% (31 December 2007 and 30 June 2007: 4.86% and 4.65% relatively).

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

as at	30.06.2008	31.12.2007	30.06.2007
Provisions for loans and advances to banks as at the beginning of the period	**5 209**	**4 578**	**4 578**
Increase (due to)	44	631	528
- provisions created (Note 14)	-	631	528
- other	44	-	-
Release (due to)	(234)	-	(1 843)
- release of provisions (Note 14)	(234)	-	(1 843)
Provisions for loans and advances to banks as at the end of the period	**5 019**	**5 209**	**3 263**

Provisions for loans and advances to banks as well as changes in allowance for losses on amounts due from banks, relate in total to exposures analysed according to portfolio based approach.

20. Trading Securities and Pledged Assets

as at	30.06.2008	31.12.2007	30.06.2007
Debt securities:	**6 641 720**	**6 985 554**	**6 736 197**
Government bonds included in cash equivalents and pledged government bonds (sell buy back transactions) (Note 44), including:	4 622 866	4 733 535	3 577 378
- pledged government bonds (sell buy back transactions) (Note 38)	2 306 349	2 717 473	2 407 744
Treasury bills included in cash equivalents and pledged treasury bills (sell buy back transactions) (Note 44), including:	952 297	25 623	10 827
- pledged treasury bills (sell buy back transactions) (Note 38)	186 916	14 362	-
Other debt securities	1 066 557	2 226 396	3 147 992
Equity securities:	**4 270**	**4 263**	**5 914**
- listed	4 270	4 263	5 914
Debt and equity securities, including:	**6 645 990**	**6 989 817**	**6 742 111**
- Trading securities	*4 152 725*	*4 257 982*	*4 334 367*
- Pledged assets (Note 38)	*2 493 265*	*2 731 835*	*2 407 744*

Government bonds include securities used to secure sell buy back transactions with customers, the market value of which as at 30 June 2008 amounted to PLN 2 306 349 thousand (31 December 2007 and 30 June 2007: PLN 2 717 473 thousand and PLN 2 407 744 thousand). The bonds are disclosed separately within the "Pledged assets" in the Balance Sheet.

Treasury bills include bills used to secure sell buy back transactions with customers, the market value of which as at 30 June 2008 amounted to PLN 186 916 thousand (31 December 2007 and 30 June 2007: PLN 14 394 thousand and PLN 0). The bills are disclosed separately within the "Pledged assets" in the Balance Sheet.

"Debt securities" include treasury bills eligible for rediscounting issued by the Polish Treasury for a period of up to one year. All treasury notes bear fixed interest rates.

The above does not include securities under the Bank Guarantee Fund of PLN 97 711 thousand (31 December 2007 and 30 June 2007: PLN 80 442 thousand and PLN 66 026 thousand relatively), which have been classified into investment securities (the Note 23).

21. Derivative Financial Instruments and Other Trading Liabilities

The Group uses the following derivative instruments for hedging and for other purposes:

Forward currency transactions represent commitments to purchase foreign and local currencies, including outstanding spot transactions. **Futures for currencies and interest rates** are contractual commitments to receive or pay a specific net value, depending on currency rate of exchange or interest rate variations, or to buy or sell a foreign currency or a financial instrument on a specified future date for a fixed price established on the organized financial market. Because futures contracts are collateralized with fair-valued cash or securities and the changes of the face value of such contracts are accounted for daily in reference to stock exchange quotations, the credit risk is marginal. **FRA contracts** are similar to futures except that each of them is negotiated individually and each requires payment on a specific future date of the difference between the interest rate set in the agreement and the current market rate on the basis of theoretical amount of capital.

Currency and interest rate swap contracts are commitments to exchange one cash flow for another cash flow. Such a transaction results in swap of currencies or interest rates (e.g., fixed to variable interest rate) or combination of all these factors (e.g., inter-currency interest rate swap contracts). With the exception of specific currency swap contracts, such transactions do not result in swaps of capital. The credit risk of the Group consists of the potential cost of replacing swap contracts if the parties fail to discharge their liabilities. This risk is monitored daily by reference to the current fair value, proportion of the face value of the contracts and market liquidity. The Group evaluates the parties to such contracts using the same methods as for its credit business, to control the level of its credit exposure.

Currency and interest rate options are agreements, pursuant to which the selling party grants the buying party the right, but not an obligation, to purchase (call option) or sell (put option) a specific quantity of a foreign currency or a financial instrument at a predefined price on or by a specific date or within an agreed period. In return for accepting currency or interest rate risk, the buyer offers the seller a premium. An option can be either a public instrument traded at a stock exchange or a private instrument negotiated between the Group and a customer (private transaction). The Group is exposed to credit risk related to purchased options only up to the balance sheet value of such options, i.e. the fair value of the options.

Face values of certain types of financial instruments provide a basis for comparing them to instruments disclosed in the Balance Sheet but they may not be indicative of the value of the future cash flows or of the present fair value of such instruments. For this reason, the face values do not indicate the level of the Group's exposure to credit risk or price change risk. Derivative instruments can have positive value (assets) or negative value (liabilities), depending on market interest or currency exchange rate fluctuations. The aggregate fair value of derivative financial instruments may be subject to strong variations.
The following table presents the fair values of the derivatives held by the Group:

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	Contract amount		Fair value	
	purchase	disposal	asset	liability
As at 30 June 2008				
Derivatives held for trading				
Foreign exchange derivatives				
- Currency forwards	11 457 097	11 386 275	275 180	199 359
- Currency swaps	17 741 977	17 583 124	661 988	516 138
- Cross-currency interest rate swaps	4 980 668	4 835 137	86 325	62 260
- OTC currency options bought and sold	6 101 542	6 254 892	111 452	293 143
Total OTC derivatives	**40 281 284**	**40 059 428**	**1 134 945**	**1 070 900**
Total foreign exchange derivatives	**40 281 284**	**40 059 428**	**1 134 945**	**1 070 900**
Interest rate derivatives				
- Interest rate swap, OIS	182 748 963	182 748 963	1 086 637	1 170 853
- Forward rate agreements	132 206 735	149 987 880	238 052	285 343
- OTC interest rate options	476 593	468 044	8 965	9 413
Total OTC interest rate derivatives	**315 432 291**	**333 204 887**	**1 333 654**	**1 465 609**
Total interest rate derivatives	**315 432 291**	**333 204 887**	**1 333 654**	**1 465 609**
Market risk transactions	**3 571 561**	**2 670 307**	**32 743**	**18 917**
Total derivative assets / liabilities held for trading	**359 285 136**	**375 934 622**	**2 501 342**	**2 555 426**
Total recognised derivative assets/ liabilities	**359 285 136**	**375 934 622**	**2 501 342**	**2 555 426**
Total recognised derivative assets/ liabilities and other trading liabilities	**359 285 136**	**375 934 622**	**2 501 342**	**2 555 426**
Short-term (up to 1 year)	263 559 063	280 656 349	1 464 071	1 510 219
Long-term (over 1 year)	95 726 073	95 278 273	1 037 271	1 045 207

	Contract amount		Fair value	
	purchase	disposal	asset	liability
As at 31 December 2007				
Derivatives held for trading				
Foreign exchange derivatives				
- Currency forwards	12 866 925	12 839 154	271 004	195 657
- Currency swaps	23 325 610	23 171 985	657 209	518 362
- Cross-currency interest rate swaps	5 124 220	5 015 620	88 104	84 247
- OTC currency options bought and sold	5 373 192	6 162 540	144 038	230 131
Total OTC derivatives	**46 689 947**	**47 189 299**	**1 160 355**	**1 028 397**
Total foreign exchange derivatives	**46 689 947**	**47 189 299**	**1 160 355**	**1 028 397**
Interest rate derivatives				
- Interest rate swap, OIS	169 387 142	169 387 142	699 573	760 889
- Forward rate agreements	102 094 000	94 729 280	184 062	146 944
- OTC interest rate options	401 467	405 383	8 351	8 401
Total OTC interest rate derivatives	**271 882 609**	**264 521 805**	**891 986**	**916 234**
- Stock exchange traded interest rate options	-	-	136	-
Total interest rate derivatives	**271 882 609**	**264 521 805**	**892 122**	**916 234**
Market risk transactions	**683 536**	**1 267 794**	**220 161**	**219 583**
Total derivative assets / liabilities held for trading	**319 256 092**	**312 978 898**	**2 272 638**	**2 164 214**
Total recognised derivative assets/ liabilities	**319 256 092**	**312 978 898**	**2 272 638**	**2 164 214**
Total recognised derivative assets/ liabilities and other trading liabilities	**319 256 092**	**312 978 898**	**2 272 638**	**2 164 214**
Short-term (up to 1 year)	234 686 732	229 978 065	1 527 474	1 425 502
Long-term (over 1 year)	84 569 360	83 000 833	745 164	738 712

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	Contract amount		Fair value	
	purchase	disposal	asset	liability
As at 30 June 2007				
Derivatives held for trading				
Foreign exchange derivatives				
- Currency forwards	27 834 378	27 741 121	147 639	117 157
- Currency swaps	5 926 761	5 924 255	280 024	201 387
- Cross-currency interest rate swaps	4 223 762	4 137 215	60 681	49 802
- OTC currency options bought and sold	3 398 835	4 093 185	64 959	105 520
Total OTC derivatives	**41 383 736**	**41 895 776**	**553 303**	**473 866**
- Currency futures	-	12 722	-	-
- Stock exchange traded currency options - bought and sold	2 155	1 763	258	223
Total foreign exchange derivatives	**41 385 891**	**41 910 261**	**553 561**	**474 089**
Interest rate derivatives				
- Interest rate swaps, OIS	178 297 437	178 297 437	533 873	584 779
- Forward rate agreements	99 190 000	90 398 948	93 338	79 770
- OTC interest rate options	417 764	437 582	6 361	6 585
Total OTC interest rate derivatives	**277 905 201**	**269 133 967**	**633 572**	**671 134**
Total interest rate derivatives	**277 905 201**	**269 133 967**	**633 572**	**671 134**
Market risk transactions	**2 452 269**	**3 029 061**	**424 668**	**414 611**
Total derivative assets / liabilities held for trading	**321 743 361**	**314 073 289**	**1 611 801**	**1 559 834**
Total recognised derivative assets/ liabilities	**321 743 361**	**314 073 289**	**1 611 801**	**1 559 834**
Total recognised derivative assets/ liabilities and other trading liabilities	**321 743 361**	**314 073 289**	**1 611 801**	**1 559 834**
Short-term (up to 1 year)	236 115 211	228 191 143	812 137	849 601
Long-term (over 1 year)	85 628 150	85 882 146	799 664	710 233

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

As at 30 June 2008, 31 December 2007 and 30 June 2007 the Group did not have any other assets or financial liabilities in the category of financial liabilities priced at fair value through the Profit and Loss Account.

Moreover, as at 30 June 2008 the net fair value of market risk options embedded in deposits provided by the Group amounted to PLN 1 852 thousand (net liability of PLN 5 185 thousand as at 31 December 2007; net liability of PLN 1 107 thousand as at 30 June 2008). These options are presented separately from the host contract and are included as "Market risk transactions" in the table above.

22. Loans and Advances to Customers

as at	30.06.2008	31.12.2007	30.06.2007
Loans and advances to individuals:	**17 114 985**	**13 876 425**	**11 477 436**
- overdrafts	2 814 428	2 301 686	1 965 119
- term loans, including:	14 300 557	11 574 739	9 512 317
housing and mortgage loans	13 173 043	10 622 334	8 709 480
Loans and advances to corporate entities:	**22 278 656**	**19 477 259**	**17 164 760**
- overdrafts	3 645 172	2 768 093	2 840 218
- term loans:	16 224 312	14 234 717	12 217 476
corporate & institutional enterprises	3 727 037	2 962 818	2 487 831
medium & small enterprises	12 497 275	11 271 899	9 729 645
- reverse repo / buy sell back transactions	470 353	669 018	333 875
- other	1 938 819	1 805 431	1 773 191
Loans and advances to public sector	**596 447**	**599 155**	**942 989**
Other receivables	**374 245**	**412 529**	**267 802**
Total (gross) loans and advances to customers	**40 364 333**	**34 365 368**	**29 852 987**
Provisions for loans and advances to customers (negative amount)	(704 765)	(682 703)	(833 485)
Total (net) loans and advances to customers	**39 659 568**	**33 682 665**	**29 019 502**
Short-term (up to 1 year)	13 883 490	13 824 483	12 742 674
Long-term (over 1 year)	25 776 078	19 858 182	16 276 828

As at 30 June 2008, variable and fixed rate credits amounted to PLN 38 972 246 thousand and PLN 1 392 087 thousand, respectively (as at 31 December 2007: PLN 32 743 697 thousand and PLN 1 006 177 thousand respectively; as at 30 June 2007: PLN 28 809 270 thousand and PLN 794 894 thousand respectively). The values mentioned above relate to loans granted to individual clients, corporate clients and budget sector. An average loan interest rate for loans granted to customers (excluding reverse repos) amounted to 6.63% (31 December 2007 and 30 June 2007: 6.07% and 5.66% respectively).

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The Group accepted exchange-listed securities at the fair value of PLN 1 378 193 thousand (31 December 2007 and 30 June 2007: PLN 956 634 thousand and PLN 713 366 thousand respectively) as collateral for commercial loans.

Provisions for Loans and Advances

as at	30.06.2008	31.12.2007	30.06.2007
Receivables classified as "non-default"			
Gross balance sheet exposure	39 480 556	33 564 991	28 941 178
Impairment provisions for exposures analysed according to portfolio approach	(127 023)	(112 460)	(112 070)
Net balance sheet exposure	**39 353 533**	**33 452 531**	**28 829 108**
Receivables classified as "default"			
Gross balance sheet exposure	883 777	800 377	911 809
Provisions for exposures analysed individually	(577 742)	(570 243)	(721 415)
Net balance sheet exposure	**306 035**	**230 134**	**190 394**

Movements in provisions for loans and advances

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as at	30.06.2008	31.12.2007	30.06.2007
INDIVIDUALS			
Current accounts			
As at the beginning of the period	**116 907**	**80 463**	**80 463**
increase (due to)	19 611	40 395	16 669
- provisions created	19 611	37 311	16 668
- reclassification & foreign exchange differences	-	3 084	1
release (due to)	(8 463)	(3 951)	(3 769)
- release of provisions	(2 989)	(304)	(173)
- reclassification of provisions & foreign exchange differences	(5 474)	-	-
- write-offs	-	(3 647)	(3 596)
As at the end of the period	**128 055**	**116 907**	**93 363**
Term loans			
As at the beginning of the period	**66 747**	**73 827**	**73 827**
increase (due to)	29 925	14 112	5 744
- provisions created	25 254	14 112	5 744
- reclassification of provisions & foreign exchange differences	4 671	-	-
release (due to)	(26 482)	(21 192)	(9 611)
- release of provisions	(2 631)	(12 536)	(9 563)
- reclassification of provisions & foreign exchange differences	-	(3 936)	-
- write-offs	(23 851)	(4 848)	(48)
- other	-	128	-
As at the end of the period	**70 190**	**66 747**	**69 960**
including:			
Housing and mortgage loans			
As at the beginning of the period	**24 886**	**20 646**	**20 646**
increase (due to)	2 647	7 421	1 628
- provisions created	1 142	7 293	1 628
- reclassification of provisions & foreign exchange differences	1 505	-	-
- other	-	128	-
release (due to)	(520)	(3 181)	(1 210)
- release of provisions	(520)	(3 133)	(1 162)
- write-offs	-	(48)	(48)
As at the end of the period	**27 013**	**24 886**	**21 064**
TOTAL - INDIVIDUALS			
As at the beginning of the period	**183 654**	**154 290**	**154 290**
increase (due to)	49 536	54 507	22 413
- provisions created	44 865	51 423	22 412
- reclassification of provisions & foreign exchange differences	4 671	3 084	1
release (due to)	(34 945)	(25 143)	(13 380)
- release of provisions	(5 620)	(12 840)	(9 736)
- reclassification & foreign exchange differences	(5 474)	(3 936)	-
- write-offs	(23 851)	(8 495)	(3 644)
- other	-	128	-
As at the end of the period	**198 245**	**183 654**	**163 323**

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as at	30.06.2008	31.12.2007	30.06.2007
CORPORATE ENTITIES			
Current accounts			
As at the beginning of the period	**79 963**	**109 245**	**109 245**
increase (due to)	32 469	38 274	36 956
- provisions created	22 504	38 274	33 679
- reclassification of provisions & foreign exchange differences	9 965	-	3 277
release (due to)	(26 705)	(67 556)	(18 359)
- release of provisions	(20 487)	(11 735)	(14 017)
- reclassification of provisions & foreign exchange differences	-	(16 030)	-
- write-offs	(6 218)	(39 791)	(4 342)
As at the end of the period	**85 727**	**79 963**	**127 842**
Term loans			
As at the beginning of the period	**370 002**	**527 259**	**527 259**
increase (due to)	68 915	109 986	66 095
- provisions created	68 915	90 206	62 192
- reclassification of provisions & foreign exchange differences	-	15 877	-
- other	-	3 903	3 903
release (due to)	(71 871)	(267 243)	(96 621)
- release of provisions	(54 241)	(96 309)	(86 633)
- reclassification of provisions & foreign exchange differences	(11 691)	(2 183)	(4 178)
- write-offs	(4 592)	(168 751)	(5 810)
- other	(1 347)	-	-
As at the end of the period	**367 046**	**370 002**	**496 733**
including:			
Corporate & institutional enterprises			
As at the beginning of the period	**28 480**	**87 427**	**87 427**
increase (due to)	12 363	10 692	8 287
- provisions created	12 363	10 692	8 287
release (due to)	(4 064)	(69 639)	(22 450)
- release of provisions	(3 195)	(12 727)	(18 120)
- reclassification & foreign exchange differences	(869)	(2 183)	(882)
- write-offs	-	(54 729)	(3 448)
As at the end of the period	**36 779**	**28 480**	**73 264**
Medium & small enterprises			
As at the beginning of the period	**341 522**	**439 832**	**439 832**
increase (due to)	56 552	99 294	57 808
- provisions created	56 552	79 514	53 905
- reclassification of provisions & foreign exchange differences	-	15 877	-
- other	-	3 903	3 903
release (due to)	(67 807)	(197 604)	(74 171)
- release of provisions	(51 046)	(83 582)	(68 513)
- reclassification of provisions & foreign exchange differences	(10 822)	-	(3 296)
- write-offs	(4 592)	(114 022)	(2 362)
- other	(1 347)	-	-
As at the end of the period	**330 267**	**341 522**	**423 469**
- Other			
As at the beginning of the period	**48 770**	**46 194**	**46 194**
increase (due to)	9 051	16 557	7 785
- provisions created	7 891	16 557	7 761
- reclassification of provisions & foreign exchange differences	1 160	-	24
release (due to)	(4 373)	(13 981)	(8 646)
- release of provisions	(2 268)	(4 583)	(2 272)
- reclassification of provisions & foreign exchange differences	(1 480)	(2 034)	(1 995)
- write-offs	(625)	(7 364)	(4 379)
As at the end of the period	**53 448**	**48 770**	**45 333**

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TOTAL - CORPORATE ENTITIES			
As at the beginning of the period	**498 735**	**682 698**	**682 698**
increase (due to)	110 435	164 817	110 836
- provisions created	99 310	145 037	103 632
- reclassification of provisions & foreign exchange differences	11 125	15 877	3 301
- other	-	3 903	3 903
release (due to)	(102 949)	(348 780)	(123 626)
- release of provisions	(76 996)	(112 627)	(102 922)
- reclassification of provisions & foreign exchange differences	(13 171)	(20 247)	(6 173)
- write-offs	(11 435)	(215 906)	(14 531)
- other	(1 347)	-	-
As at the end of the period	**506 221**	**498 735**	**669 908**

as at	**30.06.2008**	**31.12.2007**	**30.06.2007**
PUBLIC SECTOR			
As at the beginning of the period	**314**	**94**	**94**
increase (due to)	-	220	222
- provisions created	-	220	222
release (due to)	(15)	-	(62)
- release of provisions	(15)	-	(62)
As at the end of the period	**299**	**314**	**254**
TOTAL - MOVEMENTS IN PROVISIONS FOR LOANS AND ADVANCES TO CUSTOMERS			
As at the beginning of the period	**682 703**	**837 082**	**837 082**
increase (due to)	159 971	219 544	133 471
- provisions created (Note 14)	144 175	196 680	126 266
- reclassification of provisions & foreign exchange differences	15 796	18 961	3 302
- other	-	3 903	3 903
release (due to)	(137 909)	(373 923)	(137 068)
- release of provisions (Note 14)	(82 631)	(125 467)	(112 720)
- reclassification of provisions & foreign exchange differences	(18 645)	(24 183)	(6 173)
- write-offs	(35 286)	(224 401)	(18 175)
- other	(1 347)	128	-
As at the end of the period	**704 765**	**682 703**	**833 485**

Loans and advances to customers include finance lease receivables.

Finance Lease Receivables

as at	**30.06.2008**	**31.12.2007**	**30.06.2007**
Gross investment in finance leases, receivable:	**3 892 632**	**3 168 011**	**2 596 921**
- not later than 1 year	1 459 638	1 115 880	1 209 010
- later than 1 year and not later than 5 years	2 314 505	1 998 797	1 357 988
- later than 5 years	118 489	53 334	29 923
Unearned future finance income on finance leases (negative amount)	(457 897)	(383 607)	(310 737)
Net investment in finance leases	**3 434 735**	**2 784 404**	**2 286 184**
Net investment in finance leases, receivable:			
- not later than 1 year	1 250 938	934 942	1 026 045
- later than 1 year and not later than 5 years	2 079 433	1 799 662	1 233 469
- later than 5 years	104 364	49 800	26 670
	3 434 735	**2 784 404**	**2 286 184**

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23. Investment Securities and Pledged Assets

as at	30.06.2008	31.12.2007	30.06.2007
Debt securities	**5 163 295**	**6 078 433**	**3 619 805**
- listed	5 124 254	6 014 425	3 531 408
- unlisted	39 041	64 008	88 397
Equity securities	**123 640**	**388 583**	**437 218**
- listed	7 811	10 021	11 446
- unlisted	115 829	378 562	425 772
Total securities	**5 286 935**	**6 467 016**	**4 057 023**
Total investment securities and pledged assets, including:	**5 286 935**	**6 467 016**	**4 057 023**
- Available for sale securities	*5 189 224*	*6 386 574*	*3 990 997*
- Pledged assets (Note 38)	*97 711*	*80 442*	*66 026*
Short-term (up to 1 year)	1 709 041	3 061 950	178 970
Long-term (over 1 year)	3 577 894	3 405 066	3 878 053

The fair values of equity securities presented above include impairment in the amount of PLN 29 076 thousand (31 December 2007 and 30 June 2007: PLN 29 076 thousand and PLN 29 014 thousand respectively).

As at 30 June 2008, the carrying values of debt securities based on fixed interest rate amounted to PLN 3 438 826 thousand and variable interest rate PLN 1 724 469 thousand respectively (31 December 2007 respectively: PLN 4 849 093 thousand and PLN 1 318 084 thousand; 30 June 2007: PLN 3 489 303 thousand and PLN 130 502 thousand).

Listed debt securities included Brady bonds in reporting periods till September of 2007. The Polish Brady bonds were issued in the execution of agreements made on 14 September 1994 between the Republic of Poland and commercial banks associated in the London Club pursuant to the Regulation N° 78 of the Minister of Finance of 26 October 1994 concerning the issue of bonds for the performance of agreements for reduction and restructuring of Poland's debts, made with commercial banks associated in the London Club. The Bank disposed all Brady bonds from portfolio of investment securities in the fourth quarter of 2007. The book value of Brady bonds reported by the Bank was PLN 8 450 thousand as at 30 June 2007.

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

In accordance with the Bank Guarantee Fund Law of 14 December 1994, the Group had PLN 97 711 thousand, at face value PLN 95 850 thousand worth of treasury bills disclosed in its Balance Sheet as at 30 June 2008 (face value as at 31 December 2007 and 30 June 2007: PLN 81 000 thousand and PLN 66 300 thousand respectively). The notes were used as security under the Bank Guarantee Fund and they were deposited in a separate account at the National Bank of Poland.

Gains and Losses from Investment Securities:

as at	30.06.2008	30.06.2007
Sale / redemption by the issuer of the financial assets available for sale and investments in subsidiaries and affiliated entities	137 817	7 161
Total gains and losses from investment securities	**137 817**	**7 161**

The biggest material impact on the value of sale/redemption of financial assets available for sale came with the result on the sale of shares of Vectra SA. In accordance with the agreement on sale of shares of Vectra SA ("Vectra") as of 25 January 2008, BRE Bank disposed 9 045 404 shares of par value of PLN 10 each. The Bank disposed the aforementioned shares for total amount of PLN 264 035 thousand. Payment for the shares took place at the date of the transaction. Disposed shares of Vectra constitute 19.95% of share capital, i.e., 11.20% of voting rights at the General Meeting of Vectra.

The book value of Vectra's shares disposed reported by the Bank amounted to PLN 264 035 thousand. The Bank has held no Vectra shares since the transaction.

In 2008, gross and net profit of the BRE Bank Group arising from the transaction amounts to PLN 137 673 thousand, net of transaction costs.

Movements in investment securities and pledged assets:

as at	30.06.2008	31.12.2007	30.06.2007
Available for sale securities and pledged assets			
As at the beginning of the period	**6 467 016**	**3 112 932**	**3 112 932**
Exchange differences	(8 914)	(38 993)	(11 898)
Additions	3 200 706	9 879 618	4 717 065
Disposals (sale, redemption and remission)	(4 340 581)	(6 553 660)	(3 876 586)
Gains / losses from impairment on equity securities and debt securities available for sale	-	(48)	-
Gains / losses from changes in fair value (Note 41)	(31 292)	67 167	115 510
As at the end of the period	**5 286 935**	**6 467 016**	**4 057 023**

Changes in allowance for losses on investment securities and pledged assets:

Available for sale securities and pledged assets			
Equity securities			
- Listed			
As at the beginning of the period	**(125)**	**(64)**	**(64)**
allowance for impairment	-	(48)	-
amounts recovered during the period	-	(13)	1
As at the end of the period	**(125)**	**(125)**	**(63)**
- Unlisted			
As at the beginning of the period	**(28 951)**	**(28 951)**	**(28 951)**
As at the end of the period	**(28 951)**	**(28 951)**	**(28 951)**
Total available for sale securities			
As at the beginning of the period	**(29 076)**	**(29 015)**	**(29 015)**
allowance for impairment	-	(48)	-
amounts recovered during the period	-	(13)	1
As at the end of the period	**(29 076)**	**(29 076)**	**(29 014)**

24. Investments in Associates

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

30 June 2008 (in PLN '000)

Name of the company	Country of registration	Assets	Liabilities	Revenues	Profit / (loss)	% interest held
Xtrade SA	Poland	1 873	3 224	1 316	(229)	24.90
Compania de Factoring SA	Romania	117 428	114 535	5 534	2 971	28.12
S-Factoring d.d.	Slovenia	8 503	8 959	362	(472)	22.50

31 December 2007 (in PLN '000)

Name of the company	Country of registration	Assets	Liabilities	Revenues	Profit / (loss)	% interest held
Xtrade SA	Poland	1 785	2 861	1 758	(757)	24,90
Compania de Factoring SA	Romania	109 491	101 609	15 225	1 711	28,12

30 June 2007 (in PLN '000)

Name of the company	Country of registration	Assets	Liabilities	Revenues	Profit / (loss)	% interest held
Xtrade SA	Poland	545	972	701	(109)	24,90
Compania de Factoring SA	Romania	85 978	77 734	2 301	850	28,12

Changes in investments in associates:

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as at	30.06.2008	31.12.2007	30.06.2007
As at the beginning of the period	**4 823**	**5 356**	**5 356**
Increase due to:	**425 002**	**1 003**	**-**
- purchase	9 144	1 003	-
- reclassification of shares*	416 150	-	-
- foreign exchange differences	(292)	-	-
Decrease due to:	**(416 150)**	**(1 536)**	**(1 352)**
- movement to other group of financial assets*	(416 150)	(1 203)	(1 265)
- foreign exchange differences	-	(333)	(87)
Investments in associates as at the end of the period	**13 675**	**4 823**	**4 004**

* The reclassification of shares and the movement to other group of financial assets concern the shares of Aegon PTE SA taken up by the Bank. The transaction is described under the Note 28 "Assets and Liabilities Held for Sale and Discontinued Operations".

25. Intangible Assets

as at	30.06.2008	31.12.2007	30.06.2007
Development costs	3 187	3 591	3 686
Goodwill	7 137	7 137	7 137
Patents, licences and similar assets, including:	338 685	311 152	305 234
- computer software	291 327	277 302	280 490
Other intangible assets	6 679	8 018	9 557
Intangible assets under development	52 447	75 069	47 341
Total intangible assets	**408 135**	**404 967**	**372 955**

Movements in intangible assets:

Movements in intangible assets from 1 January 2008 to 30 June 2008	**Development costs**	**Acquired concessions, patents, licences and other similar assets, including:**	acquired computer software	**Other intangible assets**	**Intangible assets under development**	**Goodwill**	**Total intangible assets**	**Assets held for sale (Note 28)**
Gross value of intangible assets as at the beginning of the period: 01.01.2008	**31 959**	**560 110**	**470 300**	**17 699**	**75 069**	**7 137**	**691 974**	**465 321**
Increase (due to)	**-**	**65 037**	**39 988**	**16**	**36 536**	**-**	**101 589**	**-**
- purchase	-	4 495	3 056	16	36 515	-	**41 026**	-
- transfer from fixed assets under construction	-	1 696	856	-	-	-	**1 696**	-
- transfer from intangible assets under development	-	58 743	35 973	-	-	-	**58 743**	-
- other increases	-	103	103	-	21	-	**124**	-
Decrease (due to)	**-**	**(140)**	**(140)**	**-**	**(59 158)**	**-**	**(59 298)**	**(465 321)**
- liquidation	-	(15)	(15)	-	-	-	**(15)**	-
- transfer to intangible assets given to use	-	-	-	-	(58 743)	-	**(58 743)**	-
- other decreases	-	(125)	(125)	-	(415)	-	**(540)**	(465 321)
Gross value of intangible assets as at the end of the period: 30.06.2008	**31 959**	**625 007**	**510 148**	**17 715**	**52 447**	**7 137**	**734 265**	**-**
Accumulated amortization as at the beginning of the period: 01.01.2008	**(28 368)**	**(248 951)**	**(192 991)**	**(9 681)**	**-**	**-**	**(287 000)**	**(342)**
Amortization for the period (due to)	**(404)**	**(37 364)**	**(25 823)**	**(1 355)**	**-**	**-**	**(39 123)**	**342**
- amortization	(404)	(37 392)	(25 852)	(1 355)	-	-	**(39 151)**	-
- other increases	-	(104)	(102)	-	-	-	**(104)**	-
- sale	-	7	7	-	-	-	**7**	-
- other decreases	-	125	124	-	-	-	**125**	342
Accumulated amortization as at the end of the period: 30.06.2008	**(28 772)**	**(286 315)**	**(218 814)**	**(11 036)**	**-**	**-**	**(326 123)**	**-**
Impairment losses as at the beginning of the period: 01.01.2008	**-**	**(7)**	**(7)**	**-**	**-**	**-**	**(7)**	**(243 967)**
- decrease	-	-	-	-	-	-	**-**	243 967
Impairment losses as at the end of the period: 30.06.2008	**-**	**(7)**	**(7)**	**-**	**-**	**-**	**(7)**	**-**
Net value of intangible assets as at the end of the period: 30.06.2008	**3 187**	**338 685**	**291 327**	**6 679**	**52 447**	**7 137**	**408 135**	**-**

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Movements in intangible assets from 1 January 2007 to 31 December 2007	**Development costs**	**Acquired patents, licences and other similar assets, including:**	acquired computer software	**Other intangible assets**	**Intangible assets under development, including:**	**Goodwill**	**Total intangible assets**	**Assets held for sale (Note 28)**
Gross value of intangible assets as at the beginning of the period: 01.01.2007	**33 119**	**501 275**	**428 233**	**17 587**	**49 093**	**7 137**	**608 211**	**495 774**
Increase (due to)	**1 528**	**78 568**	**56 848**	**112**	**82 219**	**-**	**162 427**	**100**
- purchase	185	14 717	6 407	27	82 183	-	**97 112**	100
- transfer from fixed assets under construction	-	273	273	85	-	-	**358**	-
- transfer from intangible assets under development	1 343	52 705	49 997	-	-	-	**54 048**	-
- first-time inclusion of the company into consolidation, using full consolidation method	-	170	170	-	-	-	**170**	-
- other increases	-	10 703	1	-	36	-	**10 739**	-
Decrease (due to)	**(2 688)**	**(19 733)**	**(14 781)**	**-**	**(56 243)**	**-**	**(78 664)**	**(30 553)**
- sale	-	-	-	-	(21)	-	**(21)**	-
- liquidation	(2 677)	(8 356)	(3 804)	-	-	-	**(11 033)**	-
- transfer to intangible assets given to use	-	-	-	-	(54 048)	-	**(54 048)**	-
- sale of the company consolidated previously	-	-	-	-	-	-	**-**	(30 553)
- other decreases	(11)	(11 377)	(10 977)	-	(2 174)	-	**(13 562)**	-
Gross value of intangible assets as at the end of the period: 31.12.2007	**31 959**	**560 110**	**470 300**	**17 699**	**75 069**	**7 137**	**691 974**	**465 321**
Accumulated amortization as at the beginning of the period: 01.01.2007	**(28 804)**	**(191 943)**	**(149 533)**	**(6 314)**	**-**	**-**	**(227 061)**	**(5 683)**
Amortization for the period (due to)	**436**	**(57 008)**	**(43 458)**	**(3 367)**	**-**	**-**	**(59 939)**	**5 341**
- amortization	(1 267)	(66 536)	(48 121)	(3 366)	-	-	**(71 169)**	(34)
- first-time inclusion of the company into consolidation, using full consolidation method	-	(52)	(52)	-	-	-	**(52)**	-
- other increases	(985)	-	-	(1)	-	-	**(986)**	-
- sale of the company consolidation previously	-	-	-	-	-	-	**-**	5 375
- liquidation	2 677	8 351	3 799	-	-	-	**11 028**	-
- other decreases	11	1 229	916	-	-	-	**1 240**	-
Accumulated amortization as at the end of the period: 31.12.2007	**(28 368)**	**(248 951)**	**(192 991)**	**(9 681)**	**-**	**-**	**(287 000)**	**(342)**
Impairment losses as at the beginning of the period: 01.01.2007	**-**	**(39)**	**(39)**	**-**	**-**	**-**	**(39)**	**(239 466)**
- increase	-	-	-	-	-	-	**-**	(4 501)
- decrease	-	32	32	-	-	-	**32**	-
Impairment losses as at the end of the period: 31.12.2007	**-**	**(7)**	**(7)**	**-**	**-**	**-**	**(7)**	**(243 967)**
Net value of intangible assets as at the end of the period: 31.12.2007	**3 591**	**311 152**	**277 302**	**8 018**	**75 069**	**7 137**	**404 967**	**221 012**

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

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26. Tangible Fixed Assets

as at	30.06.2008	31.12.2007	30.06.2007
Tangible fixed assets, including:	639 637	615 443	561 552
- land	7 522	7 990	7 762
- buildings and constructions	225 817	226 393	231 065
- equipment	124 323	127 563	119 462
- vehicles	143 652	121 487	87 677
- other tangible fixed assets	138 323	132 010	115 586
Fixed assets under construction	76 243	54 770	29 691
Total tangible fixed assets	**715 880**	**670 213**	**591 243**

Movements in fixed assets:

Movements in tangible fixed assets from 1 January 2008 to 30 June 2008	Land	Buildings	Equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total	Assets held for sale (Note 28)
Gross value of tangible fixed assets as at the beginning of the period: 01.01.2008	**8 154**	**342 184**	**450 699**	**160 757**	**281 903**	**55 331**	**1 299 028**	**2 841**
Increase (due to)	**-**	**4 159**	**19 685**	**43 927**	**19 536**	**54 084**	**141 391**	**-**
- purchase	-	823	8 758	42 474	5 587	54 080	**111 722**	**-**
- transfer from fixed assets under construction	-	3 200	10 865	514	13 942	2	**28 523**	**-**
- other increases	-	136	62	939	7	2	**1 146**	**-**
Decrease (due to)	**(576)**	**(5 164)**	**(3 941)**	**(11 674)**	**(1 362)**	**(32 611)**	**(55 328)**	**(2 841)**
- sale	(65)	(828)	(639)	(9 289)	(190)	-	**(11 011)**	**-**
- liquidation	-	-	(2 825)	(481)	(556)	-	**(3 862)**	**-**
- transfer to fixed assets	-	-	-	-	-	(28 523)	**(28 523)**	**-**
- transfer to intangible assets	-	-	-	-	-	(1 696)	**(1 696)**	**-**
- other decreases	(511)	(4 336)	(477)	(1 904)	(616)	(2 392)	**(10 236)**	(2 841)
Gross value of tangible fixed assets as at the end of the period: 30.06.2008	**7 578**	**341 179**	**466 443**	**193 010**	**300 077**	**76 804**	**1 385 091**	**-**
Accumulated depreciation as at the beginning of the period: 01.01.2008	**(60)**	**(60 184)**	**(321 931)**	**(39 000)**	**(149 762)**	**-**	**(570 937)**	**(1 505)**
Depreciation for the period (due to)	**4**	**(2 281)**	**(19 066)**	**(10 106)**	**(11 861)**	**-**	**(43 310)**	**1 505**
- depreciation charge	-	(3 484)	(22 650)	(15 543)	(12 904)	-	**(54 581)**	-
- other increases	-	(4)	(72)	(16)	(8)	-	**(100)**	-
- sale	-	99	651	4 919	125	-	**5 794**	-
- liquidation	-	-	2 710	47	556	-	**3 313**	-
- other decreases	4	1 108	295	487	370	-	**2 264**	1 505
Accumulated depreciation as at the end of the period: 30.06.2008	**(56)**	**(62 465)**	**(340 997)**	**(49 106)**	**(161 623)**	**-**	**(614 247)**	**-**
Impairment losses as at the beginning of the period: 01.01.2008	**(104)**	**(55 607)**	**(1 205)**	**(270)**	**(131)**	**(561)**	**(57 878)**	**-**
- decrease	104	2 710	82	18	-	-	**2 914**	-
Impairment losses as at the end of the period: 30.06.2008	**-**	**(52 897)**	**(1 123)**	**(252)**	**(131)**	**(561)**	**(54 964)**	**-**
Net value of tangible fixed assets as at the end of the period: 30.06.2008	**7 522**	**225 817**	**124 323**	**143 652**	**138 323**	**76 243**	**715 880**	**-**

Movements in tangible fixed assets from 1 January 2007 to 31 December 2007	Land	Buildings	Equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total	Assets held for sale (Note 28)
Gross value of tangible fixed assets as at the beginning of the period: 01.01.2007	**2 841**	**345 994**	**405 969**	**113 720**	**240 048**	**39 004**	**1 147 576**	**12 942**
Increase (due to)	**5 381**	**4 691**	**57 842**	**89 350**	**48 010**	**84 752**	**290 026**	**691**
- purchase	5 223	221	33 934	52 192	11 335	84 693	**187 598**	690
- transfer from fixed assets under construction	-	2 716	22 402	276	36 091	-	**61 485**	-
- first-time inclusion of the company into consolidation	-	1 601	769	1 195	507	10	**4 082**	-
- other increases	158	153	737	35 687	77	49	**36 861**	1
Decrease (due to)	**(68)**	**(8 501)**	**(13 112)**	**(42 313)**	**(6 155)**	**(68 425)**	**(138 574)**	**(10 792)**
- sale	(21)	(8 238)	(1 489)	(12 410)	(1 382)	-	**(23 540)**	-
- liquidation	-	-	(9 494)	(1 566)	(3 558)	-	**(14 618)**	-
- transfer to fixed assets	-	-	-	-	-	(61 485)	**(61 485)**	-
- transfer to intangible assets	-	-	-	-	-	(358)	**(358)**	-
- sale of the company consolidated previously	-	-	-	-	-	-	**-**	(10 792)
- other decreases	(47)	(263)	(2 129)	(28 337)	(1 215)	(6 582)	**(38 573)**	-
Gross value of tangible fixed assets as at the end of the period: 31.12.2007	**8 154**	**342 184**	**450 699**	**160 757**	**281 903**	**55 331**	**1 299 028**	**2 841**
Accumulated depreciation as at the beginning of the period: 01.01.2007	**(65)**	**(54 676)**	**(284 515)**	**(34 335)**	**(131 610)**	**-**	**(505 201)**	**(7 295)**
Depreciation for the period (due to)	**5**	**(5 508)**	**(37 416)**	**(4 665)**	**(18 152)**	**-**	**(65 736)**	**5 790**
- depreciation charge	-	(7 146)	(49 300)	(24 823)	(23 887)	-	**(105 156)**	(414)
- first-time inclusion of the company into consolidation	-	(64)	(188)	(195)	(62)	-	**(509)**	-
- other increases	-	-	(497)	-	(29)	-	**(526)**	-
- sale	-	1 672	1 365	3 696	1 325	-	**8 058**	-
- liquidation	-	-	9 240	610	3 264	-	**13 114**	-
- sale of the company consolidated previously	-	-	1 391	-	97	-	**1 488**	6 204
- other decreases	5	30	573	16 047	1 140	-	**17 795**	-
Accumulated depreciation as at the end of the period: 31.12.2007	**(60)**	**(60 184)**	**(321 931)**	**(39 000)**	**(149 762)**	**-**	**(570 937)**	**(1 505)**
Impairment losses as at the beginning of the period: 01.01.2007	**(104)**	**(59 681)**	**(1 469)**	**(289)**	**(163)**	**(561)**	**(62 267)**	**(97)**
- increase	-	(1 367)	-	-	-	-	**(1 367)**	-
- decrease	-	5 441	264	19	32	-	**5 756**	97
Impairment losses as at the end of the period: 31.12.2007	**(104)**	**(55 607)**	**(1 205)**	**(270)**	**(131)**	**(561)**	**(57 878)**	-
Net value of tangible fixed assets as at the end of the period: 31.12.2007	**7 990**	**226 393**	**127 563**	**121 487**	**132 010**	**54 770**	**670 213**	**1 336**

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

The recoverable value of impaired fixed assets is the net sale price determined on the basis of market prices for similar assets.

27. Other Assets

as at	30.06.2008	31.12.2007	30.06.2007
Assets taken over and held for resale	**-**	**1 266**	**1 273**
- other	-	1 266	1 273
Other, including:	**959 666**	**879 397**	**807 441**
- debtors	247 855	277 968	183 943
- receivables from income tax	714	2 764	753
- interbank balances	1 026	519	1 279
- other accruals	77 869	49 878	69 578
- accrued income	24 509	21 560	22 926
- inventories*	440 215	364 747	217 066
- other	167 478	161 961	311 896
Total other assets	**959 666**	**880 663**	**808 714**
Short-term (up to 1 year)	643 733	633 786	648 427
Long-term (over 1 year)	315 933	246 877	160 287

* The carrying amount of inventories results mainly from the business of the companies: BRE.locum and BRE Leasing.

28. Assets and Liabilities Held for Sale and Discontinued Operations

On 29 June 2007, the Bank and Aegon Woningen Nova B.V., a 100% shareholder of the company Powszechne Towarzystwo Emerytalne Ergo Hestia S.A. (PTE Ergo Hestia), signed the PTE Ergo Hestia and PTE Skarbiec-Emerytura Merger Agreement and the Option Agreement. Details of these two Agreements were published by the Bank in financial statements prepared for previous reporting periods.

On 28 September 2007, the Bank was informed that the President of the Competition and Consumer Protection Office ("UOKiK") by decision of 27 September 2007 approved the concentration consisting in the merger of Aegon PTE SA and PTE Skarbiec-Emerytura SA. The UOKiK approval was one of the conditions necessary for the merger of these two pension fund companies.

On 7 November 2007, the two pension fund companies submitted merger applications to the Polish Financial Supervision Authority (KNF).

On 9 May 2008, KNF gave the approval of the merger of PTE Skarbiec-Emerytura SA and Aegon PTE SA together with other merger-related decisions. The KNF merger decisions finally fulfilled the conditions precedent of the merger under the pension fund companies' merger agreement.

On 30 June 2008, the registration court for the capital city of Warsaw registered the merger of PTE Skarbiec-Emerytura SA and Aegon PTE SA.

The merger consisted in the transfer of all assets of PTE Skarbiec–Emerytura SA, the acquired company, to Aegon PTE SA, the acquiring company.

In connection with the registration of the merger and with implementation of the above mentioned merger agreement, Aegon PTE SA transferred to the Bank 54 812 shares of Aegon PTE SA with a nominal value of PLN 1 000 per share. The shares represent 49.7% of the share capital of Aegon PTE SA and give 54 812 votes at the General Meeting of Aegon PTE SA, equivalent to 49.7% of the total number of votes at the General Meeting of the company.

Prior to the transaction, the Bank did not hold any shares of Aegon PTE SA.

Sale of the shares of Aegon PTE SA will be possible after the approval of KNF.

Prior to the merger, the Bank held 8 516 181 shares of PTE Skarbiec-Emerytura SA representing 100% of the share capital and votes at the General Meeting of the company.

Accounting for the merger transaction:

a) Accounting for the merger transaction in the stand-alone statements of BRE Bank.

The value of the shares on the books of the Bank was PLN 335 819 thousand before the merger. On 30 June 2008, the Bank reversed revaluation of the shares of PTE Skarbiec-Emerytura on the books of the Bank to PLN 468 039 thousand. That value was calculated on the basis of the selling price in the amount of PLN 482 546 thousand less estimated transaction costs in the amount of PLN 14 507 thousand. Subsequently, the Bank booked the conversion of shares of PTE Skarbiec-Emerytura to shares of Aegon PTE SA.

The profit before tax of BRE Bank on the reversed impairment and the conversion of shares of PTE Skarbiec-Emerytura to shares of Aegon PTE SA net of the transaction cost was PLN 132 220 thousand and was recognised under "Gains less losses on investment securities" in the Profit and Loss Account.

In addition, as a result of the transaction, the Bank recognised a deferred income tax asset of PLN 51 751 thousand.

The value of shares of Aegon PTE SA on the books of the Bank was PLN 468 039 thousand at 30 June 2008. The Bank presents the investment in the shares of Aegon PTE SA under assets held for sale in the financial statements.

b) Accounting for the merger transaction in the consolidated statements of the BRE Bank Group.

The net asset value and goodwill of PTE Skarbiec-Emerytura in the consolidated financial statements of the Group was PLN 348 952 thousand before the merger.

The value of shares of Aegon PTE SA in the consolidated financial statements of the Group was PLN 416 150 thousand at 30 June 2008 and was determined on the basis of the share conversion ratio and the fair value of the net assets of the merged companies pursuant to IFRS 3 "Business Combinations".

The profit before tax of the BRE Bank Group on the merger of the two companies and the acquisition of shares of Aegon PTE SA was PLN 67 198 thousand in the first half of 2008.

In addition, the Group recognised a deferred income tax asset of PLN 61 601 thousand. Founding of the asset was recognised as decrease in tax liability in relation to continued operations, because it will be eligible for realisation in relation to the Group's profits from continued operations

The shares of Aegon PTE SA were presented under assets held for sale in the consolidated financial statements of the Group.

The profit of PTE Skarbiec-Emerytura SA generated in the first half of 2008 was presented under "Asset Management – Discontinued Operations" (Note 5) in the Group's business segment reporting.

Financial data presented below concern non-current assets (disposal groups) held for sale and discontinued operations as at 30 June 2008, 31 December 2007 and 30 June 2007.

Financial data concerning balance sheet positions connected with the assets held for sale as at 30 June 2008, 31 December 2007 and 30 June 2007 are as follows:

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

as at	30.06.2008	31.12.2007	30.06.2007
Assets held for sale, including:			
Loans and advances to banks	-	4 064	6 843
Investment securities	-	88 744	78 499
- held to maturity	-	88 744	78 499
Investments in associates	416 150	-	-
Intangible assets (including goodwill)	-	221 012	221 027
Tangible fixed assets	-	1 336	1 527
Deferred income tax assets	-	1 307	2 673
Other assets	-	19 615	13 537
Total assets held for sale	**416 150**	**336 078**	**324 106**

as at	30.06.2008	31.12.2007	30.06.2007
Liabilities held for sale, including:			
Other liabilities	-	10 596	8 707
Provisions	-	1 947	1 611
Total liabilities held for sale	**-**	**12 543**	**10 318**

Financial data concerning profit and loss positions connected with the assets held for sale and discontinued operations for the periods: from 1 January to 30 June 2008 and from 1 January to 30 June 2007.

the period	from 01.01.2008 to 30.06.2008	from 01.01.2007 to 30.06.2007
Interest income	2 430	1 597
Interest expense	-	(2)
Net interest income	**2 430**	**1 595**
Fee and commission income	25 376	21 935
Fee and commission expense	(11 583)	(9 502)
Net fee and commission income	**13 793**	**12 433**
Net trading income, including:	(1)	-
Foreign exchange result	*(1)*	-
Other operating income	701	27
Overhead costs	(4 935)	(4 408)
Amortization and depreciation	(245)	(199)
Other operating expenses	(33)	(4 707)
Operating profit	**11 710**	**4 741**
Income from sale / income from merger of assets held for disposal*	67 198	89 458
Profit before income tax from discontinued operations	**78 908**	**94 199**
Income tax expense	(2 336)	(20 037)
Net profit from discontinued operations including minority interest	**76 572**	**74 162**
Net profit attributable to minority interest	-	-
Net profit from discontinued operations	**76 572**	**74 162**

* For the period ended 30 June 2007, the amount of PLN 89 458 thousand was income from sale of shares of Skarbiec Asset Management Holding SA. For the period ended 30 June 2008, the amount of PLN 67 198 thousand is the Group's income from the merger of PTE Skarbiec-Emerytura SA and Aegon PTE SA.

Financial data concerning cash-flow positions connected with non-current assets held for sale and discontinued operations for the periods: from 1 January to 30 June 2008 and from 1 January to 30 June 2007.

the period	from 01.01.2008 to 30.06.2008	from 01.01.2007 to 30.06.2007
Cash flow from operating activities	10 680	(2 667)
Cash flows from investing activities	-	153 957
including sale of assets held for sale	-	*154 705*

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

Earnings per share for 6 months - discontinued operations

the period	from 01.01.2008 to 30.06.2008	from 01.01.2007 to 30.06.2007
Basic:		
Net profit attributable to the Bank's equity holders	76 572	74 162
Weighted average number of ordinary shares	29 670 203	29 535 896
Earnings per 1 ordinary share (in PLN per share)	**2.58**	**2.51**
Diluted:		
Net profit attributable to the Bank's equity holders applied for calculation of diluted earnings per share	76 572	74 162
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)	**2.58**	**2.50**

29. Amounts due to Other Banks

as at	30.06.2008	31.12.2007	30.06.2007
Payables to be settled	7 428	20 068	12 537
Current accounts	535 570	567 619	722 777
Term deposits	1 268 437	792 730	1 403 243
Loans and advances received	13 442 309	10 316 862	6 665 557
Repo / sell buy back transactions	1 080 203	517 107	129 166
Liabilities in respect of cash collaterals	31 718	31 481	31 270
Amounts due to other banks	**16 365 665**	**12 245 867**	**8 964 550**
Short-term (up to 1 year)	6 034 268	6 465 814	4 240 896
Long-term (over 1 year)	10 331 397	5 780 053	4 723 654

As at 30 June 2008 term deposits accepted from other banks were fixed interest rate deposits. An average deposit interest rate and loan interest rate for loans obtained from banks in the first half of 2008 amounted to 4.09% (31 December 2007 and 30 June 2007: 3.80% and 3.59% respectively).

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

30. Amounts due to Customers

as at	30.06.2008	31.12.2007	30.06.2007
Individual customers:	**17 051 279**	**12 932 340**	**10 782 109**
Current accounts	13 321 842	9 676 219	8 123 264
Term deposits	3 673 082	3 195 406	2 575 192
Other liabilities:	56 355	60 715	83 653
- liabilities in respect of cash collaterals	43 206	55 620	82 179
- other	13 149	5 095	1 474
Corporate customers:	**18 992 091**	**18 764 868**	**18 045 109**
Current accounts	9 607 926	9 349 668	8 728 682
Term deposits	5 971 148	5 364 977	5 832 889
Loans and advances received	73 884	193 510	221 063
Repo transactions	2 749 638	3 343 495	2 765 891
Other liabilities:	589 495	513 218	496 584
- liabilities in respect of cash collaterals	430 693	336 265	313 746
- other	158 802	176 953	182 838
Public sector customers:	**340 603**	**704 655**	**144 563**
Current accounts	64 671	658 632	34 851
Term deposits	273 858	39 480	107 064
Other liabilities:	2 074	6 543	2 648
- other	2 074	6 543	2 648
Total amounts due to customers	**36 383 973**	**32 401 863**	**28 971 781**
Short-term (up to 1 year)	35 739 293	31 765 645	28 178 635
Long-term (over 1 year)	644 680	636 218	793 146

As at 30 June 2008 the majority of the deposits from individual and corporate customers bore variable interest rates. An average interest rate for amounts due to customers (excluding repos) amounted to 3.71% (31 December 2007 and 30 June 2007: 3.03% and 2.81% respectively).

31. Debt Securities in Issue

As at 30 June 2008

Debt securities in issue by cathegory	Nominal value	Contractual interest rate	Guarantee/collateral	Redemption date	Carrying value
Short-term issues					
- Deposit certificates (in PLN)	8 000	7.75%	no collateral	06-05-09	7 578
- Deposit certificates (in PLN)	10 000	6.49%	no collateral	13-10-08	10 118
- Deposit certificates (in PLN)	5 000	6.85%	no collateral	01-10-08	5 085
- Deposit certificates (in PLN)	3 000	6.93%	no collateral	27-08-08	3 020
- Mortgage bonds (in EUR)	5 900	5.65%	mortgage bond register	20-05-09	19 826
- Mortgage bonds (in EUR)	16 000	5.65%	mortgage bond register	20-05-09	53 902
- Mortgage bonds (in EUR)	25 000	5.50%	mortgage bond register	20-05-09	84 221
- Mortgage bonds (in USD)	25 000	3.49%	mortgage bond register	20-05-09	53 057
- Mortgage bonds (in PLN)	200 000	6.96%	mortgage bond register	10-10-08	203 035
- Bonds (in PLN)	493 700	average return - 6.55%	no collateral	07/2008-01/2009	492 545
Long-term issues					
- Mortgage bonds (in PLN)	200 000	6.68%	mortgage bonds publicly registered	28-09-12	202 983
- Mortgage bonds (in PLN)	82 250	5.99%	mortgage bonds publicly registered	27-07-12	84 077
- Mortgage bonds (in PLN)	149 000	7.73%	mortgage bond register	15-06-11	148 487
- Mortgage bonds (in PLN)	250 000	7.40%	mortgage bond register	28-04-11	253 357
- Mortgage bonds (in PLN)	83 000	7.19%	mortgage bond register	29-11-10	82 718
- Mortgage bonds (in PLN)	95 000	7.09%	mortgage bonds publicly registered	29-11-10	95 068
- Mortgage bonds (in USD)	10 000	3.10%	mortgage bond register	22-11-10	21 225
- Mortgage bonds (in PLN)	125 000	7.07%	mortgage bond register	28-09-10	126 726
- Mortgage bonds (in PLN)	100 000	6.77%	mortgage bond register	12-04-10	101 314
- Bonds (in PLN)	75 000	6.86%	no collateral	01-12-09	75 348
- Bonds (in PLN)	34 000	6.74%	no collateral	16-10-09	34 440
- Bonds (in PLN)	20 000	6.74%	no collateral	16-10-09	20 259
- Bonds (in USD)	6 240	step up coupon (3.25, 3.75, 4.25, 4.75, 5.25)	deposit	09-12-09	13 482
Debt securities in issue (carrying value in PLN '000)					**2 191 871**
Short-term (up to 1 year)					932 387
Long-term (over 1 year)					1 259 484

As at 31 December 2007

Debt securities in issue by cathegory	Nominal value	Contractual interest rate	Guarantee/collateral	Redemption date	Carrying value
Short-term issues					
- Deposit certificates (in PLN)	18 000	average return - 5.66%	no collateral	08/2008-10/2008	18 162
- Mortgage bonds (in PLN)	200 000	0.58%	mortgage bond register	10-04-08	202 572
- Mortgage bonds (in USD)	5 300	5.65%	mortgage bond register	20-05-08	12 948
- Mortgage bonds (in PLN)	200 000	5.73%	mortgage bond register	10-10-08	202 414
- Bonds (in EUR)	200 000	EURIBOR 3m + 0.20%	deposit	27-06-08	716 658
- Bonds (in PLN)	781 200	average return - 5.52%	no collateral	01/2008-09/2008	779 058
Long-term issues					
- Deposit certificates (in PLN)	8 000	7.75%	no collateral	06-05-09	7 330
- Mortgage bonds (in EUR)	8 900	5.34%	mortgage bond register	20-05-09	32 012
- Mortgage bonds (in EUR)	16 000	5.34%	mortgage bond register	20-05-09	57 510
- Mortgage bonds (in EUR)	25 000	5.19%	mortgage bond register	20-05-09	89 830
- Mortgage bonds (in USD)	25 000	5.41%	mortgage bond register	20-05-09	61 036
- Mortgage bonds (in PLN)	100 000	5.54%	mortgage bond register	12-04-10	101 007
- Mortgage bonds (in USD)	10 000	5.10%	mortgage bond register	22-11-10	24 438
- Mortgage bonds (in PLN)	83 000	6.30%	mortgage bond register	29-11-10	82 622
- Mortgage bonds (in PLN)	95 000	6.20%	mortgage bonds publicly registered	29-11-10	94 998
- Mortgage bonds (in PLN)	82 250	5.11%	mortgage bonds publicly registered	27-07-12	84 207
- Mortgage bonds (in PLN)	200 000	5.53%	mortgage bonds publicly registered	28-09-12	202 764
- Bonds (in PLN)	13 200	5.19%	no collateral	26-01-09	13 922
- Bonds (in PLN)	34 000	5.49%	no collateral	16-10-09	34 347
- Bonds (in PLN)	20 000	5.49%	no collateral	16-10-09	20 204
- Bonds (in PLN)	75 000	6.06%	no collateral	01-12-09	75 283
- Bonds (in USD)	6 240	step up coupon (3.25, 3.75, 4.25, 4.75, 5.25)	deposit	09-12-09	15 092
Debt securities in issue (carrying value in PLN '000)					**2 928 414**
Short-term (up to 1 year)					1 931 812
Long-term (over 1 year)					996 602

As at 30 June 2007

Debt securities in issue by cathegory	Nominal value	Contractual interest rate	Guarantee/collateral	Redemption date	Carrying value
Short-term issues					
- Mortgage bonds (in PLN)	200 000	5.07%	mortgage bond register	10-04-08	202 262
- Mortgage bonds (in USD)	5 300	6.06%	mortgage bond register	20-05-08	14 858
- Bonds (in EUR)	425 000	EURIBOR 3m + 0.20%	deposit	10-10-07/27-06-08	1 607 373
- Bonds (in PLN)	580 500	average return - 4.47%	no collateral	05-07-07 - 28-09-07	577 948
- Bonds (in PLN)	246 700	average return - 4.59%	letter of comfort CB	03-07-07 - 07-08-07	247 422
Long-term issues					
- Deposit certificates (in PLN)	8 000	7.75%	no collateral	06-05-09	7 079
- Deposit certificates (in PLN)	10 000	4.76%	no collateral	13-10-08	10 049
- Deposit certificates (in PLN)	5 000	4.89%	no collateral	01-10-08	5 061
- Deposit certificates (in PLN)	3 000	4.93%	no collateral	27-08-08	3 014
- Mortgage bonds (in EUR)	8 900	4.96%	mortgage bond register	20-05-09	33 466
- Mortgage bonds (in EUR)	25 000	4.81%	mortgage bond register	20-05-09	94 656
- Mortgage bonds (in EUR)	16 000	4.96%	mortgage bond register	20-05-09	60 638
- Mortgage bonds (in PLN)	100 000	4.77%	mortgage bond register	12-04-10	101 065
- Mortgage bonds (in PLN)	200 000	4.96%	mortgage bond register	10-10-08	202 214
- Mortgage bonds (in USD)	10 000	5.61%	mortgage bond register	22-11-10	28 166
- Mortgage bonds (in USD)	25 000	5.96%	mortgage bond register	20-05-09	70 442
- Bonds (in PLN)	75 000	4.88%	no collateral	01-12-09	75 298
- Bonds (in PLN)	34 000	4.71%	no collateral	16-10-09	34 331
- Bonds (in PLN)	20 000	4.71%	no collateral	16-10-09	20 195
- Bonds (in PLN)	17 000	4.53%	no collateral	26-01-09	17 286
- Bonds (in PLN)	11 200	4.69%	no collateral	22-09-08	11 287
- Bonds (in PLN)	59 300	5.45%	letter of comfort CB	23-07-08	59 805
- Bonds (in USD)	10 000	step up coupon (3.25, 3.75, 4.25, 4.75, 5.25)	deposit	09-12-09	19 330
Debt securities in issue (carrying value in PLN '000)					**3 503 245**
Short-term (up to 1 year)					2 649 863
Long-term (over 1 year)					853 382

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

Movements in Debt Securities in Issue

as at	30.06.2008	31.12.2007	30.06.2007
As at the beginning of the period	**2 928 414**	**3 389 559**	**3 389 559**
Increase (due to):	532 425	1 440 449	2 943 966
- issuance	461 900	1 305 066	2 876 920
- valuation at amortization cost	53 410	135 383	67 046
- other	17 115	-	-
Decrease (due to):	(1 268 968)	(1 901 594)	(2 830 280)
- redemption	(1 162 070)	(1 646 498)	(2 738 986)
- valuation at amortization cost	(38 045)	(112 025)	(54 651)
- foreign exchange differences	(68 647)	(141 653)	(36 643)
- other	(206)	(1 418)	-
Debt securities in issue at the end of the period	**2 191 871**	**2 928 414**	**3 503 245**
Short-term (up to 1 year)	932 387	1 931 812	2 649 863
Long-term (over 1 year)	1 259 484	996 602	853 382

32. Subordinated Liabilities

Subordinated liabilities	Nominal value	Currency	Terms of interest rate (%)	Effective interest rate (%)	Redemption date	As at the end of the period (in PLN '000)
As at 30 June 2008						
- Commerzbank AG	400 000	CHF	3M LIBOR + 0,7%*	3.47	08.03.2017	838 054
- Commerzbank AG	80 000	CHF	3M LIBOR + 1,4%**	4.32	not defined	167 477
- Commerzbank AG	120 000	CHF	3M LIBOR + 1,5%***	4.42	18.12.2017	251 323
- Commerzbank AG	170 000	CHF	3M LIBOR + 2,2%****	5.09	not defined	359 589
- Commerzbank AG	90 000	CHF	3M LIBOR + 2,5%	6.82	not defined	188 412
- Commerzbank AG	90 000	CHF	3M LIBOR + 4,0%	5.32	24.06.2018	188 358
						1 993 213

* margin amounting to 0.7% is in force within the period of first five years. Within the period of next five years it will be equal to 1.2%.
** margin amounting to 1.4% is in force within the period of first ten years. Within the period of next years it will be equal to 3.4%.
*** margin amounting to 1.5% is in force within the period of first five years. Within the period of next years it will be equal to 2.0%.
**** margin amounting to 2.2% is in force within the period of first ten years. Within the period of next years it will be equal to 4.2%.

Subordinated liabilities	Nominal value	Currency	Terms of interest rate (%)	Effective interest rate (%)	Redemption date	As at the end of the period (in PLN '000)
As at 31 December 2007						
- Commerzbank AG	400 000	CHF	3M LIBOR + 0,7%*	3.47	08.03.2017	866 391
- Commerzbank AG	100 000	EUR	3M EURIBOR + 2,5%	7.10	not defined	362 440
- Commerzbank AG	80 000	CHF	3M LIBOR + 1,4%**	4.18	not defined	173 153
- Commerzbank AG	120 000	CHF	3M LIBOR + 1,5%***	4.29	18.12.2017	259 801
						1 661 785

* margin amounting to 0.7% is in force within the period of first five years. Within the period of next five years it will be equal to 1.2%.
** margin amounting to 1.4% is in force within the period of first ten years. Within the period of next years it will be equal to 3.4%.
*** margin amounting to 1.5% is in force within the period of first five years. Within the period of next years it will be equal to 2.0%.

Subordinated liabilities	Nominal value	Currency	Terms of interest rate (%)	Effective interest rate (%)	Redemption date	As at the end of the period (in PLN '000)
As at 30 June 2007						
- Commerzbank AG	100 000	EUR	3M EURIBOR+2,5%	6.51	not defined	380 668
- Commerzbank AG	80 000	CHF	3M LIBOR+1,4%*	3.90	not defined	182 057
- Commerzbank AG	400 000	CHF	3M LIBOR+0,7%**	3.18	08.03.2017	911 046
						1 473 771

* margin amounting to 1.4% is in force within the period of first ten years. Within the period of next years it will be equal to 3.4%.
** margin amounting to 0.7% is in force within the period of first five years. Within the period of next five years it will be equal to 1.2%.

In the first half of 2008 likewise in the year 2007, the Group did not note any delays in repayments of principal or interest instalments and was not in default of any other contractual provisions related to its subordinated liabilities.

Subordinated liabilities include the amount of issued subordinated debt securities with an indefinite maturity term. The funds raised through the issue used to change the structure of the Bank's equity by increasing the share of supplementary capital. The Bank obtained the approvals of KNF for the inclusion of the funds obtained from the three issues of bonds into the Bank's supplementary capital.

Movements in Subordinated Liabilities

as at	30.06.2008	31.12.2007	30.06.2007
As at the beginning of the period	**1 661 785**	**1 547 354**	**1 547 354**
Increase (due to:)	781 216	1 298 872	1 004 246
- subordinated loan raised	746 852	1 230 184	968 440
- interest on subordinated loan	34 364	68 688	35 806
Decrease (due to):	(449 788)	(1 184 441)	(1 077 829)
- capital repayment	(359 500)	(969 100)	(967 075)
- interest repayment	(32 761)	(66 104)	(34 198)
- foreign exchange differences	(57 527)	(149 237)	(76 556)
Subordinated liabilities as at the end of the period	**1 993 213**	**1 661 785**	**1 473 771**
Long-term (over 1 year)	1 993 213	1 661 785	1 473 771

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33. Other Liabilities

as at	30.06.2008	31.12.2007	30.06.2007
Special Fund	**12 969**	**5 865**	**10 465**
- Social Benefits Funds	12 969	5 865	10 465
Other liabilities	**872 987**	**874 110**	**782 363**
- tax liabilities	17 431	11 146	6 955
- interbank settlements	145 665	69 825	77 181
- dividends payable	166	-	449
- creditors	367 980	304 729	268 914
- accrued expenses	96 255	116 852	120 475
- deferred income	111 126	190 926	210 861
- provisions for pension dismissals	12 052	12 413	11 154
- provisions for holiday equivalents	6 951	6 957	6 285
- provisions for other employee benefits	92 518	149 005	64 161
- other	22 843	12 257	15 928
Total special funds and other liabilities	**885 956**	**879 975**	**792 828**

34. Provisions

as at	30.06.2008	31.12.2007	30.06.2007
For off-balance sheet contingent liabilities *	64 185	58 060	46 787
For legal proceedings	2 914	4 355	10 022
Other	16 624	8 812	9 517
Total other provisions	**83 723**	**71 227**	**66 326**

* include valuation of financial guarantees

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

Movements in the Provisions:

as at	30.06.2008	31.12.2007	30.06.2007
As at the beginning of the period (by type)	**71 227**	**70 168**	**70 168**
For off-balance sheet contingent liabilities	58 060	53 370	53 370
For legal proceedings	4 355	7 460	7 460
Other	8 812	9 338	9 338
Increase (due to)	**45 154**	**40 103**	**21 526**
- increase of provisions, due to:	37 434	40 079	21 502
for off-balance-sheet contingent liabilities (Note 14)	*35 903*	*35 171*	*17 117*
for legal proceedings	*723*	*3 385*	*3 191*
other	*808*	*1 523*	*1 194*
- reclassification	7 720	-	-
- other	-	24	24
Decrease (due to)	**(32 658)**	**(39 044)**	**(25 368)**
- charge-offs	(2 322)	(12)	-
- release of provisions, due to:	(29 822)	(38 225)	(24 943)
for off-balance-sheet contingent liabilities (Note 14)	*(29 345)*	*(30 205)*	*(23 483)*
for legal proceedings	-	*(6 836)*	*(822)*
other	*(477)*	*(1 184)*	*(638)*
- utilization	-	(437)	-
- reclassification	(11)	-	(196)
- foreign exchange differences	(503)	(370)	(229)
As at the end of the period (by type)	**83 723**	**71 227**	**66 326**
For off-balance sheet contingent liabilities	64 185	58 060	46 787
For legal proceedings	2 914	4 355	10 022
Other	16 624	8 812	9 517

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Allowance for Impairment of Off-balance Sheet Contingent Liabilities

as at	30.06.2008	31.12.2007	30.06.2007
Incurred but not identified losses			
Off-balance sheet contingent liabilities	18 206 583	17 117 592	14 004 846
Provisions for impairment of exposures analysed according to portfolio approach (negative amount)	(49 990)	(53 546)	(42 133)
Net off-balance sheet contingent liabilities	**18 156 593**	**17 064 046**	**13 962 713**
Off-balance sheet contingent liabilities with impairment			
Off-balance sheet contingent liabilities	23 750	29 240	49 025
Provisions for impairment of exposures analysed individually (negative amount)	(14 195)	(4 514)	(4 654)
Net off-balance sheet contingent liabilities	**9 555**	**24 726**	**44 371**

35. Assets and Provisions for Deferred Income Tax

Assets and provisions for deferred income tax are calculated for all temporary differences in accordance with the balance sheet method, using an effective income tax rate, which will be in the year of arising of the tax liability (19% in 2008 and 2007).

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

as at	30.06.2008	31.12.2007	30.06.2007
As at the beginning of the period	**115 835**	**64 800**	**64 800**
Deferred income tax included in the financial result of the period (Note 15)	87 640	48 241	25 735
Deferred income tax included in equity:	5 980	12 861	(21 748)
- valuation of available for sale securities (Note 41)	5 980	12 861	(21 748)
Other changes	(338)	(10 067)	(9 951)
As at the end of the period	**209 117**	**115 835**	**58 836**
Interest payable on bank deposits	12 799	9 607	5 761
Interest payable on customer deposits	8 766	6 513	9 541
Valuation of derivatives and futures	59 747	32 471	17 608
Valuation of financial instruments at fair value through profit or loss and held for trading	5 463	1 953	723
Valuation of financial instruments available for sale	20 735	14 698	9 201
Provisions for impairment of loans and off-balance sheet exposures	58 894	47 412	46 500
Provisions for pensions, holiday equivalents, jubilee and other bonuses	22 329	33 731	18 423
Other provisions	463	265	750
Accruals and prepayments	20 859	20 849	20 266
Impairment of shares	63 095	1 740	1 740
Tax loss to be settled in future periods	353	1 613	1 613
Other negative temporary differences	166 448	143 291	112 418
Interest receivable on loans and advances granted to banks	(4 227)	(1 468)	(1 348)
Interest receivable on loans granted to customers	(21 523)	(19 045)	(17 635)
Valuation of derivatives and futures	(29 497)	(41 482)	(31 572)
Valuation of financial instruments at fair value through profit or loss and held for trading	(10 315)	(6 461)	(4 350)
Valuation of financial instruments available for sale	(49 049)	(32 378)	(52 075)
Investment tax relief	(30 437)	(30 446)	(31 493)
Difference between the amortization and depreciation for tax and accounting purposes	(41 725)	(40 351)	(37 327)
Other positive temporary differences	(44 061)	(26 677)	(9 908)
Total net deferred income tax assets	**209 543**	**116 290**	**84 988**
Total net deferred income tax liabilities	**(426)**	**(455)**	**(26 152)**

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as at	30.06.2008	31.12.2007	30.06.2007
Deferred income tax included in the profit and loss account			
Interest	256	507	4 474
Provisions for impairment of loans and guarantees determined individually	11 482	(13 062)	(13 974)
Valuation of derivatives and futures	34 451	12 130	8 593
Valuation of financial instruments at fair value through profit or loss and held for trading	(342)	(1 603)	(722)
Valuation of financial instruments available for sale	(13 386)	(14 066)	(4 986)
Investment tax relief	9	700	(347)
Tax losses carried forward	-	387	387
Provisions for pensions, holiday equivalents, jubilee and other bonuses	(11 323)	10 752	(4 640)
Other provisions	195	(253)	175
Accruals and prepayments	94	1 121	249
Impairment of shares	61 355	(4 104)	(4 104)
Difference between the amortization and depreciation for tax and accounting purposes	(1 232)	(7 345)	(4 266)
Other temporary differences	6 081	63 077	44 896
Total deferred income tax included in the profit and loss account (Note 15)	**87 640**	**48 241**	**25 735**

Deferred income tax assets are recognized if it is probable that there will be sufficient taxable income in the future (see also the Note 28 for recognized deferred income tax assets in relation to write-offs due to shares of PTE).

There were no tax losses from previous years which would be included in the deferred income tax assets calculation as at 30 June 2008, 31 December 2007 and 30 June 2007.

36. 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 ul. Garbary 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 filed 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 filed 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 a 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 to have incurred 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 of the matter amicably via the District Court in Warsaw. Additionally by 1 September 2008 7 legal suits have been delivered 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 Interbrok's illegal activities, which caused damage to plaintiffs. In all court cases Bank moves for dismissal of 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 Group SA 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

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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 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.

There were no tax audits at the companies of the Group within the first half of 2008 or within the year 2007.

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.

37. Off-balance Sheet Liabilities

Off-balance sheet liabilities of the Group comprise of:

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

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

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

The following table presents the Group's off-balance sheet commitments granted and received 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	**14 725 718**	**2 823 987**	**870 878**	**18 420 583**
1. Financing	**12 200 421**	**2 049 959**	**797 881**	**15 048 261**
a) Lending commitments	12 182 155	1 979 170	696 686	14 858 011
b) Operating lease commitments	18 266	70 789	101 195	190 250
2. Guarantees and other financial facilities	**2 031 818**	**773 593**	**72 997**	**2 878 408**
a) Banker's acceptances	18 538	-	-	18 538
b) Guarantees and standby letters of credit	1 659 014	773 593	72 997	2 505 604
c) Guarantees of issue	134 500	-	-	134 500
d) Documentary and commercial letters of credit	219 766	-	-	219 766
3. Other commitments	**493 479**	**435**	**-**	**493 914**
Commitments received	**808 385**	**251 812**	**23 795**	**1 083 992**
a) Financing	252 071	-	-	252 071
b) Guarantees	264 332	251 812	23 795	539 939
c) Other commitments	291 982	-	-	291 982
Total off-balance sheet items	**15 534 103**	**3 075 799**	**894 673**	**19 504 575**

31.12.2007	**up to 1 year**	**1 - 5 years**	**over 5 years**	**Total**
Contingent liabilities granted and received				
Commitments granted	**12 206 419**	**4 090 200**	**1 063 019**	**17 359 638**
1. Financing	**9 937 554**	**3 126 558**	**1 037 829**	**14 101 941**
a) Lending commitments	9 918 073	3 032 295	938 767	13 889 135
b) Operating lease commitments	19 481	94 263	99 062	212 806
2. Guarantees and other financial facilities	**1 750 955**	**963 642**	**25 190**	**2 739 787**
a) Banker's acceptances	4 925	-	-	4 925
b) Guarantees and standby letters of credit	1 368 062	963 642	25 190	2 356 894
c) Guarantees of issue	219 500	-	-	219 500
d) Documentary and commercial letters of credit	158 468	-	-	158 468
3. Other commitments	**517 910**	**-**	**-**	**517 910**
Commitments received	**1 954 899**	**270 446**	**9 665**	**2 235 010**
a) Financing	1 316 495	521	5	1 317 021
b) Guarantees	356 042	269 925	9 660	635 627
c) Other commitments	282 362	-	-	282 362
Total off-balance sheet items	**14 161 318**	**4 360 646**	**1 072 684**	**19 594 648**

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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	**11 335 520**	**2 476 002**	**491 336**	**14 302 858**
1. Financing	**9 336 046**	**1 586 771**	**433 793**	**11 356 610**
a) Lending commitments	9 307 761	1 498 617	301 245	11 107 623
b) Operating lease commitments	28 285	88 154	132 548	248 987
2. Guarantees and other financial facilities	**1 903 645**	**889 231**	**57 543**	**2 850 419**
a) Banker's acceptances	40 373	-	-	40 373
b) Guarantees and standby letters of credit	1 335 797	889 231	57 543	2 282 571
c) 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	**1 293 052**	**1 321 267**	**21 613**	**2 635 932**
a) Financing	825 784	1 136 500	5	1 962 289
b) Guarantees	467 268	184 767	21 608	673 643
Total off-balance sheet items	**12 628 572**	**3 797 269**	**512 949**	**16 938 790**

The above operating lease liabilities fully concerned the lease of buildings.

The nominal values of derivatives are presented in the Note 21.

Apart from financial commitments granted by the Bank, PLN 924 251 thousand worth of commitments granted by BRE Bank Hipoteczny, PLN 714 026 thousand worth of commitments granted by Transfinance and PLN 325 829 thousand worth of commitments granted by Polfactor had the largest impact on the amount of financial commitments granted.

As at 30 June 2008, the list of issues covered by the guarantee of assumption by BRE Bank SA was as follows:

	Payee	Type of guaranteed securities	Amount of guaratee in PLN	Financial, organizational and personal relationships	Marketability
1.	Bioton SA	Bonds	20 000 000	none	Marketable
2.	ECHO Investment SA	Bonds	35 000 000	none	Marketable
3.	Polnord SA	Bonds	45 000 000	none	Marketable
4.	Polski Koncern Energetyczny SA	Bonds	34 500 000	none	Marketable

The foregoing list does not include agreements for one-time underwriting of securities, which are still valid in terms of administrative activities, keeping a register of subscribers and performing other responsibilities with respect to the securities.

No other member of the Group except BRE Bank SA issued any guarantee commitments.

As at 30 June 2008, the Group had PLN 1 083 992 thousand worth of contingent commitments received.

As at 30 June 2008 BRE Bank SA received PLN 473 857 thousand worth of commitments, including both PLN 78 514 thousand worth of unused credits granted by foreign banks and PLN 395 343 thousand worth of received guarantees securing given credits and guarantees.

As at 30 June 2008, apart from BRE Bank, BRE Leasing Sp. z o.o. received PLN 306 118 thousand worth of commitments from entities other than the companies of the Group and Transfinance a.s. - PLN 291 982 thousand relatively.

38. Pledged Assets

Assets are pledged as security in connection with sell-buy-back agreements made with other banks and securing deposits are created in connection with conclusion of futures or options contracts and with membership in stock exchanges. Further, deposits are held in the Central Bank, representing statutory provisions required by the law.

as at	30.06.2008	31.12.2007	30.06.2007
Pledged assets, including:	**2 590 976**	**2 812 277**	**2 473 770**
- Trading securities (Note 20)	2 493 265	2 731 835	2 407 744
- Investment securities (Note 23)	97 711	80 442	66 026
Liabilities arising from pledged assets, including:	**3 918 607**	**3 936 703**	**2 952 866**
- Sell-buy back transactions (Note 29,30)	3 829 841	3 860 602	2 895 057
- Funds guaranteed under BGF	88 766	76 101	57 809

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The Group did not pledge any assets as collateral for newly received loans in the first half of 2008.

39. Registered Share Capital

The total number of ordinary shares as at 30 June 2008 was 29 687 937 shares (vs. 29 660 668 and 29 564 034 as at 31 December 2007 and 30 June 2007 relatively) with PLN 4 nominal value each. All issued shares were fully paid up.

The increase of registered share capital in the first half of 2008 results from the issuance of shares connected with realisation of employee option programs. The detailed information concerning the programs is described in the Note 42.

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

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 69.7928% of the share capital and votes at the General Meeting of BRE Bank SA (as at 31 December 2007 and 30 June 2007 - 69.86% and 70.08% relatively).

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%.

40. Share Premium

Share premium is formed from the share premium obtained from the issue of shares reduced by the attached direct costs incurred with that issue. This capital is intended to cover all balance sheet losses that may result from the business activity of the Bank.

The increase of share premium in 2008 results from realization of employee option programs. The detailed information concerning the programs is described in the Note 42.

Hyperinflationary restatements of the equity

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

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

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

Because the effect of the restatement:

- represents 2.82% of own equity of the Group (the effect of the restatement would represent 7.05% of the item "Share capital");
- consists of reallocation of funds between various items of the own equity, which has no effect on the equity as a whole;
- has no material effect on the presented financial data, both as a whole and on line items;

the Management Board of the Bank believes that such restatement will have no material effect on the accuracy and fairness of the presentation of the Bank's financial position as at, and for the period ended 30 June 2008.

Hyperinflationary adjustments would also have no material effect for the period ended 30 June 2007 (the effect of the restatement would represent 3.54% of the owners' equity of the Group and 7.13% of the item "Share capital").

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

41. Revaluation Reserve

Movements in Revaluation Reserve

as at	30.06.2008	31.12.2007	30.06.2007
Translation reserve			
As at the beginning of the period	**(7 579)**	**(1 321)**	**(1 321)**
Exchange differences	(4 035)	(6 258)	(2 842)
As at the end of the period	**(11 614)**	**(7 579)**	**(4 163)**
Revaluation reserve - available for sale securities			
As at the beginning of the period	**81 783**	**6 431**	**6 431**
Net gains / (losses) from changes in fair value (Note 23)	(31 292)	67 167	115 510
- increase	*316 681*	*407 542*	*163 085*
- decrease	*(347 973)*	*(340 375)*	*(47 575)*
Net (gains) / losses transferred to net profit on disposal and impairment	(139 545)	(4 676)	(7 161)
Deferred income tax (Note 35)	5 980	12 861	(21 748)
As at the end of the period	**(83 074)**	**81 783**	**93 032**
Other capital and reserves	**(94 688)**	**74 204**	**88 869**

Losses on valuation of securities available for sale in H1 2008 were connected with increasing interest rates in PLN in this period. Market interest rate, WIBOR6M, increased from 5.64% to 6.81% in this period. Following the increase, valuation of debt securities of the Treasury held by the Bank, classified into portfolio of debt securities available for sale and denominated in PLN, in particular securities with fixed interest rate constituting a considerable part of portfolio of bonds available for sale, decreased. These bonds were held to maturity by the Bank (liquidity portfolio of securities available for sale) in considerable part and were redeemed by the Treasury in their nominal value.

The net profit in total amount of PLN 139 545 thousand representing the balance of increases/decreases of securities (bonds, treasury notes and stocks) sold in the first half of 2008 was released from the revaluation reserve and recognized in the Profit and Loss Account (as at 31 December 2007 and 30 June 2007: net profit PLN 4 676 thousand and PLN 7 161 thousand respectively).

In 2007, following the negotiations concerning the sale of Vectra SA shares and carried out in 2007, the Bank revalued shares held to the fair value and the effect of revaluation was reflected in the revaluation reserve.

The biggest material impact on the change in revaluation reserve in the first half of 2008 was caused by the release to the Profit and Loss Account of the change in value of the investment in Vectra SA and the release on sale of shares disposed by the Bank on 25 January 2008 (Note 23).

42. Retained Earnings

Retained earnings include: other supplementary capital, other reserve capital, general risk fund, profit (loss) from the previous year and profit (loss) for the current year.

Other supplementary capital, other reserve capital and general risk fund are created from profit for the current year and their aim is described in the By-laws or in different law paragraphs.

as at	30.06.2008	31.12.2007	30.06.2007
Other supplementary capital	973 424	322 262	322 254
Other reserve capital	34 434	22 288	27 098
General Banking Risk Fund	613 310	559 110	559 110
Profit from the previous year	109 986	119 121	118 714
Profit for the current year	640 325	710 094	403 866
Total retained earnings	**2 371 479**	**1 732 875**	**1 431 042**

According to the Polish legislation, each bank is required to allocate 8% of its net profit to a statutory undistributable reserve capital until this reserve capital reaches 1/3rd of the share capital.

In addition, the Group transfers some of its net profit to the general risk fund to cover unexpected risks and future losses. The general risk fund can be distributed only on consent of stockholders at a general meeting.

Share Options

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

Between 1 January 2007 and 30 June 2008, the Bank had two active option programs. Their valuation was determined in accordance with IFRS 2.

2003 Employee Option Program

Share options were granted to BRE Bank SA managers as an incentive. For the options to be exercised, new BRE Bank SA shares were issued.

471 300 share options were granted at 15 October 2003 with an issue price of PLN 96.16 per share; they expired on 30 June 2008. At 31 July 2004, another 21 700 options were granted. The remaining 7 000 options were granted at 1 July 2005. The program comprised a total of 500 000 options, including 175 000 options for the Management Board and 325 000 options for other managers. The options were stated at fair value.

Options were acquired for 0.1% of the share issue price. Options were allocated on a straight line basis, 20% each year in advance starting on 15 October 2003 until 30 June 2007. Options could be exercised not earlier than 1 June 2005 and not later than 30 June 2008 concerning already acquired options. Options could not be sold. The program ended on 30 June 2008.

The following table presents changes in the number of issued share options under the option program that was active up to 30 June 2008 :

as at	30.06.2008	31.12.2007	30.06.2007
As at the beginning of the period	**29 464**	**174 097**	**174 097**
Granted	-	-	-
Realized	29 364	144 633	47 999
Expired	100	-	-
As at the end of the period	**-**	**29 464**	**126 098**
Exercisable at the end of period	-	29 464	23 490

Until 30 June 2008, a total of 496 955 shares were issued in implementation of the employee option program. In addition, 2 945 shares were issued in July 2008 under options exercised on 26 – 27 June 2008.

By 30 June 2008, all options were exercised with the exception of 100 options which were not acquired and which expired.

27 269 shares were issued under options exercised in H1 2008 (144 633 shares in 2007) upon this option program. The weighted average market price of shares at the option exercise date was PLN 390.05 per share in H1 2008 (the weighted average market price of shares at the option exercise date was PLN 491.54 per share in 2007).

The fair value of options granted as at 15 October 2003, determined using the Black-Scholes valuation model was PLN 45.57 per option. The fair value of options granted as at 31 July 2004 also determined using the Black-Scholes valuation model was PLN 40.15 per option. The valuation model was selected mainly due to the terms of the program. The volatility of BRE Bank shares was calculated based on a standard deviation estimator with a sample of 252 prices (one year back) and an interest rate based on zero-coupon rates capitalized on an on-going basis as required under the Black-Scholes model, determined in the structure of interest rates on the valuation date.

2008 Incentive Program

On 14 March 2008, the Ordinary General Meeting of BRE Bank adopted a resolution approving an incentive program for Management Board Members of the Bank. Under the program, the Management Board Members can acquire bonds with the pre-emptive right to acquire shares of the Bank and shares of the ultimate parent of the Group, Commerzbank AG.

In implementation of the program in the part comprising BRE Bank shares, the share capital of the Bank will be increased conditionally by PLN 2 200 000 through an issue of 550 000 bearer ordinary shares. In implementation of the program, the Bank will issue 550 000 bonds with the pre-emptive right to acquire shares of the Bank in 10 series (C1 to C10), 55 000 bonds in each series, with an issue price of PLN 0.01. Bonds can be acquired by entitled persons in 2010 – 2018 provided that their employment continues, however in special cases C1 series bonds can be acquired in 2009. The bonds' pre-emptive right to acquire shares from the conditional capital increase can be exercised by entitled persons in the period from the acquisition of bonds until 31 December 2018. The issue price of each share acquired under the program will be equal to the nominal price at PLN 4.

The right to acquire bonds and the number of bonds will depend on the degree of fulfilment of the following conditions: individual assessment of the entitled person by the Supervisory Board, return on equity (ROE) net in the financial year for which shares are granted, performance of the financial year's consolidated profit before tax of the BRE Bank Group or consolidated profit before tax of a BRE Bank Group business line.

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The fair value of BRE Bank share options has been estimated as at the grant date of the program that is 14 March 2008 by using the Monte Carlo simulation. This value is placed in range from PLN 334.55 up to PLN 339.91, depending on the date of possible exercising of the options. The choice of the valuation model has been significantly influenced by the conditions of the program.

The expected volatility of BRE Bank shares has been estimated based on the historical volatility on the sample of 2005 quotations (period between 14 March 2000 and 13 March 2008 - equivalent to the duration of the Incentive Program). The risk-free interest rate has been estimated based on zero-coupon yield curve created according to, available as at the grant date, zero-coupon bonds issued by Polish Government, denominated in PLN. Zero-coupon yield curve has been generated by Nelson-Siegel approximation model.

The table below presents changes in other reserves generated by the above mentioned incentive programs.

as at	30.06.2008	31.12.2007	30.06.2007
Option program ended 30 June 2008			
As at the beginning of the period	**1 346**	**7 275**	**7 275**
- value of services provided (Note 13)	-	648	648
- settlement of exercised options	(1 240)	(6 577)	(2 182)
As at the end of the period	**106**	**1 346**	**5 741**
New incentive program			
As at the beginning of the period	-	-	-
- value of services provided (Note 13)	4 915	-	-
- settlement of exercised options	-	-	-
As at the end of the period	**4 915**	**-**	**-**
As at the end of the period, total	**5 021**	**1 346**	**5 741**

In addition, under the incentive program, the Management Board Members of the Bank can acquire shares of Commerzbank AG. Shares will be transferred to the Management Board Members by BRE Bank. The right to acquire bonds and the value of shares transferred will also depend on the degree of fulfilment of the above mentioned conditions. The number of granted Commerzbank shares will depend on the market price of the shares within 30 days before their allocation date in 2010 – 2018.

The fair value of Commerzbank AG share options has been estimated as at grant date of the program that is 14 March 2008 by using the Monte Carlo simulation. This value is placed in range from PLN 62.79 up to PLN 63.50, depending on the date of possible exercising of the options. The choice of the valuation model has been significantly influenced by the conditions of the program.

The expected volatility of Commerzbank AG shares has been estimated based on the historical volatility on the sample of 2066 quotations (period between 14 March 2000 and 13 March 2008 - equivalent to the duration of the Incentive Program). The risk-free interest rate has been estimated based on zero-coupon yield curve created according to, available as at the grant date, zero-coupon bonds issued by Polish Government, denominated in PLN. Zero-coupon yield curve has been generated by Nelson-Siegel approximation model.

The new incentive program for the Management Board of the Bank in the part comprising Commerzbank shares has no impact on other reserves as its cost is taken to the Profit and Loss Account in correspondence with liabilities. The value of provided services associated with this part of the program was PLN 1 887 thousand in H1 2008 (Note 13).

43. Dividend per Share

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.

44. Cash and Cash Equivalents

For the purposes of the Cash Flow Statements, the balance of cash and cash equivalents comprises the following balances with maturities shorter than 3 months:

as at	30.06.2008	31.12.2007	30.06.2007
Cash and balances with the Central Bank (Note 17)*	2 901 134	2 003 535	2 562 731
Debt securities eligible for rediscounting at the Central Bank	24 536	23 259	34 005
Loans and advances to banks (Note 19)*	2 590 917	730 410	1 275 751
Trading securities (Note 20)	5 575 163	4 759 158	3 588 205
Total cash and cash equivalents	**11 091 750**	**7 516 362**	**7 460 692**

* Loans and advances to banks as at 31 December 2007 and 30 June 2007 include current receivables of PTE presented under the item "Non-Current Assets Held for Sale and Discontinued Operations" (Note 28).

45. Transactions with Related Entities

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

All transactions between the Bank and related entities, exceeding the equivalent of EUR 500 000 and presented in PLN, were typical and routine transactions concluded on market terms and their nature 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 the 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 5 February 2008, in accordance with the agreement concluded with BRE Holding, the Bank transferred shares and stocks of certain of the 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 foregoing transaction was described in Note 1 of the 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 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, 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 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 (PLN 2 119 600 thousand at average NBP exchange rate of 25 April 2008) for the purpose of fulfilling general financial needs of the Bank. The loan is granted for 3 years, interest rate is based on 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 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 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.

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

The amounts of transactions with related entities, i.e., balances of receivables and obligations and related expenses and income as at 30 June 2008, 31 December 2007 and 30 June 2007 and for the respective periods then ended 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
	Subsidiaries not included in consolidation due to immateriality								
1	AMBRESA Sp. z o.o.	-	447	-	-	1	-	-	-
2	BRE Ubezpieczenia TU SA	-	7 361	-	(236)	4	-	-	-
3	BRELINVEST Sp. z o.o. Fly 2 Commandite company	-	72	-	-	1	-	-	-
4	BREL-MAR Sp. z o.o.	-	-	-	-	1	-	-	-
5	ServicePoint Sp. z o.o.	-	456	3	(3)	4	-	500	-
	Associates								
1	Aegon PTE SA	-	6 079	-	(117)	6	-	-	-
2	Xtrade SA	-	112	-	(3)	4	-	-	-
	Ultimate Parent Group								
	Commerzbank AG Group	622 009	13 099 104	8 942	(216 918)	-	-	103 628	109 914

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
	Subsidiaries not included in consolidation due to immateriality								
1	AMBRESA Sp. z o.o.	-	354	-	-	2	-	-	-
2	BRE Holding Sp. z o.o.	-	98	-	-		-	-	-
3	BRE Ubezpieczenia TU SA	-	8 383	-	(121)	2	-	-	-
4	BRELINVEST Sp. z o.o. Fly 2 Commandite company	-	1	-	(8)	1	-	-	-
5	BREL-MAR Sp. z o.o.	-	1	-	-	1	-	-	-
6	ServicePoint Sp. z o.o.	155	74	1	(14)	10	-	345	-
	Associates								
	Xtrade SA	-	61	-	(4)	7	-	-	-
	Ultimate Parent Group								
	Commerzbank AG 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 expense	Commission income	Commission expense	Commitments granted	Commitments received
	Subsidiaries not included in consolidation due to immateriality								
1	AMBRESA Sp. z o.o.	-	837	-	-	-	-	-	-
2	BRE Ubezpieczenia Sp. z o.o.	-	2 649	-	(42)	-	-	-	-
3	BRE Ubezpieczenia TU SA	1 500	2 679	1	(81)	2	-	-	-
4	BRELINVEST Sp. z o.o. Fly 2 Commandite company	-	7	-	(3)	-	-	-	-
5	BREL-MAR Sp. z o.o.	-	1	-	-	-	-	-	-
6	FAMCO SA	-	-	-	(69)	2	-	-	-
7	ServicePoint Sp. z o.o.	500	747	-	(8)	2	-	-	-
	Associates								
	Xtrade SA	-	3	-	-	3	-	-	-
	Ultimate Parent Group								
	Commerzbank AG Group	91 030	6 686 506	12 478	(88 933)	-	-	151 935	1 531 802

The table below presents the values of transactions between the Bank and: the Members of the Management Board of the Bank, the Management of the Subsidiaries and key executive management of the Group.

(in PLN '000)	Directors and key management personnel of the Bank			Directors and key management personnel of other entities of the Group		
As at the end of the period	30.06.2008	31.12.2007	30.06.2007	30.06.2008	31.12.2007	30.06.2007
Loans outstanding	4 280	7 218	3 633	634	2 177	2 945
Deposits received	16 647	34 187	23 059	898	713	590
Interest expense on deposits	(206)	(370)	(155)	(19)	-	(7)
Interest, fee and commission income	113	322	78	17	66	38
Directors and key management remuneration	30 366	28 471	22 290	19 139	25 132	12 266

In the first half of 2008 no provisions were created in connection with credits granted to related entities.

46. Acquisitions and Disposals

On 30 June 2008, in connection with the transaction of merger of PTE Skarbiec-Emerytura SA and Aegon PTE SA, the Bank took up 54 812 shares of Aegon PTE SA constituting 49.7% of the share capital and general number of votes at the General Meeting of the company. The detailed information on the transaction as well as assets held for sale and discontinued operations was presented in the Note 28 of these financial statements.

47. Information about the Registered Audit Company

The registered audit company with whom BRE Bank SA signed the agreement is PricewaterhouseCoopers Sp. z o.o. The agreement to conduct an audit of stand-alone financial statements of BRE Bank SA and consolidated financial statements of BRE Bank SA Group was signed on 4 July 2008.

48. Capital Adequacy Ratio / Capital Adequacy

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

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

Capital management policy in BRE Bank is based on:

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

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

Own funds comprise of:

a) core funds comprise of:

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

b) supplementary funds comprise of:

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

Total capital charge comprises of:

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

The calculation of the Group capital adequacy ratio and own funds is made on the following basis:

- Banking Act dated at 29 August 1997 (Dz.U. from the year 2002 No 72, pos. 665, with amendments),
- Resolution No. 1/2007 of the Polish Banking Supervision Authority dated at 13 March 2007 (Dz. Urz. NBP from the year 2007 No 2 pos. 3),
- Resolution No. 2/2007 of the Polish Banking Supervision Authority dated at 13 March 2007 (Dz. Urz. NBP from the year 2007 No 3 pos. 4),
- Resolution No. 3/2007 of the Polish Banking Supervision Authority dated at 13 March 2007 (Dz. Urz. NBP from the year 2007 No 3 pos. 5).
- Resolution No. 4/2007 of the Polish Banking Supervision Authority dated at 13 March 2007 (Dz. Urz. NBP from the year 2007 No 3 pos. 6).
- Resolution No. 5/2007 of the Polish Banking Supervision Authority dated at 13 March 2007 (Dz. Urz. NBP from the year 2007 No 3 pos. 7).

Capital adequacy ratio of the BRE Bank Group amounted to 9.23% as at 30 June 2008. Due to significant trading activity full calculation of the capital charges is being made. Total capital charge of the Group amounted to PLN 3 837 007 thousand as at 30 June 2008, including PLN 3 429 950 thousand of credit capital charge (31 December 2007 respectively: 3 127 259 thousand and PLN 3 009 261 thousand; 30 June 2007 respectively: PLN 2 685 385 thousand and PLN 2 607 917 thousand).

Due to the fact that total capital requirement of the BRE Bank Group calculacted according to Resolution No. 1/2007 is higher than the internal capital calculated according to Resolution No. 4/2007, the BRE Bank Group's own funds were kept as at June 2008 at the level not lower than the total capital requirement calculated for the Group according to Resolution No. 1/2007.

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

Capital adequacy	**30.06.2008**	**31.12.2007**	**30.06.2007**
Own funds:			
- Share capital	118 752	118 643	118 256
- Supplementary fund	1 402 542	1 398 789	1 385 488
- Reserve fund	1 731 154	1 022 781	1 027 176
- Revaluation reserve arising from valuation of non-current and financial assets available for sale	(121 770)	(1 057)	42 751
- Profit for the current year	-	323 866	-
- Uncovered loss from previous years	-	-	-
- Investments in financial institutions	(36 958)	(37 794)	(41 166)
- Additional increase	131 640	116 812	97 216
- Additional decrease	(7 137)	(192 283)	(192 283)
- Intangible assets	(400 998)	(433 696)	(401 699)
- Subordinated liabilities	1 609 839	1 655 040	1 467 620
I. Total own funds	**4 427 064**	**3 971 101**	**3 503 359**
Risk weighted off-balance sheet assets and liabilities:			
- applying a 20% risk weight	803 658	514 135	627 297
- applying a 35% risk weight	203 560	-	-
- applying a 50% risk weight	1 307 522	3 618 638	3 400 147
- applying a 75% risk weight	14 855 033	-	-
- applying a 100% risk weight	25 325 716	33 398 974	28 518 364
- applying a 150% risk weight	983 945	-	-
- applying other risk weights	-	84 016	53 149
II. Total risk weighted off-balance sheet assets and liabilities	**43 479 434**	**37 615 763**	**32 598 957**
III. Credit risk	**3 429 950**	**3 009 261**	**2 607 917**
IV. Foreign exchange risk	**410**	**14 684**	**11 286**
V. Equity instruments price risk	**727**	**231**	**6 265**
VI. Specific risk for debt instruments	**43 432**	**44 027**	**26 213**
VII. General interest rate risk	**33 944**	**35 366**	**17 273**
VIII. Counterparty risk	**48 405**	**23 661**	**16 384**
IX. Commodities risk	**-**	**29**	**47**
X. Operational risk	**280 139**	**-**	**-**
XI. Total capital charge	**3 837 007**	**3 127 259**	**2 685 385**
XII. Capital adequacy ratio (%)	**9.23%**	**10.16%**	**10.44%**

49. Events after the Balance Sheet Date

- 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 exercise of put options for all shares in the merged entity Aegon PTE. On 21 July 2008 BRE Bank and Aegon Woningen Nova B.V. 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 the decision of the 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 CHF 500 000 thousand the Bank will receive by 15 September 2008.

- On August 1, 2008 BRE Leasing Sp. z o.o., an indirect generic-dependent entity on the Bank, entered into a loan agreement with Commerzbank AG, Branch in Prague. The amount of the loan amounts to PLN 1 000 000 thousand. This is a loan denominated in multiple currency and it is to be used by July 1, 2009. The loan is to be repaid by August 31, 2009. The interest on the loan is based on the base rate relevant to the foreign currency being drawn and the interest period selected (increased by margin of Commerzbank AG), i.e.,
  - for PLN – WIBOR 2W, 1M, 3M, 6M,
  - for EUR – EURIBOR 2W, 1M, 3M, 6M,
  - for CHF – CHF LIBOR 2W, 1M, 3M, 6M,
  - for JPY – JPY LIBOR 2W, 1M, 3M, 6M.

  The loan shall be used to refinance leasing activity of BRE Leasing.

- 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.
- Within the period from 26 August to 3 September 2008 BRE Leasing Sp. z o.o – an indirect-generic dependent entity on the Bank – concluded two framework agreements with both the bank, WestLB AG, and its subsidiary, WestLB Polska SA, concerning different forms of credit transactions with total amount of PLN 381 705 thousand (the amount calculated according to average NBP exchange rates of the dates of concluding the agreements).

  The framework agreement concluded on 26 August 2008 with WestLB AG enables to credit to maximum amount of PLN 331 200 thousand in the form of multiple currency short-term loan, multiple current mid-term loan or other bank products. The framework agreement is open-ended. According to the accepted Product Offer, the period of offering facilities of short-term and mid-term loan end on 25 August 2009 and the loan is to be repaid up by 25 August 2011. The interest on the loan is based on the base rate relevant to the foreign currency being drawn and the interest period selected (increased by margin of WestLB AG), i.e.,
  - for PLN – WIBOR 1M, 3M, 6M,
  - for EUR – EURIBOR 1M, 3M, 6M,
  - for CHF – CHF LIBOR 1M, 3M, 6M,
  - for JPY – JPY LIBOR 1M, 3M, 6M,
  - for GBP – GBP LIBOR 1M, 3M, 6M,
  - for USD – USD LIBOR 1M, 3M, 6M.

  The loan shall be used to refinance leasing activity of BRE Leasing.

- 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 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.