

# SECURITIES AND EXCHANGE COMMISSION

## Semi-Annual Consolidated Report SAB-PSr 2002

(Pursuant to Art. 57.2 and Art. 58.3 of the Regulation of the Council of Ministers of 16 October 2001, Journal of Laws, No. 139.1569 and No. 31.280 from 2002)  
(for banks)

For the first half of this year starting **01 January 2002** ending **30 June 2002**

and for the first half of last year starting **01 January 2001** ending **30 June 2001**

**30 September 2002**

(date of submittal)

<b>BRE BANK Spółka Akcyjna</b>		
(Full name of the issuer)		
<b>BRE BANK SA</b>	<b>BANKS</b>	
(Abbreviated name of the issuer)	(sector pursuant to classification of Warsaw Stock Exchange)	
<b>00-950</b>	<b>Warszawa</b>	
(Post code)	(City)	
<b>Senatorska</b>		<b>18</b>
(Street)		(No.)
<b>(22) 829-00-00</b>	<b>(22) 829-00-33</b>	<b>info@brebank.com.pl</b>
(Tel.)	(Fax)	(E-mail)
<b>526-021-50-88</b>	<b>001254524</b>	<b>www.brebank.com.pl</b>
(NIP)	(REGON)	(www...)

### PricewaterhouseCoopers Sp. z o.o.

(Registered audit company)

The Semi-Annual Consolidated Report comprises:

- Report of the registered audit company (auditor) on the audit of the semi-annual consolidated financial statements
- Semi-annual consolidated financial statements:
- Introduction
  - Consolidated balance sheet
  - Consolidated profit and loss account
  - Movements in consolidated equity
  - Consolidated cash flow statements
  - Notes and additional explanatory notes
- Report of the registered audit company (auditor) on the audit of the semi-annual stand-alone financial statements
- Semi-annual stand-alone financial statements
- Commentary of the Management Board

SELECTED FINANCIAL DATA	PLN '000		EURO '000	
	1H 2002	1H 2001	1H 2002	1H 2001
I. Net interest income	853 782	878 033	230 590	245 220
II. Net commission income	139 103	145 122	37 569	40 530
III. Profit (loss) on banking operations	453 677	486 490	122 529	135 868
IV. Operating profit (loss)	-51 153	236 594	-13 815	66 077
V. Gross profit (loss) before tax	-58 924	230 941	-15 914	64 498
VI. Net profit (loss)	-99 654	155 493	-26 915	43 427
VII. Net cash flows from operating activities	-802 089	-453 765	-216 629	-126 729
VIII. Net cash flows from investment activities	-401 585	-147 999	-108 460	-41 334
IX. Net cash flows from finance activities	786 061	-522 592	212 300	-145 951
X. Total net cash flows	-417 613	-1 124 356	-112 789	-314 013
XI. Total assets	27 075 521	18 702 803	6 753 516	5 536 158
XII. Liabilities to the central bank	127 176	164 555	31 722	48 709
XIII. Liabilities to other financial institutions	7890 447	5 275 462	1 968 134	1 561 573
XIV. Liabilities to clients and the public sector	10 372 351	8 408 512	2 587 202	2 488 977
XV. Equity	1884 655	2 138 833	470 094	633 109
XVI. Capital share	91 882	91 882	22 918	27 198
XVII. Number of shares	22 970 500	22 970 500	22 970 500	22 970 500
XVIII. Book value per share in PLN/EURO	82,05	93,11	20,47	27,56
XIX. Diluted book value per share in PLN/EURO	82,05	93,11	20,47	27,56
XX. Solvency ratio (%)	11,69	13,27	11,69	13,27
XXI. Profit (loss) per ordinary share in PLN/EURO	-1,47	14,14	-0,40	3,95
XXII. Diluted profit (loss) per ordinary share in PLN/EURO	-1,47	14,14	-0,40	3,95

**REGISTERED AUDITOR'S STATEMENT ("REPORT")  
to the Shareholders and the Supervisory Board of BRE Bank SA**

We have audited the semi-annual consolidated financial statements of the BRE Bank SA Capital Group ("Group") prepared by the Management Board of BRE Bank SA with its registered office in Warsaw, 18 Senatorska St., comprising:

- a) Introduction;
- b) Consolidated balance sheet as at 30 June 2002, showing total assets and total liabilities at PLN 27,075,521 thousand;
- c) Consolidated off-balance-sheet items as at 30 June 2002, showing a total of PLN 203,611,229 thousand;
- d) Consolidated profit and loss account for the financial period starting 1 January 2002 and ending 30 June 2002, showing a net loss of PLN 99,654 thousand;
- e) Movements in consolidated equity for the financial period starting 1 January 2002 and ending 30 June 2002, showing a decrease in consolidated equity of PLN 316,970 thousand;
- f) Consolidated cash flow statements for the financial period starting 1 January 2002 and ending 30 June 2002, showing a net cash decrease of PLN 417,613 thousand;
- g) Notes;

and the consolidation documentation which constituted the basis for the financial statements..

We have also audited the financial information of BRE Bank SA ("Bank") prepared by the Management Board of BRE Bank SA with its registered office in Warsaw, 18 Senatorska St., comprising:

- a) Balance sheet as at 30 June 2002, showing total assets and total liabilities at PLN 24,684,948 thousand;
- b) Off-balance-sheet items as at 30 June 2002, showing a total of PLN 202,739,915 thousand;
- c) Profit and loss account for the financial period starting 1 January 2002 and ending 30 June 2002, showing a net loss of PLN 100,334 thousand;
- d) Movements in equity for the financial period starting 1 January 2002 and ending 30 June 2002, showing a decrease in equity of PLN 521,500 thousand;
- e) Cash flow statement for the financial period starting 1 January 2002 and ending 30 June 2002, showing a net cash decrease of PLN 359,237 thousand.

**REGISTERED AUDITOR'S STATEMENT ("REPORT")  
to the Shareholders of BRE Bank SA (cont'd)**

The Management Board of the Bank is responsible for the true, fair, and transparent nature of information disclosed in the consolidated financial statements of the Group and the financial information of the Bank. It was our task to audit the financial statements and the financial information.

We performed the audit pursuant to the professional auditing standards set forth by the Polish Council of Registered Auditors, by analysing the financial statements and the financial information, examining books of account, and using information provided by the Management Board and the staff of the Bank.

The scope of the audit was narrower than the scope of the audit of the annual financial statements. It was not the objective of the audit to give an opinion on the true and fair nature of the consolidated financial statements and the financial information. This statement is not an opinion from an audit of the financial statements in the sense of the Accountancy Act dated 29 September 1994 (Journal of Laws No. 121, item 591, as amended).

Our audit did not identify any case of necessary material amendment of the attached consolidated financial statements and the financial information to ensure that they represent a true, fair and transparent picture of the financial standing and the assets of the Group and the Bank as at 30 June 2002 and their financial result, profitability, and cash flows for the period starting 1 January 2002 and ending 30 June 2002 in accordance with consistently applied accounting regulations binding in the territory of the Republic of Poland:

- a) the Accountancy Act,
- b) Regulation of the Minister of Finance dated 10 December 2001 concerning specific accounting rules for banks,
- c) Regulation of the Minister of Finance dated 12 December 2001 concerning specific rules of recognition, methods of valuation, scope of disclosure, and mode of presentation of financial instruments,
- d) Regulation of the Minister of Finance dated 12 December 2001 concerning rules of drawing up consolidated financial statements of banks and consolidated financial statements of financial holdings,
- e) Regulation of the Council of Ministers dated 16 October 2001 concerning current and periodic reports submitted by issuers of securities (as amended) and interpretations of the Regulation by the Securities and Exchange Commission.

**REGISTERED AUDITOR'S STATEMENT ("REPORT")  
to the Shareholders of BRE Bank SA (cont'd)**

Without any reservation about the financial statements of the Group and the financial information of the Bank subject to this statement, we wish to point to the following. Comparable data for the period starting 1 January 2001 and ending 30 June 2001, except for their presentation, were prepared on the basis of accounting policies other than those in force as of 1 January 2002 following the amendment of the Accountancy Act. The Bank made relevant adjustments in the presentation of comparable data, both in the financial statements of the Group and the financial information of the Bank, but it did not apply the new accounting policies to such data. The effect of the adoption of the new policies of valuation of assets and liabilities is disclosed in the financial statements of the Group and the financial information of the Bank as at 1 January 2002 in correspondence with the retained profit of previous years. Detailed discussion of the adjustments is contained in the Introduction to the consolidated financial statements.

On behalf of PricewaterhouseCoopers Sp. z o.o.:

Antoni F. Reczek  
President of the Management Board

PricewaterhouseCoopers Sp. z o.o.

Registered Auditor  
No. 90011/503

Registered Audit Company  
No. 144

Warsaw, 27 September 2002

## **INTRODUCTION TO THE CONSOLIDATED FINANCIAL STATEMENTS H1 2002**

### ***Basic Information about the Capital Group***

The main segments of the BRE Bank SA Capital Group (“Capital Group”) consist of investment of the following type:

- Strategic and infrastructure investment – stocks and shares in companies supporting individual business lines of BRE Bank SA (investment banking, corporate banking, retail banking, asset management) and stocks and shares in companies of financial infrastructure or areas complementary to the statutory business of BRE Bank SA. The acquisition or formation of such companies was aimed at meeting clients’ needs in areas going beyond banking service and at developing and supervising the asset management line of the Capital Group comprising the pension fund, investment funds, portfolio management, distribution, and the transfer agent.
- Long-term investment – investment with a projected high return rate – this type of equity investment provides the Bank with direct and indirect gains realised in consolidated figures as well as synergies and earnings in other business areas, with a time horizon with a time horizon not shorter than 6 months and investment in investment funds.
- Equity investment acquired as debt conversion, through creditor restructuring and reorganisation, aimed at recovery of part or whole of credit receivables, and companies under liquidation or bankruptcy.

### ***Role of the Bank in the Capital Group***

The BRE Bank Group comprises the holding company BRE Bank SA and 17 associated companies. The product offer of the Bank combined with that of the Capital Group ensures comprehensive financial service for both corporate clients, private banking clients, and retail clients, including the following services:

- factoring,
- leasing,
- brokerage,
- consulting,
- mortgage and construction mortgage loans, refinancing residential real estate,
- asset management in the pension system,
- securities portfolio management for the client, investment consulting,
- investment in funds of various investment strategies and risk profiles.

As the holding company of the Group, the Bank plans to implement consistent standards in those business areas of Group companies where necessary and where the economies of scale offer significant economic benefits. The cost budgeting and monitoring system implemented in the Group ensures better corporate governance and management of the Group.

In January 2002, the company SKARBIEC Asset Management Holding SA (100% owned by BRE Bank) was registered. It will be the Group's asset management centre. By integrating its asset management operations, the Bank expects to achieve the following effects: optimisation of business processes, more flexible response to changing operational risks, long-term reduction of operating costs.

### ***Structure of the Capital Group***

As at 30 June 2002, the Capital Group covered by the Consolidated Financial Statements consisted of the following companies:

#### **1. BRE Bank SA – holding company**

Bank Rozwoju Eksportu SA was established under Resolution No. 99 of the Council of Ministers dated 20 June 1986. The Bank was registered under a legally valid decision of the District Court of the Capital City of Warsaw, Sixteenth Economic Registering Division, dated 23 December 1986 in the Commercial Register, entry no. RHB 14036. The Ninth Extraordinary General Meeting of Shareholders held on 4 March 1999 adopted a resolution to change the Bank's name to BRE Bank SA. The new name of the Bank was registered on 23 March 1999.

On 11 July 2001 the District Court in Warsaw issued a decision to enter the Bank in the National Court Register, entry no. KRS 0000025237.

According to the Polish Classification of Business, the Bank belongs to class 6512A, Other Banking Business.

According to the Stock Exchange Register, the Bank belongs to the macrosector Finance, sector Banks.

The Bank has its registered office at 18, Senatorska St., Warsaw.

According to the Bank's By-laws, its core business is to provide banking service, consultation and advisory in financial matters, and to carry out its business as laid down in the By-laws.

The Bank may open and hold accounts with Polish and foreign banks.

In order to perform the above mentioned tasks, the Bank undertakes:

#### **1. banking operations:**

- opening and operating banking accounts,
- accepting savings and term deposits,
- performing financial settlements,
- extending financial credits and loans and consumer credits and loans in the sense of a separate law,
- performing cheque and bill of exchange operations,

- extending and confirming sureties,
- trading in foreign-currency values and providing financial services to foreign trade,
- servicing State loans,
- issuing securities, trading in securities and operating securities deposit accounts,
- performing operations ordered by third parties related to issuing of securities,
- taking into deposit valuables and securities, and making safe deposit boxes available to customers,
- performing forward financial transactions,
- purchasing and selling of monetary indebtedness,
- performing the functions of a representative bank as stipulated in the Bonds Law.

2. other operations:

- offering services in the area of economic and financial consulting,
- administering funds upon the order of State bodies and other persons,
- acquiring shares in banks and commercial companies and purchasing participatory units and investment certificates in investment funds both in Poland and abroad,
- establishing and participating in establishing banks and corporate persons both in Poland and abroad,
- carrying out acquisition activities on behalf of pension funds,
- acting as depository in the sense of the provisions of the Law on the Organisation and Operation of Pension Funds,
- acting as depository in accordance with the provisions of the Law on Investment Funds,
- performing activities consisting in accepting purchase and re-purchase orders and subscriptions for participation units or certificates of investment in investment funds,
- managing registers of members of the pension funds and investment funds,
- operating as an insurance agent,
- acquisition and disposal of real estate,
- acquiring and purchasing shares and rights in shares, interests of another legal person,
- making, on terms arranged with the debtor, conversion of debt into assets of the debtor, provided that the Bank sells them within not more than 3 years of the date of acquisition.

The operations of BRE Bank SA are not limited in time.

The Bank drafts consolidated financial statements on the basis of on-going concern in the foreseeable future. At present there are no factors which might be a threat to on-going business.

2. BRE Fundusz Kapitałowy Sp. z o.o. – subsidiary (“BRE FK”).

The company was set up through the transition of the company Drugi Polski Fundusz Rozwoju – BRE Sp. z o.o. (“DPFR”) and the incorporation of the company Pierwszy Polski Fundusz Rozwoju – BRE Sp. z o.o. (“PPFR”). DPFR and PPR were part of the Bank’s portfolio as of the acquisition of Polski Bank Rozwoju SA (“PBR SA”) on 11 May

1998 and were consolidated using the acquisition accounting method as of mid-1998. The core business of BRE Fundusz Kapitałowy Sp. z o.o. (100% owned by the Bank) is to invest in securities, to trade in securities on its own account, and to trade in receivables.

### 3. Dom Inwestycyjny BRE Banku SA – subsidiary

The company is part of the Bank's portfolio as of July 1998 (100% owned). The company's core business is to provide serviced related to trading in securities, other rights, and other financial instruments on the capital market under the law and held permits.

Given the decreasing turnover on the capital market in H1 2002, a resolution was adopted to reduce the company's share capital by PLN 7,981 thousand while the Bank's stake remained at 100% (registered by the registration court in July 2002); the capital was reduced in order to adjust the share capital to the needs of the company given the present size of its business.

### 4. BRE Corporate Finance SA – subsidiary

The company is part of the Bank's portfolio as of July 1997. The Bank holds 100% of the share capital and votes. The company's core business includes: consulting service, service in restructuring of companies, privatisation of enterprises, consulting service in investment, finance, capital markets, and financial transactions advisory. The company also works as a financial arranger, is involved in arranging public issues and in financial and management training.

### 5. PTE Skarbiec-Emerytura SA – subsidiary

The company is part of the Bank's portfolio as of August 1998 (100% owned by the Bank). The company's core business is to manage an open-ended pension fund OFE Skarbiec-Emerytura and to represent the fund.

On 29 May 2002, the Pension Fund and Insurance Supervision Commission approved the merger of PTE Skarbiec-Emerytura SA and PTE BIG Banku Gdańskiego SA.

### 6. Skarbiec TFI SA – subsidiary

The company is part of the Bank's portfolio as of August 1997.

In H1 2002, the Bank sold its entire package of shares (51%) in the company to Skarbiec Asset Management Holding SA in the process of consolidating the asset management line.

The company's core business is to set up open-ended investment funds, specialised investment funds, closed-ended investment funds, mixed investment funds, to manage the funds for a fee, and to represent the funds.

#### 7. RHEINHYP-BRE Bank Hipoteczny SA – subsidiary

The company is part of the Bank's portfolio as of March 1999. At present BRE Bank SA holds 50% of shares and votes in the company. The Bank has influence on the management of the company through 4 out of 7 Supervisory Board members.

The company's core business is to give mortgage loans, non-mortgage loans, to issue mortgage bonds in private placement for the bank's receivables under extended mortgage loans. The company also accepts terms deposits of financial institutions, takes credits and loans, accept securities for safekeeping, acquires shares in other companies whose legal status ensures limitation of the Bank's liability to the amount invested.

#### 8. Bank Częstochowa SA – subsidiary

The Bank took control of the company in September 2001. At the end of H1 2002, the Bank held 85.01% of shares and 83.32% of votes in the company.

The core business of Bank Częstochowa is to maintain bank accounts, to accept savings and deposits, to make financial settlements, to grant and take credits, to trade in bills of exchange and cheques, and to issue guarantees. Its core market segment is that of small and medium-sized enterprises and retail clients. The bank does not offer foreign exchange service.

At its meeting on 12 September 2002, the Supervisory Board of BRE Bank SA approved measures aimed at merging Bank Częstochowa SA (acquired company) and BRE Bank SA (acquiring company) and for the transfer of the assets of Bank Częstochowa SA to BRE Bank SA in return for shares in BRE Bank SA, subject to the approval of the Banking Supervision Commission.

#### 9. Intermarket Bank AG (formerly Intermarket Factoring Bank AG) – subsidiary

The company is part of the Bank's portfolio as of July 2000; it has its registered office in Vienna, Austria. The Bank holds 51.43% of votes and shares in the company.

The core business of the company is to provide banking service, including factoring service (purchase of receivables). The company was first consolidated as at 31 March 2001.

#### 10. Transfinance a.s. – subsidiary

The company is part of the Bank's portfolio as of October 2000; it has its registered office in Prague, Czech Republic. The Bank holds 50% of its shares; the remaining shares are held by Intermarket Bank AG (50%).

The core business of the company is to purchase receivables and act as intermediary in the collection of receivables. The company was first consolidated as at 31 March 2001.

#### 11. BRE Leasing Sp. z o.o. – subsidiary

The company is part of the Bank's portfolio as of December 1992. As of February 2002, the Bank holds 50.001% of its shares and votes. The company's core business is to acquire, lease, rent, and hire chattels, and to acquire, build, rent and lease all types of plots of land, buildings, and facilities. The company may make transactions and take action to directly or indirectly pursue its business purpose, including the purchase of receivables and intermediation in real estate trading.

#### 12. BRE Agent Transferowy Sp. z o.o. – subsidiary

The company was registered in December 2000 and was 100% owned by the Bank. In H1 2002, BRE Bank sold 100% of its shares in BRE AT to its subsidiary Skarbiec Asset Management Holding SA. This was part of the consolidation of the asset management line in the BRE Bank Group. In the SAMH Group, the company will offer day-to-day customer service and back office support.

The core business of the company is to keep and operate registers of pension fund and investment fund subscribers.

The company is one of the leaders of the transfer agent market. In H1 2002, it operated subscriber registers of one open-ended pension fund (PTE Skarbiec-Emerytura) and 5 investment fund companies (Skarbiec, DWS Polska, CAIB, PBK Atut, and Union Investment).

#### 13. BRE Asset Management SA – subsidiary

The company was registered in 2000. At present the Group holds 80% of its share capital and votes.

The core business of the company is to manage securities portfolios for clients and provide investment consulting service. The company performs brokerage and advisory operations in the sense of the Law on Public Trading in Securities.

In H1 2002, BRE Bank sold 10% of shares in the company to its subsidiary Skarbiec Asset Management Holding SA. This was part of the consolidation of the asset management line in the BRE Bank Group. In the SAMH Group, the company provides asset management service for the assets acquired by BRE AM and other companies of the BRE Bank Group.

#### 14. BRE International Finance B.V.- subsidiary

BRE International Finance B.V. is a Special Purpose Vehicle. Its core business is to raise funds for the Bank by issuing debt on international financial markets. The company was registered in the Netherlands in May 2000 and is 100% owned by the Bank.

#### 15. BRE.locum Sp. z o.o.- subsidiary

The company is part of the Bank's portfolio as of September 2000. The Bank's direct stake in its capital and votes is 70%. The other 30% of shares and votes are held by the subsidiary Tele –Tech Investment Sp. z o.o.

The core business of the company is real estate development.

#### 16. Polfactor SA – sub-subsiary

The company is a subsidiary of BRE Fundusz Kapitałowy Sp. z o.o. and Intermarket Bank AG. In H1 2002, both companies raised their stake by 1% of shares and now hold 50% of shares each.

The core business of the company is factoring. It is a member of the international factor organisation Factor Chain International.

#### 17. BRE Private Equity Sp. z o.o.- subsidiary

The company is part of the Bank's portfolio as of November 1993. The company's core business is to manage special funds, including National Investment Funds, and to offer representation, trade service and financial consulting to other companies.

#### 18. Tele-Tech Investment Sp. z o.o. – affiliate

The company is part of the Bank's portfolio as of 1999. Originally, the core business of the company was a broadly understood goods transportation and storage service. In December 1999, the company's founding deed was changed, including its original core business. At present, the company's core business is to invest in securities and to trade in securities, to make securities transactions on its own account, to manage controlled companies, to provide business and management consulting.

Pursuant to the requirements of the Accountancy Act (as amended), the Group comprises all subsidiaries and affiliates important from the viewpoint of financial statements, other than those acquired with the sole purpose to be sold.

Pursuant to the requirements of the Regulation of the Minister of Finance dated 12 December 2001 concerning rules of drawing up consolidated financial statements of banks and

consolidated financial statements of financial holdings, as of 1 January 2002, those subsidiaries and affiliates which meet the criteria of classification as banks, credit institutions, or financial institutions in the sense of the Banking Law, are covered by the consolidated financial statements based on the acquisition accounting method. The equity method is only used for BRE.locum Sp. z o.o. which does not meet those criteria (the company is involved in real estate development business).

As at 30 June 2002, BRE Bank SA with its subsidiaries held 18,108 thousand shares in Elektrim S.A., representing 21.6% of the share capital. The Bank considers this a mid-term investment. Therefore, under the Accountancy Act, Elektrim S.A. became an affiliate of the Bank and BRE Bank SA became a significant investor of Elektrim. Given the complexity and the large scale of the project and the involved time investment, the Bank's Management Board decided to perform the valuation of Elektrim S.A. shares using the equity method in H2 2002. Consequently, at 30 June 2002, Elektrim S.A. shares are still classified as "available for sale" and stated at fair value, i.e., at the stock price quoted on that date.

On 13 September 2002, the Management Board of Elektrim S.A. filed an application for the bankruptcy of the company. The application may affect the decision to perform an equity method valuation of Elektrim S.A. shares held by the Bank. The final decision will be made following the potential review by the court of the application for the bankruptcy of Elektrim S.A. and its implications.

Detailed information about Capital Group companies and other subordinated companies as at 30 June 2002 are shown in tables in pages 12 – 18 of this Introduction.

The presented Consolidated Financial Statements cover data for the period starting 1 January 2002 and ending 30 June 2002, as well as data for the period starting 1 January 2001 and ending 30 June 2001 presented in a comparable format (see page 19).

The Bank and the Capital Group companies do not comprise any internal organisational units which would draft stand-alone financial statements.

Transformation of the company Drugi Polski Fundusz Rozwoju – BRE Sp. z o.o. led to the formation of the company BRE Fundusz Kapitałowy Sp. z o.o. („BRE FK”). On 12 June 2002, the court issued a decision enabling the merger of BRE FK (100% owned by BRE Bank SA) and Pierwszy Polski Fundusz Rozwoju – BRE Sp. z o.o. (“PPFR”, a sub-subsidiary of the Bank). The merger took place as a take-over pursuant to Art. 492.1 of the Code of Commercial Companies (BRE FK as the acquiring company, PPFR as the acquired company) and by merging shares. The merger of the two companies with a similar business profile provided important synergies and simplified the decision-making process.

## ***Composition of the Management Board and the Supervisory Board of the Bank***

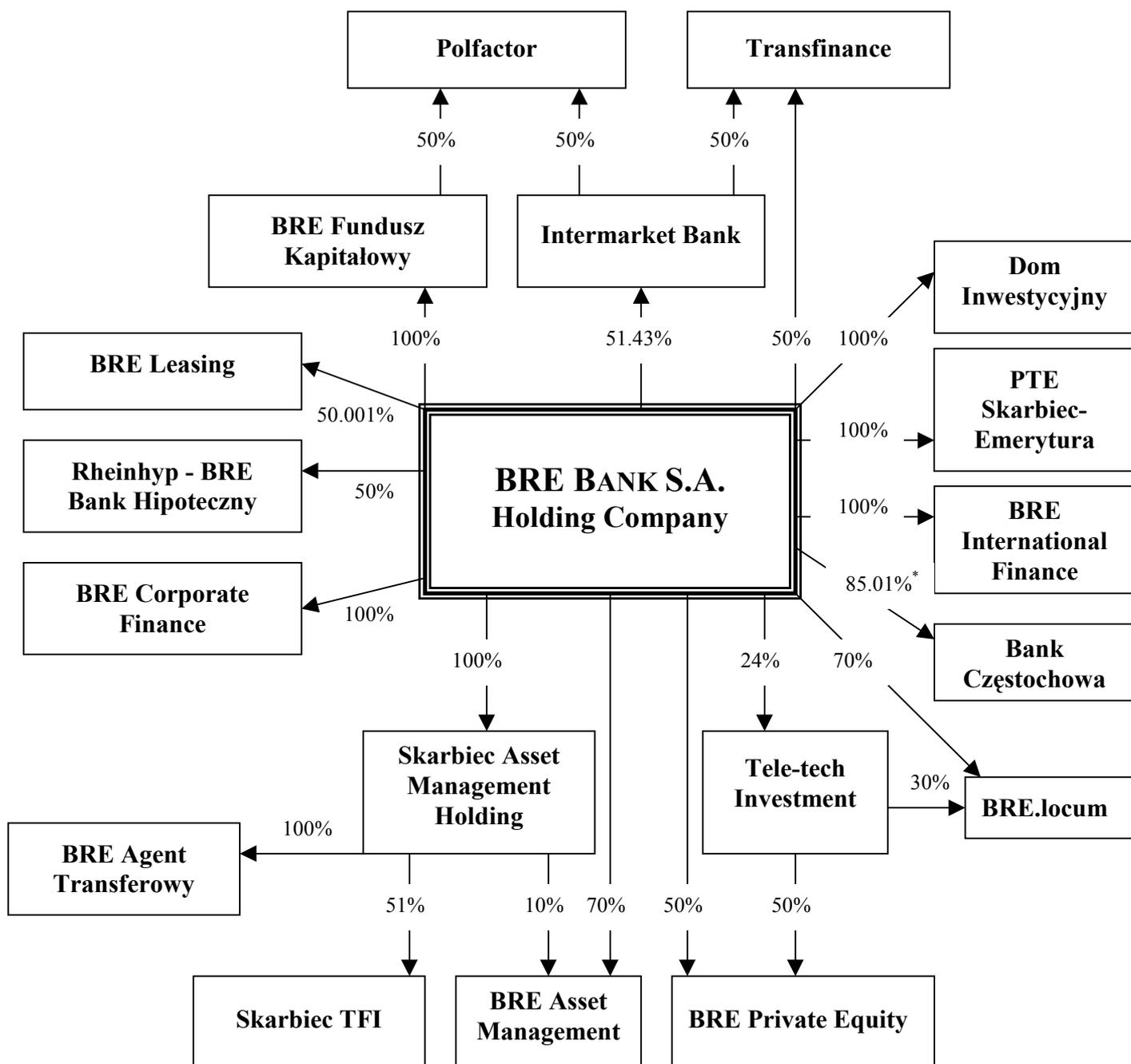
The Management Board of BRE Bank SA consist of:

1. Wojciech Kostrzewa – President, General Director
2. Anton M. Burghardt – Deputy President, Bank Director
3. Sławomir Lachowski – Deputy President, Bank Director
4. Krzysztof Kokot – Deputy President, Bank Director
5. Henryk Okrzeja – Deputy President, Bank Director
6. Jan Zieliński – Deputy President, Bank Director, Chief Financial Officer
7. Alicja Kos-Gólaszewka – Management Board Member, Bank Director.

By resolution of the Fifteenth General Meeting of Shareholders of BRE Bank SA held on 25 April 2002, 9 Members of the Supervisory Board were elected for a joint term of 2 years, including:

1. Alberto Crippa
2. Gromosław Czempiński
3. Christian R. Eisenbeiss
4. Andrzej Księżny
5. Andreas de Maiziere
6. Teresa Mokrysz
7. Jan Szomburg
8. Krzysztof Szwarc
9. Nicolas Teller

*Graphical Presentation of the Organisation of the Bank's Associated Companies*



\*Stake in the share capital of Bank Częstochowa S.A. The stake in votes is 83.32%

*Companies of the Capital Group, Consolidated and Not Consolidated*

<b>COMPANIES OF THE CAPITAL GROUP CONSOLIDATED OR VALUATED USING THE EQUITY METHOD</b>								
	<b>NAME</b>	<b>Seat</b>	<b>Core business</b>	<b>Method of consolidation</b>	<b>Court or other registration institution</b>	<b>% of share capital held</b>	<b>% of votes held</b>	<b>Stake in the capital of other Group companies</b>
<b>1</b>	BRE Corporate Finance S.A.	Warsaw	services	acquisition accounting consolidation	District Court for the Capital City of Warsaw, Twentieth Economic Division of the National Court Register, entry no. KRS 0000027381	100.00	100.00	holds 100% of shares in BMF (UK); 100% of shares in BMF Capital; 50% of shares in BMF Pro-Fit
<b>2</b>	Dom Inwestycyjny BRE Banku S.A.	Warsaw	services	acquisition accounting consolidation	District Court for the Capital City of Warsaw, Nineteenth Economic Division of the National Court Register, entry no. KRS 0000003151	100.00	100,00	
<b>3</b>	BRE – Fundusz Kapitałowy Sp. z o. o.	Warsaw	fund	acquisition accounting consolidation	District Court for the Capital City of Warsaw, Economic Court, Nineteenth Economic Division of the National Court Register, entry no. KRS 0000026339	100.00	100.00	holds 100% of shares in Famco SA; 51% of shares in Billbird SA; 50% of shares in Polfactor SA; 28.57% of shares in eCard; 2.15 % of shares (2.14% of votes) in Szeptel SA
<b>4</b>	AMBRESA Sp. z o.o.	Warsaw	services	equity accounting valuation		100,00	100.00	
<b>5</b>	BRE International Finance B.V.	Amsterdam, Netherlands	services	acquisition accounting consolidation	Chamber of Commerce and Industries for Amsterdam file No 34134081	100.00	100.00	

<b>6</b>	PTE Skarbiec – Emerytura S.A.	Warsaw	pension fund	acquisition accounting consolidation	District Court for the Capital City of Warsaw, Nineteenth Economic Division of the National Court Register, entry no. KRS 0000020745	100.00	100.00	
<b>7</b>	Skarbiec Asset Management Holding SA	Warsaw	services	equity accounting valuation	District Court for the Capital City of Warsaw, Nineteenth Economic Division of the National Court Register, entry no. KRS 0000087189	100.00	100.00	holds 100% of shares in BRE Agent Transferowy Sp. z o.o.; 100% of shares in Serwis Finansowy Sp. z o.o.; 100% of shares in Skarbiec Serwis Finansowy Sp. z o.o.; 51% of shares in Skarbiec TFI SA; 10% of shares in BRE Asset Management SA;
<b>8</b>	ServicePoint Sp. z o.o. <sup>1)</sup>	Warsaw	services	equity accounting valuation		100.00	100.00	
<b>9</b>	BRE Agent Transferowy Sp. z o.o.	Warsaw	services	acquisition accounting consolidation	District Court for the Capital City of Warsaw, Nineteenth Economic Division of the National Court Register, entry no. KRS 0000003151	100.00	100.00	
<b>10</b>	Famco S.A.	Warsaw	services	equity accounting valuation		100.00	100.00	
<b>11</b>	BRELINVEST Sp. z o.o. Fly 1 Sp. komandytowa	Warsaw	services	equity accounting valuation		99.84	99.84	
<b>12</b>	BRELINVEST Sp. z o.o. Fly 2 Sp. komandytowa	Warsaw	services	equity accounting valuation		99.84	99.84	
<b>13</b>	AMBRESA Sp. z o.o. - BRELLA Sp. komandytowa	Warsaw	services	equity accounting valuation		99.67	99.67	
<b>14</b>	FERREX Sp. z o.o.	Poznań	manufacturing	equity accounting valuation		97.86	97.86	
<b>15</b>	Promes Sp. z o.o.	Gdańsk	services	equity accounting valuation		93.98	93.98	

<b>16</b>	Bank Częstochowa S.A.	Częstochowa	bank	acquisition accounting consolidation	District Court of Katowice. Eighth Economic Division of the National Court Register. entry no. KRS 0000039978	85.01	83.32	holds 50% of shares in Regionalne Towarzystwo Budownictwa Społecznego SA under liquidation
<b>17</b>	BRE Asset Management S.A.	Warsaw	services	acquisition accounting consolidation	District Court for the Capital City of Warsaw. Nineteenth Economic Division of the National Court Register. entry no. KRS 0000021519	80.00	80.00	
<b>18</b>	Transfinance Slovakia	Bratislava, Slovakia	factoring	equity accounting valuation		75.72	75.72	
<b>19</b>	Vartimex s.r.o.	Prague, Czech Republic	trade	equity accounting valuation		75.72	75.72	
<b>20</b>	PBR-Faktor Sp. z o.o.	Warsaw	factoring	equity accounting valuation		75.72	75.72	
<b>21</b>	Polfactor SA	Warsaw	factoring	acquisition accounting consolidation		75.72	75.72	holds 100% of shares in PBR-Faktor Sp. z o.o.
<b>22</b>	BRE.locum Sp. z o.o.	Łódź	services	equity accounting valuation	District Court of Central Łódź in Łódź Twentieth Division of the National Court Register KRS 0000033558	77.20	77.20	
<b>23</b>	TRANSFINANCE a.s.	Prague, Czech Republic	services	acquisition accounting consolidation	No 15272028 in the Register of Companies of Regional Commercial Court, Section B, File 649, Prague	75.72	75.72	holds 100% of shares in Transfinance Slovakia; 100% of shares in Vartimex s.r.o.
<b>24</b>	BRE Private Equity I Sp. z o.o.	Warsaw	services	acquisition accounting consolidation	District Court for the Capital City of Warsaw, Twentieth Economic Division of the National Court Register, entry no. KRS 0000025858	62.00	62.00	

<b>25</b>	Intermarket Bank AG	Vienna, Austria	services	acquisition accounting consolidation	Commercial Court Vienna FN 94144y	51.43	51.43	holds 50% of shares in Transfinance a.s.; 50% of shares in Polfactor SA
<b>26</b>	Skarbiec TFI SA	Warsaw	investment fund	acquisition accounting consolidation	District Court for the Capital City of Warsaw, Twentieth Economic Division of the National Court Register, entry no. KRS 0000060640	51.00	51.00	
<b>27</b>	Billbird S.A.	Kraków	IT services	equity accounting valuation		51.00	51.00	
<b>28</b>	BRE Leasing Sp. z o.o.	Warsaw	services	acquisition accounting consolidation	District Court for the Capital City of Warsaw. Nineteenth Economic Division of the National Court Register. entry no. KRS 0000090905	50.001	50.001	holds 100% of shares in Best Leasing Sp. z o.o.; 100% of shares in BREL-AG Sp. z o.o.; 100% of shares in BREL-BUD Sp. z o.o.; 100% in BREL-FIN Sp. z o.o.; 100% in BRELIM Sp. z o.o.; 100% in BRELINVEST Sp. z o.o.; 37,5% of shares in BREL-AL Sp. z o.o.; 25% of shares in BREL-MAR Sp. z o.o.; 2% of shares in BREL-RES Sp. z o.o.
<b>29</b>	RHEINHYP-BRE Bank Hipoteczny S.A.	Warsaw	bank	acquisition accounting consolidation	District Court for the Capital City of Warsaw. Nineteenth Economic Division of the National Court Register. entry no. KRS 0000003753	50.00	50.00	
<b>30</b>	BEST LEASING Sp. z o.o.	Tczew	leasing	equity accounting valuation		50.00	50.00	
<b>31</b>	BREL-AG Sp. z o.o.	Warsaw	real estate leasing	equity accounting valuation		50.00	50.00	
<b>32</b>	BREL-BUD Sp. z o.o.	Warsaw	real estate leasing	equity accounting valuation		50.00	50.00	
<b>33</b>	BREL-FIN Sp. z o.o.	Warsaw	real estate leasing	equity accounting valuation		50.00	50.00	

<b>34</b>	BRELIM Sp. z o.o.	Warsaw	real estate leasing	equity accounting valuation	50.00	50.00		
<b>35</b>	BRELINVEST Sp. z o.o.	Warsaw	real estate leasing	equity accounting valuation	50.00	50.00		
<b>36</b>	BREL-MAR Sp. z o.o.	Warsaw	real estate leasing	equity accounting valuation	30.50	30.50		
<b>37</b>	eCard SA	Warsaw	IT services	equity accounting valuation	28.57	28.57		
<b>38</b>	Xtrade S.A.	Warsaw	services	equity accounting valuation	24.90	24.90		
<b>39</b>	BREL-RES Sp. z o.o.	Warsaw	leasing	equity accounting valuation	24.52	24.52		
<b>40</b>	Tele-Tech Investment Sp. z o.o.	Warsaw	services	acquisition accounting consolidation	District Court for the Capital City of Warsaw. Economic Court. Nineteenth Economic Division of the National Court Register. nr RHB 56039	24.00	24.00	holds 98% of shares in BREL-RES Sp. z o.o.; 75% of shares in BREL-MAR Sp. z o.o.; 50% of shares in BRE Private Equity I Sp. z o.o. and 30% of shares in BRE.locum Sp. z o.o.
<b>41</b>	Szeptel S.A. <sup>2)</sup>	Szepietowo	services	equity accounting valuation	21.49	21.45		
<b>42</b>	BREL-AL Sp. z o.o.	Warsaw	real estate leasing	equity accounting valuation	18.75	18.75		

1) The company was formed in May 2002 and did not start operations (did not draft financial statements as at 30 June 2002)

2) Based on Q2 report

All companies consolidated in the previous period were consolidated in the current period.

<b>COMPANIES NOT CONSOLIDATED OR VALUATED USING THE EQUITY METHOD</b>								
<b>No.</b>	<b>NAME</b>	<b>Seat</b>	<b>Core business</b>	<b>Why not consolidated/valuated using the equity method</b>	<b>Stake in the capital of other Group companies</b>	<b>Total assets</b>	<b>Interest income from banking business or net income from sales of goods and products and non-banking financial transactions</b>	<b>Net profit (loss) of this year</b>
1	Serwis Finansowy Sp. z o.o.	Gdynia	services	company under liquidation		0	0	0
2	Skarbiec Serwis Finansowy Sp. z o.o. <sup>1)</sup>	Warsaw	services	company started its operations in July 2002 (did not draft financial statements as at 30 June 2002)		0	0	0
3	CIMC Midas plc <sup>2)</sup>	Dublin, Ireland	investment fund	shares cancelled in July 2002		0	0	0
4	BMF (UK)	London	consulting services	sub-subsidiary (100% owned by BRE Corporate Finance SA)		460	0	0
5	BMF Capital	Warsaw	consulting services	sub-subsidiary (100% owned by BRE Corporate Finance SA)		120	0	0
6	BMF Pro-Fit	Wrocław	consulting services	sub-affiliate (50% of shares owned by BRE Corporate Finance SA)		0	0	0
7	Regionalne Towarzystwo Budownictwa Społecznego SA under liquidation	Częstochowa	construction	sub-affiliate (50% of shares owned by Bank Częstochowa SA)		0	0	0

1) The company started its operations in July 2002 (did not draft financial statements as at 30 June 2002)

2) The company started its operations in January 2002 (did not draft financial statements as at 30 June 2002)

## ***Comparability Adjustments***

BRE Bank SA adjusted the presentation of comparable data both in the financial statements of the Group and the financial data of the Bank but it did not apply new valuation policies to those data.

The main adjustments of the balance sheet as at 30 June 2001 include:

### Assets

- PLN 16,177 thousand of receivables from governmental institutions was shown as a separate category;
- PLN 12,052 thousand of the right of perpetual usufruct of land was moved from intangible fixed assets to tangible fixed assets;
- PLN 4,129 thousand of start-up costs of corporate expansion was moved from intangible fixed assets to accruals;
- PLN 6,519 thousand of development investment was moved from tangible fixed assets to investment in intangible fixed assets;
- deferred tax assets were adjusted by PLN 387,573 thousand.

### Liabilities

- PLN 146,029 thousand of liabilities to governmental institutions was shown as a separate category;
- PLN 1,339,898 thousand of liabilities under financial instruments, which is a balance-sheet effect of the valuation of derivatives, was shown as a separate category (previously shown under special funds and other liabilities);
- PLN 826,478 thousand of liabilities in respect of cash collateral (special deposits) was moved from special funds and other liabilities to liabilities to financial institutions (PLN 676,020 thousand) and liabilities to clients and governmental institutions (PLN 150,458 thousand);
- deferred tax liabilities were adjusted by 387,573 thousand.

The composition of the Capital Group and consolidation methodologies applied to some companies were different at 30 June 2001. The Consolidated Financial Statements as at 30 June 2001 comprised the following companies:

- |  |                   |
|--|-------------------|
| 1. BRE Bank S.A.   | – holding company |
| 2. Pierwszy Polski Fundusz Rozwoju – BRE Sp. z o.o                                   | – subsidiary      |
| 3. Drugi Polski Fundusz Rozwoju – BRE Sp. z o.o.                                     | – subsidiary      |
| 4. Dom Inwestycyjny BRE Banku S.A.   | – subsidiary      |
| 5. Business Management & Finance S.A.<br>(as of July 2001: BRE Corporate Finance SA) | – subsidiary      |
| 6. PTE Skarbiec-Emerytura S.A.   | – subsidiary      |
| 7. Skarbiec TFI S.A.   | – subsidiary      |
| 8. BEST S.A.   | – subsidiary      |
| 9. BRE Private Equity I Sp. z o.o.   | – affiliate       |
| 10. BRE Leasing Sp. z o.o.   | – affiliate       |
| 11. RHEINHYP-BRE Bank Hipoteczny S.A.  | – subsidiary      |
| 12. Intermarket Bank A.G.  | – subsidiary      |
| 13. Transfinance a.s.  | – subsidiary      |

Acquisition accounting consolidation covered Pierwszy Polski Fundusz Rozwoju – BRE Sp. z o.o., Drugi Polski Fundusz Rozwoju – BRE Sp. z o.o., Dom Inwestycyjny BRE Banku SA, and RHEINHYP-BRE Bank Hipoteczny SA. The other companies were consolidated using the equity method in the Consolidated Financial Statements at 30 June 2001.

In the reporting period, the company Drugi Polski Fundusz Rozwoju – BRE Sp. z o.o. was transformed, the company Pierwszy Polski Fundusz Rozwoju – BRE Sp. z o.o. was incorporated, and the company BRE Fundusz Kapitałowy Sp. z o.o. was formed. In December 2001, the Bank sold all shares in BEST SA. The company BRE Leasing Sp. z o.o. is a subsidiary of BRE Bank SA as of February 2002.

### ***Adjustments in the Financial Statements due to the Auditor's Reservations in the Financial Statements of the Last Year***

The auditors made no reservations about the 2001 Financial Statements of the holding company and the other companies covered by the Consolidated Financial Statements.

### ***The Effect of the New Accounting Principles in the Capital Group***

The Bank adjusted the presentation of comparable data both in the financial statements of the Group and the financial data of the Bank but it did not apply new valuation policies to those data.

The Bank converted the closing balance of 2001 into the opening balance at 1 January 2002. The effect of the conversion to the profitability of previous years was PLN 191,576 thousand down. This was due to the following:

- equity method valuation of subordinated companies – down PLN 209,523 thousand;
- fair value of equity securities – up PLN 10,019 thousand;
- fair value of debt securities – up PLN 9,681 thousand;
- capitalised interest on regular debt moved from suspended income to the profit of previous years – up PLN 2,598 thousand; the discount on purchased debt was also moved in the same way – up PLN 1,249 thousand;
- interest due and not due from watch debt shown in 2001 under interest income charged to the profitability of previous years – down PLN 1,739 thousand;
- deferred tax due to the conversion – down PLN 3,861 thousand.

At 1 January 2002, the securities portfolio was reviewed and rated depending on the intention of the purchase.

Debt securities are rated as follows:

- “Designated for trading” – where the intention is to generate profits owing to short-term (up to 3 months) price fluctuations. In general, the portfolio comprises securities previously rated as trading securities.
- “Held to maturity” – acquired with the intention of actual keeping till maturity. This category comprises NBP bonds acquired as a result of the reduced mandatory reserve rate

not subject to the provisions of Resolution No. 5/6/PPK/2002 of the Management Board of the National Bank of Poland dated 8 February 2002.

- “Loans given and own receivables” – acquired as a result of the provision of cash to the other party (issuer).
- “Available for sale” – other securities which do not meet the criteria of instruments “Designated for trading”, “Held to maturity”, and “Loans given and own receivables”. In general, the portfolio comprises securities previously rates as investment securities.

Debt securities rated as “Designated for trading” and “Available for sale” are stated, as of 1 January 2002, at fair value while those rated as “Held to maturity” and “Loans given and own receivables” at depreciated cost.

Equity securities are rated as follows:

- “Designated for trading” – where the intention is to generate profits owing to short-term (up to 3 months) price fluctuations. In general, the portfolio comprises securities previously rated as trading securities.
- Shares and stocks in subordinated companies, i.e., subsidiaries which the Bank controls or jointly controls, and affiliates where the Bank is a significant investor.
- “Available for sale” – other securities which do not fit into the other categories.

Equity securities rated as “Designated for trading” and “Available for sale” are stated, as of 1 January 2002, at fair value; if the fair value cannot be reasonably set, they are shown at depreciated cost. Shares and stocks in subordinated companies are valued based on the equity method.

At 1 January 2002, debt securities and equity securities rated as “Designated for trading” and “Available for sale” were shown at fair value.

The presentation policy was changed for the income tax. Deferred income tax liabilities and assets are shown separately in the balance sheet. Change in their balances, if the deferred tax liabilities and assets relate to items shown under equity, is also shown under equity.

The amended Accountancy Act in force as of 1 January 2002 introduced new principles of presentation of leasing contracts. Pursuant to Art. 3.4 of the Act, leasing contracts executed by BRE Leasing are disclosed as financial leases.

Under regulations amending the Act and based on Art. 4.1, BRE Leasing Sp. z o.o. converted operational leasing contracts in order to calculate the leasing investment (in line with IAS 17). Based on this calculation, the opening balance was adjusted by taking off the net value of leased fixed assets, foreign exchange differences credited to deferred income, income from disproportionately high leasing fees credited to deferred income, and by adding leasing receivables. The difference, taking account of deferred tax, of PLN (2,241 thousand) was moved to the retained profit of previous years.

Following the conversion, the policy of recognising foreign exchange differences and depreciation changed. Leasing receivables denominated in foreign currencies are shown as foreign exchange assets subject to valuation. Valuation of foreign exchange items is credited to financial income. Depreciation of leased assets is not accrued; leasing fees are not credited to income. Income includes the interest portion of leasing fees. Deferred tax due to the different methodology of calculating income for tax and reporting purposes is set as the difference between the value of leased fixed assets defined for tax purposes and the balance of leasing receivables.

The provisioning policy changed. The provision against probable loss from the sale of leased assets under terminated contracts was replaced with a provision for principal not repaid at the time of termination less expected income from the sale of recovered leased assets.

## **Accounting Policies**

### *The Basis of the Financial Statements*

- **Holding Company**

The semi-annual Consolidated Financial Statements of BRE Bank SA were drafted according to the provisions of:

- Accountancy Act of 29 September 1994 (Journal of Laws No. 121, item 591 as amended);
- Banking Law dated 29 August 1997 (Journal of Laws No. 140, item 939, as amended) (“Banking Law”);
- Regulation of the Minister of Finance dated 10 December 2001 concerning specific accounting rules for banks (Journal of Laws No. 149, item 1673);
- Regulation of the Minister of Finance dated 12 December 2001 concerning rules of drawing up consolidated financial statements of banks and consolidated financial statements of financial holdings (Journal of Laws No. 152, item 1728);
- Regulation of the Minister of Finance dated 10 December 2001 concerning rules of provisioning against the risk related to banks’ operations (Journal of Laws No. 149, item 1672);
- Regulation of the Minister of Finance dated 12 December 2001 concerning specific rules of recognition, methods of valuation, scope of disclosure, and mode of presentation of financial instruments (Journal of Laws No. 149, item 1674);
- Corporate Income Tax Law dated 15 February 1992 (Journal of Laws No. 106, item 482, as amended) (“Income Tax Law”);
- Regulation of the Minister of Finance dated 12 December 2001 concerning the model chart of accounts for banks (Journal of Laws No. 152, item 1727);
- Regulation of the Council of Ministers dated 16 October 2001 concerning current and periodic reports submitted by issuers of securities (Journal of Laws No. 139, item 1569);
- Regulation of the Council of Ministers dated 16 October 2001 concerning specific conditions to be met by issue prospectuses and abridged prospectuses (Journal of Laws No. 139, item 1568 as amended).

- **Subsidiaries and affiliates**

The Consolidated Financial Statements were drafted on the basis of consolidation packages of Capital Group companies. Consolidation packages of the companies subject to acquisition accounting consolidation were prepared pursuant to the accounting policy described below, used by the holding company BRE Bank SA.

### **Accounting Policy Pursued by the Holding Company**

#### *Bills eligible for rediscounting at the Central Bank*

Bills eligible for rediscounting at the Central Bank comprise bills of exchange from clients classified as “regular” denominated in Polish zloty and redeemable within up to three months.

#### *Amounts due from financial institutions, customers and the public sector*

Extended credits and loans and other own amounts due, not designated for trading, are stated at depreciated cost while the discount of regular receivables is credited to income on a straight-line basis.

Amounts due are stated in the balance sheet in net amounts, i.e. at the nominal value plus accrued interest not due, due and subject to capitalisation, less specific provisions for receivables classified as “watch”, “substandard”, “doubtful”, and “lost”.

The Bank’s balance sheet does not comprise credits and amounts due purchased or subject to factoring where a large part of risks and benefits of such items remains with the seller of such receivables.

#### *Receivables/payables relating to purchase/sale of securities with a buy-back clause*

Repo and reverse repo transactions are defined as sale and purchase of securities for which a commitment has been made to repurchase or resell them at a contractual date and for a specified contractual price. Regardless of the underlying assets, the said transactions are recorded in balance sheet accounts as deposits (sale of securities) or placements (purchase of securities) secured with a lien on the securities. The transaction effects no change in the composition of the securities portfolio.

#### *Debt securities and equity securities*

Securities are stated at the date of purchase at cost adjusted for relevant transaction costs.

At the balance sheet date, the Bank states the value of securities “Designated for trading” and “Available for sale” as follows:

1. equity securities
  - if listed on stock markets, they are stated at fair value (stock price quoted on that day). For stocks listed on the Warsaw Stock Exchange, the value is set based on the closing price.
  - if not listed on stock markets, they are stated at fair value set based on information sufficient to determine the probable realisable value of securities. Such information may derive from executed securities sale contracts, preliminary contracts, and other expected benefits of the future sale of securities. If there are no grounds to determine the realisable value of securities, they are stated at depreciated cost.

- stocks and shares in subordinated companies are stated based on the equity method.

Other stocks and shares are rated as “Designated for trading” and “Available for sale” and stated at fair value.

## 2. debt securities

- if listed on stock markets or if there is an active market, they are stated at fair value (present market price).
- if there is no active market or the market is not liquid, the value is set based on discounted cash flow models.

A decrease or an increase in value, determined on the valuation date, i.e. as at the month-end, separately for each type of security, is recorded in the books of account.

The result of periodical valuation of securities rated as “Designated for trading” and “Available for sale” is credited or charged to income or cost of financial transactions.

The Bank performs an assessment of the credit risk associated with bonds issued by non-financial entities and records a specific provision to counterbalance the said risk.

The Bank sells debt securities from its portfolio, issued by the same issuer but purchased in different periods and at different prices, in accordance with the FIFO principle, which means that the securities first purchased are sold first.

Discount – if the cost is lower than the nominal value, or premium – if the cost is higher than the nominal value, are depreciated on a straight-line basis over the period from the date of purchase to the date of sale or redemption. Depreciated discount or the issuer’s premium are credited or debited to the income statement.

### Intangible and tangible fixed assets

Intangible and tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis, in accordance with the principles and rates specified in the Corporate Income Tax Law. In the past, the Bank’s tangible fixed assets were revalued periodically in accordance with the principles specified in applicable regulations. The revaluation of the said assets is shown in the revaluation reserve in the balance sheet.

The Bank’s intangible fixed assets include the cost of successfully completed development work incurred before implementation. The cost includes costs directly related to the implementation of new technologies and the justified part of costs indirectly related to the implementation. The period of depreciation is not more than 5 years.

The Bank has depreciated the principal categories of its tangible and intangible fixed assets using the following rates:

buildings and structures	2.5% - 4.0%
plant and machinery	6.0% - 12.5%
vehicles	20.0%
computer hardware	30.0%

leasehold improvements	2.5% - 10.0%
office equipment, furniture	14.0% - 20.0%
computer software	20.0% - 50.0%
goodwill	10.0%

Tangible fixed assets with a cost of less than PLN 3,500 are entered in the Fixed Asset Register and depreciated on a one-off basis upon purchase.

#### Accruals and prepayments

The Bank records prepaid expenses if the expenditure relates to the months following the month in which it was incurred.

Accruals comprise the cost of benefits provided to the Bank which do not yet constitute a liability. Accrued income also comprises income received in advance and interest payable to the Bank from irregular and watch receivables until received or written off.

#### Liabilities

The Bank's liabilities mainly arise from deposits accepted from customers and inter-bank deposits and loans. Liabilities are stated at depreciated cost, except liabilities designated for trading which are stated at fair value.

#### Specific and general provisions

The Bank records specific provisions for irregular receivables in accordance with the Regulation of the Minister of Finance dated 10 December 2001 concerning rules of provisioning against the risk related to banks' operations. General banking risk provisions are recorded in accordance with the Banking Law.

Transfers to the general risk provisions are determined in accordance with Art. 130.2 of the Banking Law. Amounts to be transferred are calculated as 1.5% of the loan portfolio based on the average value of outstanding loans less the value of loans which are covered in full by specific provisions. The general risk provisions can be used against unidentified risks of banking operations.

The Bank sets up provisions against the future cost of jubilee awards, retirement allowances and outstanding holiday on the accruals basis.

All provisions for risks and losses are taken into account in determining the financial result of the Bank.

#### Deferred tax

The Bank determines deferred income tax assets and sets up provisions for temporary differences between the assets and liabilities shown in the books of account and their value for tax purposes and the tax loss deductible in the future.

Deferred income tax assets and liabilities are set taking based on tax rates applicable in the year when the tax liability originated.

Deferred income tax assets and liabilities are shown separately in the balance sheet.

Change in the balances of deferred income tax assets and liabilities since the last financial year, if the deferred tax assets and liabilities relate to items shown under equity, is disclosed in the income statement or under equity.

### Equity

The Bank's equity comprises capital and funds accumulated by the Bank in accordance with the applicable laws, i.e. the relevant acts and the Bank's By-laws.

The Bank's share capital is stated at the amount specified in the Bank's By-laws and entered in the Trade Register at par.

Supplementary capital is accumulated from transfers from profits and a share premium. In addition, the difference between the pre- and post-revaluation balance of tangible fixed assets sold is transferred from reserves to supplementary capital.

Other reserves which serve the purposes specified in the Bank's By-laws are accumulated from transfers from profits or share premium. In addition, the difference between the pre- and post-revaluation balance of tangible fixed assets may be credited to other reserves. In accordance with the Banking Law, the Bank's general risk fund is also composed of transfers from profits.

Revaluation reserve is credited with the net difference in the value of tangible fixed assets before and after revaluation performed in accordance with the Law. The reserve represents a movement in the net value of tangible fixed assets shown in the balance sheet as a result of revaluation. Upon disposal of a tangible fixed asset (i.e. selling, giving away, scrapping or concluding that it is missing), the corresponding portion of the revaluation reserve is transferred to supplementary capital.

The profit of previous years includes all adjustments of the opening balance due to changed accounting policies of BRE Bank SA. It was credited with capitalised interest from regular receivables, accrued discount on regular receivables, valuation of debt and equity securities designated for trading and available for sale at fair value, equity method valuation of stocks and shares in subordinated companies, and debited with due and non-due interest from watch receivables. All adjustments include the effect of deferred tax. The net profit/loss of the year represents a profit/loss as shown in the income statement. The net profit is presented net of the corporate income tax charge and deferred tax liabilities.

### Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into Polish zloty on a daily basis, using the average NBP exchange rate in force on a given day, including the exchange rate in force on the last working day of the reporting period. Both realised and unrealised foreign exchange gains and losses are recognised in the income statement for a given period.

The Bank includes foreign exchange gains and losses on derivatives in its income statement on their valuation

#### Off-balance sheet derivatives and forward and future transactions

As at the balance sheet date both off-balance sheet derivatives and forward and future transactions are valued. The supreme policy in the valuation of off-balance sheet instruments is the market valuation (fair value).

Quoted derivatives and forward and future transactions are valued based on current exchange quotations as at the valuation date. Other derivatives and forward and future transactions are valued using mathematical models, based on current financial data as at the valuation date.

The result of the valuation of derivatives and forward and future transactions is shown at each time in the income statement under the result of financial transactions or the foreign exchange result.

The Bank applies the following methodology of valuation of derivatives and forward and future transactions:

#### ***Market risk instruments***

- Warrants for securities

Warrants for securities are recorded off balance sheet at the nominal values of underlying assets. Premium earned on selling a warrant is recorded in the balance sheet under other liabilities under financial instruments. The profit or loss on selling a warrant is calculated using a mathematical model and recorded in the balance sheet in correspondence with the result of financial transactions in the income statement.

- Futures

Future contracts are recorded on off-balance sheet accounts at nominal value. They are valued based on exchange quotations. Gains or losses on the valuation are recorded in the income statement under the result of financial transactions in correspondence with the nostro account in the balance sheet.

#### ***Interest rate instruments***

- Forward Rate Agreement (FRA)

Forward Rate Agreements involve purchasing/selling interest rate contracts denominated in a specific currency, with a specific amount, maturity and interest rate. The nominal value of the interest rate contract is recorded off balance sheet. The FRAs are valued using a mathematical model and recorded in the balance sheet in correspondence with the result of financial transactions in the income statement.

- Interest Rate Swap (IRS)

Interest Rate Swaps involve exchanging streams of interest payments calculated on the basis of prearranged/expected interest rates and notional amounts of transactions in individual interest sub-periods, denominated in a specific currency. The notional amount is recorded off balance sheet. Net unrealised gain/loss on IRS transactions is calculated using a mathematical model and recorded in the balance sheet in correspondence with the result of financial transactions in the income statement, whereas interest accrued as at the balance sheet date is disclosed in the balance sheet in correspondence with the result of financial transactions in the income statement.

If there are cross-currency transactions the notional amount is valued identically as in currency forward/future contracts.

- Interest rate options

Interest rate options are stated at nominal value on off balance sheet accounts. The premium received/paid on sale/purchase of the option is disclosed in other assets or other liabilities under financial instruments until cleared. Options are valued using a mathematical model and disclosed in the balance sheet in correspondence with the result of financial transactions in the income statement. The valuation of options (increase/decrease) is shown separately for options purchased and options sold.

### **Currency futures and forwards**

These transactions are disclosed by the Bank in off balance sheet accounts at nominal value. Currency purchase/sale options and currency warrants are valued using a mathematical model.

Gains/losses on spot transactions are calculated by comparing the transaction rates with the average NBP rate in force as at the valuation date.

The profit/loss on forward transactions is calculated by comparing the discounted forward transaction rate as at the valuation date with the average NBP rate as at that date.

Unrealised profit/loss on the market valuation of currency future and forward transactions is stated in the income statement under foreign exchange result.

### Determining the financial result

- Interest income

Interest income comprises income received or due on loans, inter-bank deposits and securities, calculated based on depreciated cost. Income relating to the reporting period is shown in the income statement on an accruals basis.

Interest income, including discount and capitalised interest on receivables classified as regular, is credited to the income statement and disclosed in the balance sheet in amounts due from financial institutions, customers and the public sector.

Interest due and not due, including capitalised interest, on receivables classified as irregular and watch, constitutes suspended interest until received.

Interest on irregular and watch receivables is included in interest income on a cash basis and recorded in the income statement upon receipt.

Income received in advance is recorded under accruals and recorded in the income statement of the period to which it relates.

Interest income also comprises capital gains on sales of debt securities.

- Interest expense

Interest expense comprises interest paid and accrued on clients' deposits and own securities issued by the Bank, calculated based on depreciated cost.

Interest payable is calculated on a cumulative basis as at the end of each day. Costs relating to a given reporting period are recorded in the income statement on an accruals basis.

- Commission

Commission mainly comprises income other than interest received on loans and bank guarantees granted. Commission also comprises the Bank's fees for conducting cash transactions, maintaining accounts for clients, making money transfers, fees relating to letters of credit, and other charges. Commission also comprises income from brokerage activities. Commission is considered immaterial or a direct fee for specific activities and is credited to the income statement when paid.

Commission cost which comprises payments made in connection with loans raised, re-financing transactions, letters of credit, collection procedures and foreign exchange transactions is considered immaterial and charged to costs when paid.

- Income from shares and other securities

This income includes dividends received from entities in which the Bank holds shares and stocks. Dividends are recognised in the income statement upon receipt.

- Result on financial transactions

This item comprises gains/losses on the sale of securities and gains/losses on transactions in derivatives recognised upon receipt of payment. It also comprises increases and decreases in the value of securities designated for trading and available for sale, and the result of the valuation of market risk and interest rate risk derivatives.

- Foreign exchange result

Foreign exchange result comprises both realised and unrealised foreign exchange gains and losses, as well as the result of the valuation of foreign exchange risk derivatives.

Realised income and costs denominated in foreign currencies were translated at the transaction rate and unrealised income and cost at the NBP mid-exchange rate as at the balance sheet date.

- Provisions and write-downs

Provisions are created in respect of:

- regular receivables – consumer credits and loans;
- irregular and watch receivables;
- off-balance sheet liabilities;
- costs to be incurred;
- general risk;
- future costs.

Specific provisions cover the risks associated with individual transactions. Provisions for risk associated with specific transactions relate to off-balance sheet assets and liabilities which were analysed on an individual basis and classified as watch, sub-standard, doubtful or lost.

The classification is performed in accordance with the Regulation of the Minister of Finance dated 10 December 2001 concerning rules of provisioning against the risk related to banks' operations. The general risk provision is set up in accordance with the provisions of the Banking Law.

**Main items of consolidated balance sheet, the income statement, and the cash flow statement**  
(in EUR'000)

	30.06.2002	30.06.2001
<b>MAIN ITEMS OF ASSETS</b>		
Cash in hand and with the central bank	130 827	130 430
Debt securities eligible for rediscounting at NBP	18 741	23 874
Receivables from financial institutions	555 550	637 157
Receivables from clients and the public sector	3 386 686	2 443 942
Receivables from securities with the promise of repurchase	21 057	-
Debt securities	1 087 439	1 010 245
Receivables from subordinated subject to equity method valuation	4 081	29 667
Stocks or shares in subsidiaries subject to equity method valuation	49 567	69 211
Stocks or shares in correlative subject to equity method valuation	-	-
Stocks or shares in associates subject to equity method valuation	11 056	16 313
Stocks or shares in other entities	7 033	8 293
Other securities and assets	182 009	159 673

Intangible fixed assets	54 593	59 155
Goodwill of subsidiaries	32 489	37 779
Tangible fixed assets	241 908	238 312
Other assets	723 674	498 862
Accruals	246 806	173 244
Total assets	6 753 516	5 536 158

#### **MAIN ITEMS OF LIABILITIES AND EQUITY**

Amounts due to the Central Bank	31 722	48 709
Amounts due to the financial sector	1 968 134	1 561 573
Amounts due to customers and the public sector	2 587 202	2 488 977
Amounts due to sold securities with the promise of repurchase	50 605	-
Amounts due to issue own securities	379 659	296
Other amounts due to financial instruments	595 537	396 619
Amounts due to subordinated subject to equity accounting valuation	1 619	18 519
Special funds and other liabilities	160 886	85 161
Accruals, deferred income and qualified income	57 658	152 696
Subordinated goodwill (negative figure)	284	-
Provisions	223 356	130 990
Subordinated loans	189 466	-
Minority capital	37 293	19 507
Share capital	22 918	27 198
Payment for share capital (negative figure)	-	-
Own shares (negative figure)	-	-
Supplementary capital	162 737	188 342
Revaluation reserve	2 461	2 391
Other reserves	337 331	369 583
Foreign exchange differences of subordinated	118	328
Profit (loss) last years	(30 614)	(760)
Net profit (loss)	(26 915)	43 427
Total liabilities	6 753 516	5 536 158

#### **MAIN ITEMS OF INCOME STATEMENT**

Net interest income	48 439	46 587
Net commission income	29 488	35 330
Result on financial transactions	(9 491)	(17 735)
Profit on banking activities	122 529	135 868
Operating profit	(13 815)	66 077
Extraordinary operations	287	21
Profit (loss) before tax	(15 914)	64 498
Net profit (loss)	(26 915)	43 427

#### **MAIN ITEMS OF CASH FLOW STATEMENT**

Equity as at the beginning of the year	499 264	998 952
Net cash from operating activities	(216 629)	(126 729)

Net profit (loss)	(26 915)	43 427
Total adjustment	(189 714)	(170 155)
Net cash from investing activities	(108 460)	(41 334)
Investing activity inflows	133 025	124 443
Investing activity outflows	241 485	165 777
Net cash from financing activities	212 300	(145 951)
Financing activity inflows	262 947	25 111
Financing activity outflows	50 647	171 062
Total net cash flows	112 789	(314 013)
Cash and cash equivalents at the end of the year	386 475	684 939

Assets and liabilities in the Consolidated Balance Sheet were converted to EUR at the average rate prevailing on 30 June 2002 quoted by the National Bank of Poland: 1 EUR = 4.0091 PLN. Items of the Consolidated Income Statement and of the Consolidated Cash Flow Statement for the six months of 2002 were converted to EUR at the rate equal to the arithmetic mean of the average NBP rates quoted on the last day of each of the six months of 2002. The average rate was 1 EUR = 3.7026 PLN.

Comparable financial data were converted as follows. Assets and liabilities in the Consolidated Balance Sheet were converted to EUR at the average rate prevailing on 30 June 2001 quoted by the National Bank of Poland: 1 EUR = 3.3783 PLN. Items of the Consolidated Income Statement and of the Consolidated Cash Flow Statement for the six months of 2001 were converted to EUR at the rate equal to the arithmetic mean of the average NBP rates quoted on the last day of each of the six months of 2001. The average rate was 1 EUR = 3.5806 PLN.

The highest rate at the end of the month in the reporting period was that in June (1 EUR = 4.0091 PLN), the lowest rate – that in April (1 EUR = 3.5910 PLN).

**BALANCE SHEET**

	as at	Note	H1 2002	2001	H1 2001
<b>ASSETS</b>					
I. Cash in hand and in the National Bank of Poland		1	524 497	745 191	440 630
II. Debt securities eligible for refinancing at NBP			75 133	66 683	80 654
III. Receivables from financial institutions		2	2 227 255	2 378 550	2 152 507
1. Short-term receivables			683 583	865 468	1 377 840
<i>a. Current receivables</i>			667 528	865 468	1 377 840
<i>b. Other short-term receivables</i>			16 055		
2. Long-term receivables			1 543 672	1 513 082	774 667
IV. Receivables from clients institutions		3	12 555 928	9 351 234	8 240 193
1. Short-term receivables			3 384 717	1 283 014	1 729 843
<i>a. Current receivables</i>			1 774 019	1 283 014	1 729 843
<i>b. Other short-term receivables</i>			1 610 698		
2. Long-term receivables			9 171 211	8 068 220	6 510 350
V. Receivables from the public sector		4	1 021 634	961 132	16 177
1. Short-term receivables			8 358		
<i>a. Current receivables</i>			6 112		
<i>b. Other short-term receivables</i>			2 246		
2. Long-term receivables			1 013 276	961 132	16 177
VI. Receivables under acquired securities with a buy-back clause		5	84 419		
VII. Debt securities		6	4 359 653	4 319 428	3 412 911
VIII. Receivables from subordinates priced with equity method		2, 3	16 362	123 476	100 224
1. Subsidiaries			15 410	122 050	61 346
2. Correlated			952	1 426	38 878
IX. Shares in subsidiaries priced with accounting consolidation		7, 10	198 721	192 872	233 817
XI. Shares in correlated companies priced with equity method		9, 10	44 326	121 868	55 111
XII. Shares in other companies		11	28 198	29 151	28 017
XIII. Other securities and financial assets		12	729 693	768 453	539 424
XIV. Intangible fixed assets, including:		14	218 868	211 813	199 845
- goodwill			65 446	70 753	76 059
XV. Goodwill from subordinates		15	130 250	120 781	127 628
XVI. Tangible fixed assets		16	969 835	876 653	805 089
XVII. Other assets		17	2 901 281	2 640 764	1 685 307
1. Assets acquired through debt recovery - for sale			27 568	22 750	23 348
2. Inventories			6 392		
3. Other			2 867 321	2 618 014	1 661 959
XVIII. Prepayments		18	989 468	782 537	585 269
1. Deferred income tax			919 817	736 639	536 691
2. Other prepayments			69 651	45 898	48 578
<b>TOTAL ASSETS</b>			<b>27 075 521</b>	<b>23 690 586</b>	<b>18 702 803</b>

<b>LIABILITIES</b>					
I. Liabilities to NBP			127 176	2 718	164 555
II. Liabilities to other financial institutions		21	7 890 447	8 056 380	5 275 462
1. Short-term liabilities			1 888 510	2 341 275	2 365 792
<i>a. Current liabilities</i>			1 214 342	2 341 275	2 365 792
<i>b. Other short-term liabilities</i>			674 168		
2. Long-term liabilities			6 001 937	5 715 105	2 909 670
III. Liabilities to clients institutions		22	10 174 617	9 856 532	8 262 483
1. Short-term liabilities			4 439 427	2 203 296	1 830 001
<i>a. Current liabilities, including:</i>			4 091 518	2 203 296	1 830 001
- <i>saving deposits</i>			1 114 065	614 422	567 924
<i>b. Other short-term liabilities, including:</i>			347 909		
- <i>saving deposits</i>			4 189		
2. Long-term liabilities, including:			5 735 190	7 653 236	6 432 482
- <i>saving deposits</i>			486 130	458 172	
IV. Liabilities to governmental institutions		23	197 734	168 382	146 029
1. Short-term liabilities			63 443	28 371	26 974
<i>a. Current liabilities</i>			62 558	28 371	26 974
<i>b. Other short-term liabilities</i>			885		
2. Long-term liabilities			134 291	140 011	119 055
V. Securities sold with a buy-back clause		24	202 881		
VI. Securities issued		21,22,23,25	1 522 092	3 015	1 001

1. Short-term securities		30 622	3 015	
2. Long-term securities		1 491 470		1 001
VII. Other financial instruments liabilities		2 387 569	1 603 056	1 339 898
VIII. Liabilities to subordinates priced with equity method	21, 22	6 489	77 667	62 564
1. Subsidiaries		6 052	53 622	24 527
3. Affiliates		437	24 045	38 037
IX. Special funds and other liabilities	26	645 008	70 353	287 701
X. Accruals and deferred income	27	231 155	763 946	515 853
1. Cost prepayments		45 810	69 213	5 128
3. Other deferred and qualified income		185 345	694 733	510 725
XI. Goodwill of subordinated companies (negative amount)	28	1 140		
XII. Provisions	29	895 456	784 603	442 523
1. Deferred income tax provision		854 998	693 839	387 800
2. Other		40 458	90 764	54 723
<i>a. short-term</i>		19 590	90 764	54 723
<i>b. long-term</i>		20 868		
XIII. Subordinated liabilities	30	759 589	31 268	
XIV. Capitals of minority shareholders	31	149 513	71 041	65 901
XV. Share capital	32	91 882	91 882	91 882
XVIII. Supplementary capital	34	652 427	622 559	636 275
XIX. Revaluation capital	35	9 868	8 063	8 078
XX. Other reserve capital	36	1 352 395	1 248 541	1 248 563
XXI. FX gains/losses from the conversion of subordinates		472	(3 950)	1 109
a. Foreign exchange gains		3 604		2 394
b. Foreign exchange losses		(3 132)	(3 950)	(1 285)
XXII. Net profit (loss) from previous years		(122 735)	13 130	(2 567)
XXIII. Net profit (loss)		(99 654)	221 400	155 493
<b>TOTAL LIABILITIES</b>		<b>27 075 521</b>	<b>23 690 586</b>	<b>18 702 803</b>

Solvency ratio	37	11,69	12,05	13,27
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Book value		1 884 655	2 201 625	2 138 833
Number of shares		22 970 500	22 970 500	22 970 500
Book value per share [PLN]	38	82,05	95,85	93,11
Projected number of shares		22 970 500	22 970 500	22 970 500
Diluted book value per share [PLN]	38	82,05	95,85	93,11

## OFF BALANCE SHEET ITEMS

	as at	Note	H1 2002	2001	H1 2001
I. Contingent liabilities extended and received			6 062 268	7 206 211	6 275 743
1. Liabilities extended		39	5 370 564	6 635 767	5 912 524
a) financing			3 984 242	4 175 115	4 055 133
b) guarantees			1 386 322	2 460 652	1 857 391
2. Liabilities received		40	691 704	570 444	363 219
a) financing			227 052	184 543	136 168
b) guarantees			464 652	385 901	227 051
II. Liabilities related to realised purchase/sale transactions			197 382 110	142 810 529	140 144 593
III. Other (due to)			166 851	150 153 098	
- factoring receivables			166 851		
- right to shares bought				68 179	
<b>TOTAL OFF-BALANCE-SHEET ITEMS</b>			<b>203 611 229</b>	<b>150 084 919</b>	<b>146 420 336</b>

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the period	Note	H1 2002	H1 2001
I. Interest income	41	853 782	878 033
II. Interest expense	42	674 433	711 222
III. Net interest income (I-II)		179 349	166 811
IV. Commission income	43	139 103	145 122
V. Commission expense		29 921	18 618
VI. Net commission income (IV-V)		109 182	126 504
VII. Net income of goods sold		19 777	
VIII. Cost of goods sold		588	
X. Profit on sale (VII-VIII-IX)		19 189	
XI. Profit (loss) on variable income shares, associated interests and other financial instruments	44	7 797	5 539
1. From subsidiaries		4 042	3 375
3. From affiliates		3 267	420
4. From others		488	1 744
XII. Profit on financial operations	45	-35 140	-63 503
XIII. Foreign exchange gains/losses		173 300	251 139
XIV. Profit (loss) on banking activity		453 677	486 490
XV. Other operating income	46	97 900	66 905
XVI. Other operating expenses	47	82 026	7 716
XVII. Overheads	48	326 609	216 623
XVIII. Depreciation of tangible and intangible fixed assets		71 849	58 462
XIX. Appropriation for provisions and revaluation	49	327 980	170 966
1. Transfer to specific provisions and to general banking risk		326 327	170 966
2. Revaluation of financial assets		1 653	
XX. Reversal of provisions and revaluation	50	205 734	136 966
1. Transfer to specific provisions and to general banking risk		205 288	136 966
2. Revaluation of financial assets		446	
XXI. Difference in provisions and revaluation appropriations and reversal (XIX-XX)		122 246	34 000
XXII. Profit before extraordinary items		-51 153	236 594
XXIII. Profit (loss) on extraordinary items		1 061	75
1. Extraordinary gains	52	1 696	227
2. Extraordinary losses	53	635	152
XXIV. Appropriations of goodwill of subordinates	54	9 072	11 872
XXV. Transfer of negative amount of subordinates' goodwill	55	240	6 144
XXVI. Gross profit (loss) before tax		-58 924	230 941
XXVII. Income tax	56	-23 689	52 426
1. Current part		5 243	169 752
2. Postponed part		-28 932	-117 326
XXIX. Participation in profit (loss) of subordinated companies priced with equity method		-61 331	-22 554
XXX. (Profit) Loss of minority shareholders		3 088	468
<b>XXXI. Net profit (loss)</b>	<b>58</b>	<b>-99 654</b>	<b>155 493</b>
Net profit (loss) (for 12 months)		-33 747	324 336
Weighted average number of ordinary shares		22 950 700	22 942 083
Net profit (loss) per 1 ordinary share [PLN]	59	-1	14
Projected weighted average number of ordinary shares		22 950 700	22 942 083
Diluted net profit (loss) per 1 ordinary share [PLN]	59	-1	14

## MOVEMENTS IN EQUITY

	for the period	H1 2002	2 001	H1 2001
I. Equity as at the beginning of the year (OB)		2 201 625	2 100 616	2 100 616
a) changes to accounting policies		18 973		
I.a. Equity as at the beginning of the year (OB) after reconciliation to comparative data		2 220 598	2 100 616	2 100 616
1. Share capital as at the beginning of the year		91 882	91 882	91 882
1.2. Share capital as at the end of the year		91 882	91 882	91 882
4. Supplementary capital as at the beginning of the year		622 559	660 136	660 136
4.1. Movements in the supplementary capital		29 868	-37 577	-23 861
a) increase (due to)		31 145	6 715	5 950
- issue of shares above nominal value			750	
- (statutory) appropriation of profit		400	5 941	5 941
- sale of tangible fixed assets			24	9
- reclassification from reserves		234		
- exclusion from the consolidation in respect of sale of company		30 511		
b) decrease (due to)		1 277	44 292	29 811
- coverage of losses		0	44 292	29 811
- agio correction in respect of changing the method of consolidation		750		
- capital liquidation in respect of payment to shareholders		527		
4.2. Supplementary capital as at the end of the year		652 427	622 559	636 275
5. Revaluation reserve as at the beginning of the year		8 063	8 087	8 087
5.1. Movements in revaluation reserve		1 805		
a) increase (due to)		3 015		
- value increase in respect of foreign exchange gains and losses		2 800		
- pricing the units of participation		215		
b) decrease (due to)		1 210		
- sale of tangible fixed assets			24	9
- pricing the security swap		1 210		
5.2. Revaluation reserve as at the end of the year		9 868	8 087	8 087
6. General banking risk reserve as at the beginning of the year		453 000	353 000	353 000
6.1. Movements in general banking risk reserve		105 000	100 000	100 000
a) increase (due to)		105 000	100 000	100 000
- appropriation of profit		105 000	100 000	100 000
6.2. General banking risk reserve as at the end of the year		558 000	453 000	453 000
7. Other reserves as at the beginning of the year		795 541	656 441	656 441
7.1. Movements in other reserves		-1 146	139 100	139 122
a) increase (due to)		304	139 100	139 122
- appropriation of profit		148	138 475	138 475
- inclusion the company to consolidation		156	625	647
b) decrease (due to)		1 450		
- reclassification to supplementary capital		234		
- dividends payment in advance		1 216		
7.2. Other reserves as at the end of the year		794 395	795 541	795 563
8. Foreign exchange losses on the translation of subordinated companies		472	-3 950	1 109
9. Profit or loss from previous years as at the beginning of the year		234 530	330 927	330 927
9.1. Profit from previous years as at the beginning of the year		238 677	356 024	356 024
a) changes to accounting policies		10 477		
9.2. Profit from previous years as at the beginning of the year after reconciliation to comparative data		249 154	356 024	356 024
9.3. Change of profit from previous years		-365 949	-360 171	-361 999
a) increase (due to)		1 559	2 678	849
- inclusion the company to consolidation with accounting method		1 559	1 972	849
- dividends received from companies included for the first time			706	
b) decrease (due to)		367 508	362 849	362 848
- transfer to the general banking risk reserve		105 000	100 000	100 000
- transfer to other reserves		148	138 475	141 075
- transfer to supplementary capital		400	5 941	3 341
- dividends for the shareholders		229 974	114 853	114 853
- transfer to the Social Fund		1 475	3 412	3 412

- other		168	167
- exclusion from the consolidation in respect of sale of company	30 511		
9.4. Profit from previous years as at the end of the year	-116 795	-4 147	-5 975
9.5. Loss brought forward as at the beginning of the year	-4 147	-25 097	-25 097
a) changes to accounting policies	8 496	-348	263
9.6. Loss brought forward as at the beginning of the year after reconciliation to comparative data	4 349	-25 445	-24 834
9.7. Change of loss brought forward	-10 289	42 722	28 242
a) increase (due to)	-10 289	-1 570	-1 569
- inclusion the company into the consolidation	-10 289	-1 570	-1 569
b) decrease (due to)		-44 292	-29 811
- coverage from supplementary capital		-44 292	-29 811
9.8. Loss brought forward as at the end of the year	-5 940	17 277	3 408
9.9. Retained earnings or loss brought forward as at the end of the year	-122 735	13 130	-2 567
10. Net profit (loss)	-99 654	221 400	155 493
a) net profit		221 400	155 493
b) net (loss)	-99 654		
<b>II. Equity as at the end of the year (CB)</b>	<b>1 884 655</b>	<b>2 201 649</b>	<b>2 138 842</b>

## CASH FLOW STATEMENT

	H1 2002	H1 2001
<b>A. Net cash flows from operating activities</b>		
I. Net profit (loss)	-99 654	155 493
II. Total adjustments for:	-702 435	-609 258
1. Profit (loss) of minority shareholders	3 088	468
2. Participation in (profit) loss of companies consolidated with equity method	61 331	22 554
3. Depreciation, including:	71 849	64 190
- appropriations of consolidated goodwill and negative figure of consolidated goodwill	8 832	
4. Foreign exchange gains/losses	70 512	-1 286
5. Interest and dividends	10 618	55 034
6. (Profit) loss on investments	39 381	-179 119
7. Change in provisions	135 271	1 323
9. Change in debt securities	-188 182	-853 439
10. Change in receivables from financial institutions	-170 158	103 611
11. Change in receivables from clients and the public sector	-1 783 732	-1 435 727
12. Change in receivables from the bought shares with buy-back clause	-84 419	
13. Change in shares, other securities and other financial assets	-28 453	196 049
14. Change in liabilities from financial institutions	-1 174 333	534 449
15. Change in liabilities from clients and the public sector	230 795	666 024
16. Change in liabilities from the bought shares with buy-back clause	202 881	
17. Change in liabilities under securities	1 519 077	-4 010
18. Change in other liabilities	1 060 543	40 616
19. Change in prepayments	-162 250	162 697
20. Change in deferred income	-516 254	17 308
III. Net cash flows from operating activities (I+/-II) - indirect method	-802 089	-453 765
<b>B. Net cash flows from investment activities</b>		
I. Inflows	492 539	445 581
1. Sale of shares in subsidiaries	73 520	38 622
3. Sale of shares in correlated affiliates		197 863
4. Sale of shares in other companies, other securities and other financial assets	408 718	197 231
5. Sale of intangible and tangible fixed assets	1 943	4 690
7. Other investment inflows	8 358	7 175
II. Outflows	894 124	593 580
1. Purchase of shares in subsidiaries	161 831	157 009
3. Purchase of shares in correlated affiliates	5 712	129 708
4. Purchase of shares in other companies, other securities and other financial assets	370 094	232 020
5. Purchase of intangible and tangible fixed assets	42 743	74 843
6. Investments in properties and intangible fixed assets	313 744	
III. Net cash flows from investment activities (I-II)	-401 585	-147 999
<b>C. Net cash flows from finance activities</b>	786 061	-522 592
I. Inflows	973 586	89 913
1. Long term loans received from banks	79 610	89 913
3. Issue of debt securities	164 224	
4. Increase of subordinated loans	729 752	
II. Outflows	187 525	612 505
1. Long term loans repaid to banks	69 802	406 163
2. Long term loans repaid to other financial institutions	57 773	29 033
3. Redemption of bonds and other securities issued to other financial institutions		6
7. Dividend paid to the shareholders	3 655	114 853
11. Other expenses	56 295	62 450
III. Net cash flows from finance activities (I-II)	786 061	-522 592
<b>D. Total net cash flows (A+/-B+/-C)</b>	-417 613	-1 124 356
<b>E. Net change in cash as at the balance sheet date</b>	-417 613	-1 124 356
- including change in cash due to fx gains/losses		-5 096
<b>F. Cash at the beginning of the period</b>	1 848 574	3 576 849
<b>G. Cash at the end of the period (F+/- D)</b>	1 430 961	2 452 493

**NOTES**  
**NOTES TO THE CONSOLIDATED BALANCE SHEET**

**Note 1A**

<b>CASH WITH THE CENTRAL BANK</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a. Current account	524 497	745 191	440 630
<b>Total cash in the central bank</b>	<b>524 497</b>	<b>745 191</b>	<b>440 630</b>

**Note 1B**

<b>CASH (BY CURRENCY)</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a. Polish currency	500 681	725 702	425 722
b. Foreign currency (by currency, converted into PLN)	23 816	19 489	14 908
b1. unit/currency thou USD	2 357	2 095	1 986
thou PLN	9 526	8 353	7 918
b2. unit/currency thou EUR	2 237		
thou PLN	8 968		
b3. unit/currency thou GBP	149	111	138
thou PLN	919	640	773
b4. unit/currency thou SEK	916		
thou PLN	403		
b5. unit/currency thou CHF	222	196	172
thou PLN	604	466	382
b6. unit/currency thou NOK	1 350		
thou PLN	729		
b7. Other currency [thou PLN]	2 667	10 030	5 835
<b>Total cash</b>	<b>524 497</b>	<b>745 191</b>	<b>440 630</b>

Mandatory legal cash reserves:

- a mandatory reserve is held in a current account with NBP; as at 30 June 2002, it was declared at PLN 528,020 thousand. The Bank uses the mandatory reserve according to the principle that the average monthly balance in the current account with NBP and cash in hand should be not less than the declared figure.

**Note 2A**

<b>RECEIVABLES FROM FINANCIAL INSTITUTIONS (BY TYPE)</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) Current accounts	554 005	870 156	1 380 537
b) Loans, placements, and other borrowings, including:	1 627 675	1 614 966	880 882
- placements in another banks and other financial institutions	992 380	906 873	340 917
c) Receivables purchased	19 837	21 040	22 855
d) Realised guarantees and warranties	9 760	9 626	19 628
e) Other receivables	84 028		9 279
- debits to be explained	17 100	39 025	9 279
- other receivables	66 928		
f) Interests:	29 038	28 315	23 314
- not due	22 761	22 611	20 277
- due	6 277	5 704	3 037
<b>Total gross receivables from financial institutions</b>	<b>2 324 343</b>	<b>2 544 103</b>	<b>2 336 495</b>
g) Provision against receivables from financial institutions (negative figure)	-83 318	-84 009	-86 638
<b>Total net receivables from financial institutions</b>	<b>2 241 025</b>	<b>2 460 094</b>	<b>2 249 857</b>

Value of credits and loans to financial institutions, counted without interests, is PLN 2.710 thousand.

## Note 2B

<b>RECEIVABLES FROM FINANCIAL INSTITUTIONS (BY MATURITY)</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) Current amounts due	680 131	870 156	1 380 537
b) Term amounts due within (as at the balance sheet date):	1 615 174	1 684 657	932 644
- up to 1 month	347 362	344 220	218 488
- 1 to 3 months	77 246	94 828	129 295
- 3 months to 1 year	256 974	165 445	168 026
- 1 to 5 years	824 286	954 961	332 012
- over 5 years	27 601	44 367	13 352
- overdue	81 705	80 836	71 471
c) Interest	29 038	28 315	23 314
- not due	22 761	22 611	20 277
- due	6 277	5 704	3 037
<b>Total gross receivables from financial institutions</b>	<b>2 324 343</b>	<b>2 583 128</b>	<b>2 336 495</b>

The balance of receivables recorded in account 190 was stated in term amounts due within up to 1 month as at the balance sheet date.

## Note 2C

<b>RECEIVABLES FROM FINANCIAL INSTITUTIONS (BY ORIGINAL MATURITY)</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) Current amounts due	680 131	870 156	1 380 537
b) Term amounts due within (as at the balance sheet date):	1 615 174	1 684 657	932 644
c) Interest	29 038	28 315	23 314
- not due	22 761	22 611	20 277
- due	6 277	5 704	3 037
<b>Total gross receivables from financial institutions</b>	<b>2 324 343</b>	<b>2 583 128</b>	<b>2 336 495</b>

The Bank's accounting records are not sufficient to present data aggregated by original maturity.

## Note 2D

<b>RECEIVABLES FROM FINANCIAL INSTITUTIONS (BY CURRENCY)</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a. Polish currency	477 359	561 469	
b. Foreign currency (by currency, converted into PLN)	1 846 984	2 021 659	
b1. unit/currency thou USD	189 701	148 007	
thou PLN	766 735	589 998	
b2. unit/currency thou EUR	246 853	366 622	
thou PLN	989 834	1 291 205	
b3. unit/currency thou GBP	759	8 617	
thou PLN	4 716	49 741	
b4. unit/currency thou SEK	7 306		
thou PLN	3 219		
b5. unit/currency thou CHF	9 682	18 394	
thou PLN	26 361	43 706	
b6. unit/currency thou NOK	29 093	28 128	
thou PLN	15 722	12 422	
b7. Other currency [thou PLN]	40 397	34 587	
<b>Total gross receivables from financial institutions</b>	<b>2 324 343</b>	<b>2 583 128</b>	

## Note 2E

<b>(GROSS) RECEIVABLES FROM FINANCIAL INSTITUTIONS</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
1. Regular receivables	2 154 930	2 388 356	2 188 012
2. "Watch" receivables		32 066	9 335
3. Irregular receivables, including:	140 375	134 391	115 834
- substandard	11 122	915	13 722
- doubtful	45 163	49 915	
- lost	84 090	83 561	102 112
4. Interest:	29 038	28 315	23 314
a) not due	22 761	22 611	20 277
b) due	6 277	5 704	3 037
- on regular and "watch" receivables	1		
- on irregular receivables	6 276	5 704	3 037
<b>Total gross receivables from financial institutions</b>	<b>2 324 343</b>	<b>2 583 128</b>	<b>2 336 495</b>

## Note 2F

<b>VALUE OF COLLATERAL DEDUCTIBLE AGAINST THE BASIS FOR PROVISIONS AGAINST RECEIVABLES FROM FINANCIAL INSTITUTIONS</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
b) irregular	49 456	37 259	15 722
- substandard	8 380	501	11 045
- doubtful	33 855	25 660	
- lost	7 221	11 098	4 677
<b>Total value of collateral deductible against the basis for provisions against receivables from financial institutions</b>	<b>49 456</b>	<b>37 259</b>	<b>15 722</b>

## Note 2G

<b>PROVISIONS AGAINST RECEIVABLES FROM FINANCIAL INSTITUTIONS</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
b) irregular receivables	83 318	84 009	86 638
- substandard	672	83	568
- doubtful	5 811	12 193	
- lost	76 835	71 733	86 070
<b>Total provisions against receivables from financial institutions</b>	<b>83 318</b>	<b>84 009</b>	<b>86 638</b>

## Note 2H

<b>MOVEMENTS IN PROVISIONS AGAINST RECEIVABLES FROM FINANCIAL INSTITUTIONS</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
<b>1. Provisions against receivables from financial institutions as at the beginning of the period</b>	<b>84 009</b>	<b>68 821</b>	<b>68 821</b>
a) increase (due to)	10 733	67 466	26 155
- provisions set up	9 752	28 907	5 484
- foreign exchange differences	981		20 671
- re-classification of provisions		29 734	
- inclusion of opening balance of company consolidated with accounting method for the first time		8 825	
b) provisions used through	7 395	3 401	3 712
- appropriation	208	679	677
- re-classification	7 187		
- foreign exchange differences		2 722	3 035
c) provisions released	4 029	48 877	4 626
- released	4 029	48 877	4 626
<b>2. Provisions against receivables from financial institutions as at the end of the period</b>	<b>83 318</b>	<b>84 009</b>	<b>86 638</b>
<b>3. Required provisions against receivables from financial institutions as at the end of the period, according the regulations</b>	<b>83 071</b>	<b>75 688</b>	<b>69 320</b>

## Note 2I

RECEIVABLES FROM FINANCIAL INSTITUTIONS	H1 2002	2 001	H1 2001
a) from companies consolidated with equity method	13 770	113 390	85 080
b) from other companies	2 310 573	2 469 738	2 164 777
<b>Total net receivables from financial institutions</b>	<b>2 324 343</b>	<b>2 583 128</b>	<b>2 249 857</b>

Irregular receivables at PLN 146,651 thousand represented 0.54% of the balance sheet total as at 30 June 2002.

## Note 3A

RECEIVABLES FROM CLIENTS SECTOR (BY TYPE)	H1 2002	2 001	H1 2001
a. Loans and borrowings	10 330 653	8 963 997	8 215 929
b. Receivables purchased	1 087 981	386 493	22 757
c. Realised guarantees and warranties	5 654	4 962	4 362
d. Other receivables (due to)	1 434 816	98 395	68 865
- debits to be explained	74 276	96 629	68 153
- financial leasing	172 897		
- operating leasing	1 137 279		
- other receivables	50 364	1 766	712
e. Interests	219 734	168 057	193 421
a) not due	171 237	124 825	159 395
b) due	48 497	43 232	34 026
<b>Total gross receivables from clients sector</b>	<b>13 078 838</b>	<b>9 621 904</b>	<b>8 505 334</b>
f. Provisions against receivables from clients sector (negative figure)	-520 317	-267 763	-262 267
<b>Total net receivables from clients sector</b>	<b>12 558 521</b>	<b>9 354 141</b>	<b>8 243 067</b>

Credits value of financial leasing is PLN 172,897 thousand.

Credits value and loans for clients sector, counted without interests, is PLN 140,346 thousand.

## Note 3B

RECEIVABLES FROM CLIENTS SECTOR (BY MATURITY)	H1 2002	2 001	H1 2001
a. Current amounts due	1 776 281	1 284 154	1 731 201
b. Term amounts due within (as at the balance sheet date):	11 082 823	8 169 693	6 580 712
- up to 1 month	522 536	364 543	362 212
- 1 to 3 months	1 376 289	454 753	491 719
- 3 months to 1 year	3 457 877	2 422 006	2 417 744
- 1 to 5 years	3 148 857	2 428 418	1 770 882
- over 5 years	2 003 814	2 073 779	1 172 222
- overdue	573 450	426 194	365 933
c. Interest	219 734	168 057	193 421
- not due	171 237	124 825	159 395
- due	48 497	43 232	34 026
<b>Total gross receivables from clients sector</b>	<b>13 078 838</b>	<b>9 621 904</b>	<b>8 505 334</b>

The balance of receivables recorded in account 290 was stated in term amounts due within up to 1 month as at the balance sheet date.

## Note 3C

RECEIVABLES FROM CLIENTS SECTOR (BY ORIGINAL MATURITY)	H1 2002	2 001	H1 2001
a. Current amounts due	1 776 281	1 284 154	1 731 201
b. Term amounts due within (as at the balance sheet date):	11 082 823	8 169 693	6 580 712
c. Interest	219 734	168 057	193 421
- not due	171 237	124 825	159 395
- due	48 497	43 232	34 026
<b>Total gross receivables from clients sector</b>	<b>13 078 838</b>	<b>9 621 904</b>	<b>8 505 334</b>

The Bank's accounting records are not sufficient to present data aggregated by original maturity.

**Note 3D**

<b>RECEIVABLES FROM CLIENTS SECTOR (BY CURRENCY)</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a. Polish currency	6 785 362	5 219 144	
b. Foreign currency (by currency, converted into PLN)	6 293 476	4 402 760	
b1. unit/currency thou USD	605 328	435 350	
thou PLN	2 446 530	1 735 435	
b2. unit/currency thou EUR	762 746	631 757	
thou PLN	3 057 717	2 224 984	
b3. unit/currency thou GBP	2 844		
thou PLN	17 572		
b4. unit/currency thou SEK	4 187		
thou PLN	1 843		
b5. unit/currency thou CHF	130 632	140 352	
thou PLN	355 661	333 475	
b6. unit/currency thou NOK	9		
thou PLN	5		
b7. Other currency [thou PLN]	414 148	108 866	
<b>Total net receivables from clients sector</b>	<b>13 078 838</b>	<b>9 621 904</b>	

**Note 3E**

<b>(GROSS) RECEIVABLES FROM CLIENTS SECTOR</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
1. Regular receivables	10 217 219	7 507 024	6 606 738
2. "Watch" receivables	816 212	746 031	592 036
3. Irregular receivables, including:	1 825 673	1 200 792	1 113 139
- substandard	400 657	321 722	364 068
- doubtful	863 466	520 665	508 976
- lost	561 550	358 405	240 095
4. Interest:	219 734	168 057	193 421
a) not due	2 977	124 825	159 395
b) due	216 757	43 232	34 026
- on regular and "watch" receivables	168 278	3 214	5 570
- on irregular receivables	48 479	40 018	28 456
<b>Total gross receivables from clients sector</b>	<b>13 078 838</b>	<b>9 621 904</b>	<b>8 505 334</b>

**Note 3F**

<b>VALUE OF COLLATERAL DEDUCTIBLE AGAINST THE BASIS FOR PROVISIONS AGAINST RECEIVABLES FROM CLIENTS SECTOR</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) regular	725		7 554
b) "watch"	16	41	292 843
c) irregular	1 234 516	871 337	717 371
- substandard	335 814	264 585	236 073
- doubtful	672 275	443 792	394 132
- lost	226 427	162 960	87 166
<b>Total value of collateral deductible against the basis for provisions against receivables from clients sector</b>	<b>1 235 257</b>	<b>871 378</b>	<b>1 017 768</b>

**Note 3G**

<b>PROVISIONS AGAINST RECEIVABLES FROM CLIENTS SECTOR</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) regular receivables	7 200	269	3 500
b) "watch" receivables	10 004	9 057	2 764
c) irregular receivables	503 113	258 437	256 003
- substandard	17 085	13 617	29 771
- doubtful	123 073	43 677	68 571
- lost	362 955	201 143	157 661
<b>Total provisions against receivables from clients sector</b>	<b>520 317</b>	<b>267 763</b>	<b>262 267</b>

### Note 3H

<b>MOVEMENTS IN PROVISIONS AGAINST RECEIVABLES FROM CLIENTS SECTOR</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
<b>1. Provisions against receivables from clients sector as at the beginning of the period</b>	<b>324 956</b>	<b>228 441</b>	<b>228 441</b>
a) increase (due to)	312 311	276 344	138 272
- provisions set up	297 143	262 847	138 272
- re-classified provisions	7 187		
- foreign exchange differences	7 981		
- inclusion of opening balance of company consolidated with accounting method		13 497	
b) provisions used through	5 044	40 228	34 907
- transfer from provisions against loans and forced receivables and cancelled receivables	5 044	15 300	7 229
- re-classified provisions		21 066	21 844
- foreign exchange differences		3 862	5 834
c) provisions released	111 906	196 794	69 539
- released provisions	111 898	196 794	69 539
- repayments	8		
<b>2. Provisions against receivables from clients sector as at the end of the period</b>	<b>520 317</b>	<b>267 763</b>	<b>262 267</b>
<b>3. Required provisions against receivables from clients sector as at the end of the period, according the the regulations</b>	<b>427 078</b>	<b>236 332</b>	<b>239 986</b>

### Note 3I

<b>RECEIVABLES FROM CLIENTS SECTOR</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) from companies subordinated with equity method	2 592		
b) from other companies	13 076 246	9 621 904	8 505 334
<b>Total net receivables from clients sector</b>	<b>13 078 838</b>	<b>9 621 904</b>	<b>8 505 334</b>

### Note 4A

<b>RECEIVABLES FROM THE PUBLIC SECTOR (BY TYPE)</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a. Loans and borrowings	1 007 644	959 828	15 989
b. Receivables purchased	11 744		
e. Interests	2 246	1 304	188
a) not due	2 246	1 304	188
<b>Total gross receivables from the public sector</b>	<b>1 021 634</b>	<b>961 132</b>	<b>16 177</b>
<b>Total net receivables from the public sector</b>	<b>1 021 634</b>	<b>961 132</b>	<b>16 177</b>

The items above do not include loans for financial leases.  
The items above do not include loans counted without interests.

### Note 4B

<b>RECEIVABLES FROM THE PUBLIC SECTOR (BY MATURITY)</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a. Current amounts due	6 112		
b. Term amounts due within (as at the balance sheet date):	1 013 276	959 828	15 989
- up to 1 month	2 848	1 401	471
- 1 to 3 months	13 409	1 273	342
- 3 months to 1 year	988 184	933 633	1 231
- 1 to 5 years	6 688	17 876	9 650
- over 5 years	1 876	5 374	4 024
- overdue	271	271	271
c. Interest	2 246	1 304	188
- not due	2 246	1 304	188
<b>Total gross receivables from the public sector</b>	<b>1 021 634</b>	<b>961 132</b>	<b>16 177</b>

The balance of receivables recorded in account 390 was stated in term amounts due within up to 1 month as at the balance sheet date.

#### Note 4C

<b>RECEIVABLES FROM THE PUBLIC SECTOR (BY ORIGINAL MATURITY)</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a. Current amounts due	6 112		
b. Term amounts due within (as at the balance sheet date):	1 013 276	959 828	15 989
c. Interest	2 246	1 304	188
- not due	2 246	1 304	188
<b>Total gross receivables from the public sector</b>	<b>1 021 634</b>	<b>961 132</b>	<b>16 177</b>

The Bank's accounting records are not sufficient to present data aggregated by original maturity.

#### Note 4D

<b>RECEIVABLES FROM THE PUBLIC SECTOR (BY CURRENCY)</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a. Polish currency	998 763	937 219	4 745
b. Foreign currency (by currency, converted into PLN)	22 871	23 913	11 432
b1. unit/currency thou USD	2 839	3 065	
thou PLN	11 473	12 219	
b2. unit/currency thou EUR	2 486	2 958	2 896
thou PLN	9 965	10 419	10 199
b3. unit/currency thou GBP			
thou PLN			
b4. unit/currency thou SEK			
thou PLN			
b5. unit/currency thou CHF	526	536	555
thou PLN	1 433	1 275	1 233
b6. unit/currency thou NOK			
thou PLN			
b7. Other currency [thou PLN]			
<b>Total net receivables from the public sector</b>	<b>1 021 634</b>	<b>961 132</b>	<b>16 177</b>

#### Note 4E

<b>(GROSS) RECEIVABLES FROM THE PUBLIC SECTOR</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
1. Regular receivables	1 019 088	959 828	15 669
2. "Watch" receivables	300		
3. Irregular receivables, including:			320
- substandard			320
4. Interest:	2 246	1 304	188
a) not due	2 246	1 304	188
<b>Total gross receivables from the public sector</b>	<b>1 021 634</b>	<b>961 132</b>	<b>16 177</b>

#### Note 5A

<b>RECEIVABLES UNDER SECURITIES PURCHASED WITH A BUY-BACK CLAUSE</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) from financial institutions	13 882		
b) from clients sector	65 351		
d) interest	5 186		
<b>Total receivables under securities purchased with a buy-back clause</b>	<b>84 419</b>		

## Note 6A

<b>DEBT SECURITIES</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
1. Issued by central banks, including:	351 707	443 619	868 736
2. Issued by other banks, including:	210 141	27 972	29 315
- denominated in foreign currencies	191 160	27 972	29 315
3. Issued by other financial institutions, including:	171 462	412 652	364 452
- denominated in foreign currencies	188 648	107 848	336 225
4. Issued by non-financial entities, including:	617 219	428 637	342 247
- denominated in foreign currencies	364 406	202 988	306 847
5. Issued by the State Budget, including:	2 934 116	2 936 668	1 808 161
- denominated in foreign currencies	670 409	406 412	973 880
6. Issued by local budget authorities, including:	75 008	69 880	
<b>Total debt securities</b>	<b>4 359 653</b>	<b>4 319 428</b>	<b>3 412 911</b>

## Note 6B

<b>DEBT SECURITIES (BY TYPE)</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
<b>1. Issued by the State Budget, including:</b>	<b>2 934 116</b>	<b>2 936 668</b>	<b>1 808 161</b>
a) bonds	1 473 144	947 638	1 457 295
b) T-bills	1 460 972	1 989 030	350 866
<b>4. Issued by subsidiaries, including:</b>	<b>58 746</b>	<b>27 071</b>	
a) bonds	263	2 240	
b) other (by type):	58 483	24 831	
- investment bills of exchange	58 483	24 831	
<b>6. Issued by affiliates, including:</b>	<b>626</b>		
a) bonds	626		
<b>7. Issued by other entities, including:</b>	<b>1 366 165</b>	<b>1 355 689</b>	<b>1 604 750</b>
a) bonds	1 198 921	942 824	753 681
b) other (by type):	167 244	412 865	851 069
- convertible bonds	135 883	313 041	281 130
- investment bills of exchange	12 380		49 241
- certificates of deposit	18 981		
- money bonds		99 824	520 698
<b>Total debt securities</b>	<b>4 359 653</b>	<b>4 319 428</b>	<b>3 412 911</b>

## Note 6C

<b>MOVEMENT IN DEBT SECURITIES</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
<b>Debt securities as at the beginning of the period</b>	<b>4 332 761</b>	<b>2 930 031</b>	<b>2 930 031</b>
a) increase (due to)	106 359 824	133 868 078	55 728 193
- purchase	105 834 226	133 820 630	55 708 441
- provisions released	5 875	18 462	67
- increase in value	74 053		
- foreign exchange differences	31 779		1 679
- other increase (balance of value adjustments)	411 584	16 755	18 006
- inclusion of opening balance of company consolidated with accounting method for the first time	2 307	12 231	
b) decrease (due to)	106 332 932	132 478 681	55 245 313
- sale	105 829 141	132 378 558	55 145 989
- provisions set up	3 852	22 892	
- decrease in value	56 099		
- other decrease (balance of value adjustments)	320 603	16 979	34 460
- foreign exchange differences		56 245	60 860
- exclusion of mortgage bonds of company consolidated with accounting method		4 007	4 004
- exclusion of bonds of company consolidated with accounting method	123 237		
<b>Debt securities as at the end of the period</b>	<b>4 359 653</b>	<b>4 319 428</b>	<b>3 412 911</b>

The opening balance was corrected by PLN 13,333 in respect of changing the accountancy regulations.

## Note 7A

<b>SHARES IN SUBSIDIARIES PRICED WITH EQUITY METHOD</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) banks	21 740		
b) other financial institutions	161 719	178 017	201 942
c) non-financial entities	15 262	14 855	31 875
<b>Shares in subsidiaries priced with equity method</b>	<b>198 721</b>	<b>192 872</b>	<b>233 817</b>

## Note 7B

<b>MOVEMENTS IN SHARES IN SUBSIDIARIES PRICED WITH EQUITY METHOD</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
<b>Shares at the beginning of the period</b>	175 902		
a) increase (due to)	203 941		
- purchase	142 433		
- reclassification of securities	0		
- provisions released	19 699		
- foreign exchange differences	106		
- shares increased	625		
- share in net assets	28 210		
- unpaid capital	1 250		
- inclusion of opening balance of company consolidated with accounting method for the first time	11 618		
b) decrease (due to)	181 122		
- sale	31 746		
- reclassification of securities	18 623		
- foreign exchange differences	71		
- provisions set up	1 545		
- reclassification of provisions	3 880		
- share in net assets	830		
- consolidation of companies with accountancy method, which were previously consolidated with equity method	124 427		
<b>Movements in shares in subsidiaries priced with equity method at the end of the period</b>	<b>198 721</b>		

The opening balance was corrected by PLN 13,291 in respect of changing the accountancy regulations and by PLN 30,263 - agio correction of company consolidated for the first time.

## Note 9A

<b>SHARES IN AFFILIATES PRICED WITH EQUITY METHOD</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
b) other financial institutions	9 998	22 228	21 734
c) non-financial entities	34 328	99 640	33 377
<b>Shares in affiliates priced with equity method</b>	<b>44 326</b>	<b>121 868</b>	<b>55 111</b>

**Note 9B**

<b>MOVEMENTS IN SHARES IN AFFILIATES PRICED WITH EQUITY METHOD</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
<b>Shares at the beginning of the period</b>	91 100		
a) increase (due to)	145 225		
- purchase	5 712		
- reclassification of securities	81 699		
- provisions released	1 148		
- provisions reclassification	9 078		
- share in net assets	3 843		
- capital increased	15		
- inclusion of opening balance of company consolidated with accounting method for the first time	30 823		
- consolidation of companies with accountancy method, which were previously consolidated with equity method	12 907		
b) decrease (due to)	191 999		
- sale	188		
- reclassification of securities	143 136		
- provisions set up	35 295		
- share in net assets	13 377		
- reclassification of provisions	3		
<b>Movements in shares in affiliates priced with equity method at the end of the period</b>	<b>44 326</b>		

The opening balance was corrected by PLN 30,766 in respect of changing the accountancy regulations.

Note 10A

(INVESTMENT) SHARES IN SUBSIDIARIES AND AFFILIATES												
Lp.	a	b	c	d	e	f	g	h	i	j	k	l
	Company name (and legal status)	Registered office	Core business	Equity relationship	Consolidation method	Date of taking control / significant influence	Shares at cost	Total revaluation adjustments	Balance sheet value of shares	% of share capital held	% of votes held	Other type of control than stated under (j) or (k)
1.	BRE Corporate Finance S.A.	Warsaw	services	subsidiary	accountancy	07-1997	11 898	-11 898	0	100,00	100,00	
2.	Dom Inwestycyjny BRE Banku SA	Warsaw	services	subsidiary	accountancy	07-1998	34 700	-34 700	0	100,00	100,00	
3.	BRE - Fundusz Kapitałowy Sp. z o.o.	Warsaw	fundusz	subsidiary	accountancy	05-1998	77 406	-77 406	0	100,00	100,00	
4.	BRE International Finance B.V.	Amsterdam, Holland	services	subsidiary	accountancy	05-2000	80	-80	0	100,00	100,00	
5.	PTE Skarbiec Emerytura S.A.	Warsaw	pension fund	subsidiary	accountancy	08-1998	328 744	-328 744	0	100,00	100,00	
6.	AMBRESA Sp. z o.o.	Warsaw	services	subsidiary	equity	01-1996	850	381	1 231	100,00	100,00	
7.	Skarbiec Asset Management Holding SA	Warsaw	services	subsidiary	equity	01-2002	20 567	26 975	-6 408	100,00	100,00	
8.	ServicePoint Sp. z o.o.	Warsaw	services	subsidiary	equity	05-2002	50	0	50	100,00	100,00	
9.	Serwis Finansowy Sp. z o.o.	Gdynia	services	indirect subsidiary (100% of shares own Skarbiec Asset Management Holding SA)	exempted from consolidation and pricing with equity method	10-1999	0	0	0	100,00	100,00	
10.	Skarbiec Serwis Finansowy Sp. z o.o.	Warsaw	services	indirect subsidiary (100% of shares own Skarbiec Asset Management Holding SA)	exempted from consolidation and pricing with equity method	03-2002	0	0	0	100,00	100,00	
11.	CIMC Midas plc	Dublin, Irland	investment fund	subsidiary	exempted from consolidation and pricing with equity method	01-2002	87 580	0	87 580	100,00	100,00	
12.	Famco S.A.	Warsaw	services	indirect subsidiary (100% of shares own Skarbiec Asset Management Holding SA)	equity	02-1999 02-2000	7 780	-3 145	4 635	100,00	100,00	
13.	BMF (UK)	London	advisory services	indirect subsidiary (100% of shares own Skarbiec Asset Management Holding SA)	exempted from consolidation and pricing with equity method 1)	07-1997	281	140	421	100,00	100,00	
14.	BMF Capital	Warsaw	advisory services	indirect subsidiary (100% of shares own Skarbiec Asset Management Holding SA)	exempted from consolidation and pricing with equity method 1)	09-1994	160	-41	119	100,00	100,00	
15.	BRE Agent Transferowy Sp. z o.o.	Warsaw	services	indirect subsidiary (100% of shares own Skarbiec Asset Management Holding SA)	accountancy	12-2000	0	-4 997	-4 997	100,00	100,00	
16.	BRELINVEST Sp. z o.o. Fly 1 Sp. komandytowa	Warsaw	services	subsidiary	equity	03-2000	13 196	950	14 147	99,84	99,84	
17.	BRELINVEST Sp. z o.o. Fly 2 Sp. komandytowa	Warsaw	services	subsidiary	equity	03-2000	12 919	1 434	14 354	99,84	99,84	
18.	AMBRESA Sp. z o.o.- BRELLA Sp. komandytowa	Warsaw	services	subsidiary	equity	07-1999	30 627	6 522	37 149	99,67	99,67	
19.	FERREX Sp. z o.o.	Poznań	production	subsidiary	equity	07-1993	1 815	4 313	6 128	97,86	97,86	
20.	Promes Sp. z o.o.	Gdańsk	services	subsidiary	equity	12-1993	955	554	1 509	93,98	93,98	
21.	Bank Czeszochowa S.A.	Czeszochowa	bank	subsidiary	accountancy	09-2001	36 680	-36 680	0	85,01	83,32	
22.	BRE Asset Management SA	Warsaw	services	subsidiary (70% of shares own BRE Bank SA, 10% of shares own Skarbiec Asset Management Holding SA)	accountancy	09-2000	1 680	-1 948	-268	80,00	80,00	
23.	BRE.locum Sp. z o.o.	Łódź	services	subsidiary (70% of shares own BRE Bank SA, 30% of shares own Tele-Tech Investment Sp. z o.o.)	equity	09-2000	36 231	-2 485	33 746	77,20	77,20	
24.	Transfinance a.s.	Prague, Czech Republic	services	subsidiary (50% of shares own BRE Bank SA, 50% of shares own Intermarket Bank AG)	accountancy	10-2000	26 603	-18 448	8 155	75,72	75,72	
25.	Transfinance Slovakia	Bratysława, Slovakia	factoring	indirect subsidiary (100% of shares own Transfinance a.s.)	equity	12-2001	419	202	621	75,72	75,72	
26.	Vartimex s.r.o.	Prague, Czech Republic	trade	indirect subsidiary (100% of shares own Transfinance a.s.)	equity	09-1996	14	1	15	75,72	75,72	
27.	PBR-Faktor Sp. z o.o.	Warsaw	debts repurchase	indirect subsidiary (100% of shares own Polfaktor SA)	equity	07-1998	1 428	-1 378	50	75,72	75,72	
28.	Polfaktor SA	Warsaw	factoring	indirect subsidiary (50% of shares own BRE-Fundusz Kapitałowy SA, 50% of shares own Intermarket Bank AG)	accountancy	04-1995 11-1999 05-2002	10 776	-9 753	1 023	75,72	75,72	

29.	BRE Private Equity I Sp. z o.o.	Warsaw	services	subsidiary (50% of shares own BRE Bank SA, 50% of shares own Tele-Tech Investment Sp. z o.o.)	accountancy	07-2001 11-1993	26 593	-12 803	13 790	62,00	62,00	
30.	Intermarket Bank AG	Wien, Austria	services	subsidiary	accountancy	07-2000	37 525	-31 284	6 241	51,43	51,43	
31.	Skarbiec TFI	Warsaw	investment fund	indirect subsidiary (51% of shares own Skarbiec Asset Management Holding SA)	accountancy	08-1997	0	-21 561	-21 561	51,00	51,00	
32.	Billbird S.A.	Kraków	IT services	indirect subsidiary (51% of shares own BRE Fundusz Kapitałowy Sp. z o.o.)	equity	03-2002	1 237	-246	991	51,00	51,00	
33.	BRE Leasing Sp. z o.o.	Warsaw	services	subsidiary	accountancy	06-1991	3 737	-3 737	0	50,00	50,00	
34.	RHEINHYP-BRE Bank Hipoteczny SA	Warsaw	bank	subsidiary	accountancy	03-1999	67 802	-67 802	0	50,00	50,00	
35.	BEST LEASING Sp. z o.o.	Tczew	leasing	stowarzyszona pośrednio (100% udziałów w posiadaniu BRE Leasing Sp. z o.o.)	equity	11-2001	10 000	0	10 000	50,00	50,00	
36.	BREL-AG Sp. z o.o.	Warsaw	property leasing	stowarzyszona pośrednio (100% udziałów w posiadaniu BRE Leasing Sp. z o.o.)	equity	11-2000	4	0	4	50,00	50,00	
37.	BREL-BUD Sp. z o.o.	Warsaw	property leasing	stowarzyszona pośrednio (100% udziałów w posiadaniu BRE Leasing Sp. z o.o.)	equity	07-1999	4	0	4	50,00	50,00	
38.	BREL-FIN Sp. z o.o.	Warsaw	property leasing	subsidiary pośrednio (100% udziałów w posiadaniu BRE Leasing Sp. z o.o.)	equity	11-2000	7	0	7	50,00	50,00	
39.	BRELIM Sp. z o.o.	Warsaw	property leasing	indirect affiliates (100% of shares own BRE Leasing Sp. z o.o.)	equity	07-1999	40	0	40	50,00	50,00	
40.	BRELINVEST Sp. z o.o.	Warsaw	property leasing	indirect affiliates (100% of shares own BRE Leasing Sp. z o.o.)	equity	07-1999	64	0	64	50,00	50,00	
41.	BMF Pro-Fit	Wrocław	advisory services	indirect affiliates (50% of shares own BRE Corporate Finance SA)	exempted from consolidation and pricing with equity method 1)	01-1997	10	-10	0	50,00	50,00	
42.	Regionalne Towarzystwo Budownictwa Społecznego SA w likwidacji	Częstochowa	building	indirect affiliates (50% of shares own Bank Częstochowa SA)	exempted from consolidation and pricing with equity method	07-1997	100	-100	0	42,51	41,66	
43.	BREL-MAR Sp. z o.o.	Warsaw	property leasing	indirect affiliates (25% of shares own BRE Leasing Sp. z o.o., 75% of shares own Tele-Tech Investment Sp. z o.o.)	equity	10-2000 05-2001	4	-3	1	30,50	30,50	
44.	eCard SA	Warsaw	IT services	indirect affiliates (28,57% of shares own BRE-Fundusz Kapitałowy Sp. z o.o.)	equity	06-2001	3 175	-2 850	325	28,57	28,57	
45.	Xtrade S.A.	Warsaw	services	stowarzyszona	equity	06-2001	11 745	-3 690	8 055	24,90	24,90	
46.	BREL-RES Sp. z o.o.	Warsaw	leasing	indirect affiliates (2% of shares own BRE Leasing Sp. z o.o., 98% of shares own Tele-Tech Investment Sp. z o.o.)	equity	11-2000 06-2001	51	73	124	24,52	24,52	
47.	Szeptel S.A.	Szepietowo	services	affiliates	equity	08-2001	82 062	-56 362	25 699	21,49	21,45	BRE-Fundusz Kapitałowy Sp. z o.o. Capital share - 2,15%, votes on general meeting of shareholders - 2,14%
48.	Tele-Tech Investment Sp. z o.o.	Warsaw	services	affiliates	accountancy	12-1999	2	-4	-2	24,00	24,00	
49.	BREL-AL Sp. z o.o.	Warsaw	property leasing	indirect affiliates (37,5% of shares own BRE Leasing Sp. z o.o.)	equity	11-2000	5	0	5	18,75	18,75	



42.	Regionalne Towarzystwo Budownictwa Społecznego SA w likwidacji																	
43.	BREL-MAR Sp. z o.o.	-8 210	4		-8 214	-4	-8 210	81 815	193	81 622	3 083	83	3 000	75 929	5 101			
44.	eCard SA	1 136	8 350	2 750	-9 964	-7 301	-2 663	1 530	580	950	599	599		2 675	428			
45.	Xtrade S.A.	29 962	47 170		-17 208	-11 529	-5 679	347	347		871	871		31 049	1 370			
46.	BREL-RES Sp. z o.o.	136	50		86	11	75	157 227	9 649	147 578	194 798	9 684	185 114	194 846	2 086			
47.	Szeptel S.A. <sup>4)</sup>	78 329	13 209	74 192	-9 072		-10 244	48 904	21 189	27 715	3 490	3 060	430	129 453	8 844			
48.	Tele-Tech Investment Sp. z o.o.	1 038	10		1 028	-866	1 244	112 309	41 361	70 948	2 115	2 115		115 032				
49.	BREL-AL. Sp. z o.o.	-3	5			-8		10 480	10 480			1 860	1 860		10 475			

1) the company was established in May 2002, did not begin the operating activity (do not prepare financial statement on 30.06.2002)

2) the company began operating activity on 1 July 2002 (do not prepare the financial statement on 30.06.2002)

3) the company began operating activity on January 2002 (do not prepare the financial statement on 30.06.2002)

4) based on report for 2Q 2002

**Note 11A**

<b>SHARES IN OTHER COMPANIES</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) financial institutions	25 663	27 568	26 534
- long-term	25 663	27 568	26 534
b) non-financial entities	2 535	1 583	1 483
- long-term	2 535	1 583	1 483
<b>Total shares in other companies</b>	<b>28 198</b>	<b>29 151</b>	<b>28 017</b>

**Note 11B**

<b>MOVEMENT IN SHARES IN OTHER COMPANIES</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
<b>Shares in other companies at the beginning of the period</b>	25 204	73 662	204 839
a) increase (due to)	5 595	174 044	31 600
- purchase	0	265	265
- reclassification of securities	0	157 137	25 960
- provisions released	944	8 787	4 991
- foreign exchange differences	421	386	384
- inclusion of opening balance of company consolidated with accounting method	4 230	7 469	0
b) decrease (due to)	30 799	247 706	236 439
- foreign exchange differences	189	1 120	1 124
- provisions set up	2 412	9 741	7 253
- sale of shares	-	9 865	9 363
- reclassification of securities	-	194 582	187 435
- reclassification of provisions	-	3 247	3 247
<b>Shares in other companies at the end of the period</b>	<b>28 198</b>	<b>29 151</b>	<b>28 017</b>

The opening balance was corrected by PLN 3,947 in respect of changing the accountancy regulations.

## Note 11C

### SHARES IN OTHER COMPANIES

Lp.	a Company name (and legal status)	b Registered office	c Core business	d Balance sheet value of shares	e % of share capital held	f % of votes held	g		h Outstanding share capital contributions	i Received or due dividend for last year
							capital			
							including:	- share capital		
1.	Magyar Factor Kft	Budapest, Hungary	Bank	4 230	25,71	25,71	9963	6 575		666
2.	POLISH Pre-IPO FUND <sup>1)</sup>	Luxembourg	fund	10 100	17,04	17,04	59414	118 577		
3.	Polskie Centrum Leasingowe Sp. z o.o. <sup>2)</sup>	Warsaw	services	-2 400	16,67	16,67	-3806	15 000		
4.	V NFI VICTORIA S.A.	Warsaw	fund	6 417	10,41	10,41	136788	3 006		
5.	Częstochowska Grupa Kapitałowa SA w likwidacji	Częstochowa	advisory	0	9,12	8,94	1713	3 095		
6.	Poland Investment Fund <sup>1)</sup>	Hamilton, Bermudy	fund	1 691	4,00	4,00	42273	101 045		
7.	XIII NFI FORTUNA S.A.	Warsaw	fund	4 024	3,26	3,26	177264	3 006		
8.	Centralna Tabela Ofert S.A.	Warsaw	financial services	252	2,88	2,88	3080	5 574		
9.	DESA Unicum Sp. z o.o.	Warsaw	services	2 428	2,26	2,26	616	3 848		
10.	Prospect Poland UK, L.P. <sup>3)</sup>	St. Helier, Jersey, Great Britain	fund	1 081	1,63	1,63	29417	109 973		
11.	Dom Maklerski Elimar SA	Katowice	brokerage services	0	1,57	1,54	10667	16 228		
12.	Fabryka Maszyn Sp. z o.o. w Janowie Lubelskim	Janów Lubelski	machine production	0	1,35	1,32	15848	8 722		
13.	SPV - Portfel 1 Sp. z o.o.	Jablonna	services	0	1,25	1,25	3	4		
14.	Biuro Informacji Kredytowej SA	Warsaw	financial services	100	0,54	0,53	4796	15 550		
15.	S.W.I.F.T. S.c. <sup>4)</sup>	Belgium	services	271	0,05	0,05	498941	43 471		
16.	Gielda Papierów Wartościowych SA	Warsaw	financial services	4	0,017	0,017	63007	42 000		

1) equity on 31.05.02

2) equity on 31.03.02

3) equity on 30.04.02

4) data on 31.12.01

## Note 12A

<b>OTHER SECURITIES AND PROPERTY RIGHTS (BY TYPE)</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
c) other (by type)	729 693	768 453	539 424
- shares in public trading	237 727	272 117	233 767
- shares in regulated trading outside the stock exchange	45	337 869	
- National Investment Funds	33 917	20 343	18 933
- shares not in public trading	458 004	58 508	194 214
- units of participation in funds		79 616	92 510
<b>Total other securities and property rights</b>	<b>729 693</b>	<b>768 453</b>	<b>539 424</b>

## Note 12B

<b>OTHER SECURITIES AND PROPERTY RIGHTS</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) short-term	119 088	135 986	123 885
b) long-term	610 605	632 467	415 539
<b>Total other securities and property rights</b>	<b>729 693</b>	<b>768 453</b>	<b>539 424</b>

## Note 12C

<b>MOVEMENT IN OTHER SECURITIES AND PROPERTY RIGHTS</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
<b>Securities at the beginning of the period</b>	783 012	376 297	448 243
a) increase (due to)	765 982	1 801 479	817 957
- purchase	441 722	1 153 718	561 698
- reclassification of securities	163 113	353 765	194 628
- provisions released	78 254	174 401	39 825
- increase in value	57 066	115 691	18 559
- foreign exchange differences	9 481	703	
- debt-to-equity conversion	10 046		
- inclusion of opening balance of company consolidated with accounting method	6 300		
- reclassification of provisions		3 201	3 247
b) decrease (due to)	819 301	1 409 323	726 776
- sale	516 658	965 614	533 328
- reclassification of securities	131 764	111 743	25 960
- foreign exchange differences		5 574	4 847
- provisions set up	119 465	197 537	80 872
- reclassification of provisions	599	7 147	7 192
- decrease in value	50 815	121 708	74 577
<b>Securities and property rights at the end of the period</b>	<b>729 693</b>	<b>768 453</b>	<b>539 424</b>

## Note 12D

<b>OTHER SECURITIES, SHARES AND PROPERTY RIGHTS (BY CURRENCY)</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a. Polish currency	465 693		
b. Foreign currency (by currency, converted into PLN)	264 000		
b1. thou USD	64 817		
thou PLN	261 975		
b2. thou EUR	505		
thou PLN	2 025		
b3. thou GBP			
thou PLN			
b4. thou SEK			
thou PLN			
b5. thou CHF			
thou PLN			
b6. thou NOK			
thou PLN			
<b>Other securities, shares and property rights (by currency), total</b>	<b>729 693</b>		

### Note 13A

<b>FINANCIAL ASSETS</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) trading financial assets	4 845 679		
b) credits and loans received from bank and non-traded own debts	15 811 267		
c) financial assets kept until the date of the due	140 152		
d) trading financial assets	1 280 653		
<b>Total financial assets</b>	<b>22 077 751</b>		

### Note 13B

<b>FINANCIAL ASSETS (BY CURRENCY)</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a. Polish currency	11 905 883		
b. Foreign currency (by currency, converted into PLN)	10 171 868		
b1. thou USD	1 221 171		
thou PLN	4 935 645		
b2. thou EUR	1 069 632		
thou PLN	4 288 223		
b3. thou GBP	7 024		
thou PLN	43 449		
b4. thou SEK	19 713		
thou PLN	8 684		
b5. thou CHF	140 753		
thou PLN	383 218		
b6. thou NOK	59 534		
thou PLN	32 172		
b7. other currency	480 477		
<b>Total financial assets</b>	<b>22 077 751</b>		

### Note 13C

<b>TRADING FINANCIAL ASSETS (BY MARKETABILITY)</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
<b>A. Marketable, listed on the stock exchange (balance sheet value)</b>	<b>628 330</b>		
a) shares (balance sheet value):	5 225		
- market value	5 225		
- value at cost	10 836		
b) bonds (balance sheet value):	623 105		
- market value	623 105		
c1) name			
- fair value			
- market value			
- value at cost			
<b>B. Marketable, in regulated trading outside the stock exchange (balance sheet value)</b>	<b>2 510 663</b>		
b) bonds (balance sheet value):	1 056 040		
- fair value	1 056 040		
- value at cost	994 488		
c) other - by type (balance sheet value):	1 454 623		
c1) Treasury bills (balance sheet value):	1 454 623		
- fair value	1 389 466		
- market value	64 757		
- value at cost	1 450 275		
<b>C. Marketable, not listed on the stock exchange, not in regulated trading outside the stock exchange (balance sheet value)</b>	<b>549 824</b>		
a) shares (balance sheet value):	16 640		
- fair value	16 640		
- value at cost	16 640		
b) bonds (balance sheet value):	480 938		
- fair value	480 938		
- value at cost	472 414		
c) other - by type (balance sheet value):	52 246		
c1) investment bonds (balance sheet value)	33 265		

- fair value	33 265		
- market value			
- value at cost	33 259		
c2) certificates of deposit (balance sheet value)	18 981		
- fair value	18 981		
- market value			
- value at cost	19 068		
<b>D. Non-marketable (balance sheet value)</b>	<b>7 922</b>		
a) shares (balance sheet value)	7 922		
- fair value	7 922		
- value at cost	7 922		
c1)			
- fair value			
- market value			
- value at cost			
<b>Total value at cost</b>	<b>7 922</b>		
<b>Value at the beginning of the period</b>	<b>3 511 595</b>		
<b>Total revaluation adjustments</b>	<b>176 144</b>		
<b>Total balance sheet value</b>	<b>7 922</b>		

### Note 13D

<b>FINANCIAL ASSETS KEPT UNTIL THE DATE OF THE DUE</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
b1) ..... (balance sheet value):			
- revaluation adjustments			
- value at the beginning of the period			
- value at cost			
b1) ..... (balance sheet value):			
- revaluation adjustments			
- value at the beginning of the period			
- value at cost			
b1) ..... (balance sheet value):			
- revaluation adjustments			
- value at the beginning of the period			
- value at cost			
<b>D. Non-marketable (balance sheet value)</b>	<b>140 152</b>		
a) bonds (balance sheet value):	140 152		
- revaluation adjustments	3 566		
- value at the beginning of the period	140 080		
- value at cost	136 564		
b1) ..... (balance sheet value):			
- revaluation adjustments			
- value at the beginning of the period			
- value at cost			
<b>Total value at cost</b>	<b>136 564</b>		
<b>Total value at the beginning of the period</b>	<b>140 080</b>		
<b>Total revaluation adjustments</b>	<b>3 566</b>		
<b>Total balance sheet value</b>	<b>140 152</b>		

## Note 13E

<b>TRADING FINANCIAL ASSETS</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
<b>A. Marketable, listed on the stock exchange (balance sheet value)</b>	<b>268 162</b>		
a) shares (balance sheet value):	268 162		
- market value	268 162		
- value at cost	368 813		
c1) name			
- fair value			
- market value			
- value at cost			
<b>B. Marketable, in regulated trading outside the stock exchange (balance sheet value)</b>	<b>6 395</b>		
a) shares (balance sheet value):	45		
- market value	45		
- value at cost	945		
c) other - by type (balance sheet value):	6 350		
c1) Treasury bills (balance sheet value):	6 350		
- fair value			
- market value			
- value at cost	5 957		
<b>C. Marketable, not listed on the stock exchange, not in regulated trading outside the stock exchange (balance sheet value)</b>	<b>451 258</b>		
a) shares (balance sheet value):	433 546		
- fair value	433 224		
- market value	222		
- value at cost	433 285		
c) other - by type (balance sheet value):	17 712		
c1) convertible bonds (balance sheet value):	5 553		
- fair value	5 553		
- market value			
- value at cost	5 377		
c2) investment bills of exchange (balance sheet value):	3 465		
- fair value	3 465		
- market value			
- value at cost	555		
c3) units of participation (balance sheet value):	8 694		
- fair value	8 694		
- market value			
- value at cost	10 004		
<b>D. Non-marketable (balance sheet value)</b>	<b>554 838</b>		
a) shares (balance sheet value):	17 658		
- fair value	17 358		
- value at cost	36 744		
b) bonds (balance sheet value):	503 047		
- fair value	503 047		
- value at cost	499 959		
c) other - by type (balance sheet value):	34 133		
c1) investment bill of exchange (balance sheet value):	34 133		
- fair value	34 133		
- market value			
- value at cost	34 020		
<b>Total value at cost</b>	<b>1 395 659</b>		
<b>Value at the beginning of the period</b>	<b>1 783 291</b>		
<b>Total revaluation adjustments</b>	<b>-115 006</b>		
<b>Total balance sheet value</b>	<b>1 280 653</b>		

**Note 14A**

<b>INTANGIBLE ASSETS</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) development costs (ended)	14 956	14 425	5 851
b) goodwill	65 447	70 753	76 059
c) concessions, patents, licences and similar assets, including:	121 879	111 538	111 178
- computer software	105 557	109 482	109 154
d) other intangible assets	3 421	922	238
e) prepayments for intangible assets	13 165	14 175	6 519
<b>Total intangible assets</b>	<b>218 868</b>	<b>211 813</b>	<b>199 845</b>

**NOTE 14B**

<b>MOVEMENTS IN INTANGIBLE FIXED ASSETS (BY TYPE)</b>							
	a	b	c		d	e	<b>Total intangible assets</b>
	Development costs	Goodwill	Purchased concessions, patents, including:	computer software	Other intangible assets	Prepayments for intangible assets	
<b>a) Gross intangible assets as at the beginning of the period</b>	<b>17 938</b>	<b>106 129</b>	<b>161 075</b>	<b>157 745</b>	<b>2 115</b>	<b>264</b>	<b>287 521</b>
<b>b) Increase (due to)</b>	<b>4 483</b>	<b>0</b>	<b>32 601</b>	<b>14 884</b>	<b>5 117</b>	<b>19 519</b>	<b>61 720</b>
- balance adapting					<b>-189</b>	<b>13 911</b>	<b>13 722</b>
- purchase	<b>31</b>		<b>17 680</b>	<b>4 461</b>	<b>223</b>	<b>5 136</b>	<b>23 070</b>
- transfer from other units of the Bank	<b>4 452</b>		<b>472</b>	<b>18</b>			<b>4 924</b>
- consolidation of BRE Agent Transferowy, BRE Asset Management, PTE Skarbiec Emerytura, Skarbiec TFI, BRE Corporate Finance, Intermarket Bank AG, Transfinance a.s., Polfactor SA, BRE Leasing, BRE Private Equity, Rheinhyp with acquisition method			<b>10 058</b>	<b>7 315</b>	<b>4 509</b>		<b>14 567</b>
- from investment			<b>4 078</b>	<b>2 777</b>	<b>574</b>		<b>4 652</b>
- other increase			<b>313</b>	<b>313</b>		<b>472</b>	<b>785</b>
<b>c) Decrease (due to)</b>	<b>0</b>	<b>0</b>	<b>12 539</b>	<b>12 085</b>	<b>0</b>	<b>6 618</b>	<b>19 157</b>
- sale							<b>0</b>
- liquidation						<b>227</b>	<b>227</b>
- transfer to other units of the Bank			<b>472</b>	<b>18</b>		<b>4 452</b>	<b>4 924</b>
- other decrease			<b>12 067</b>	<b>12 067</b>		<b>1 939</b>	<b>14 006</b>
<b>d) Gross intangible assets as at the end of the period</b>	<b>22 421</b>	<b>106 129</b>	<b>181 137</b>	<b>160 544</b>	<b>7 232</b>	<b>13 165</b>	<b>330 084</b>
<b>e) Incremental amortisation/depreciation as at the beginning of the period</b>	<b>3 513</b>	<b>35 376</b>	<b>49 537</b>	<b>48 435</b>	<b>1 193</b>		<b>89 619</b>
<b>f) Depreciation in the period (due to)</b>	<b>3 952</b>	<b>5 306</b>	<b>9 721</b>	<b>6 552</b>	<b>2 618</b>	<b>0</b>	<b>21 597</b>

- consolidation of BRE Agent Transferowy, BRE Asset Management, PTE Skarbiec Emerytura, Skarbiec TFI, BRE Corporate Finance, Intermarket Bank AG, Transfinance a.s., Polfactor SA, BRE Leasing, BRE Private Equity, Rheinyp with acquisition method			5 624	4 210	1 558		7 182
- accrued	3 952	5 306	15 986	14 231	1 075		26 319
- investment relief							0
- transfer from other units of the Bank			338	12			338
- other increase			178	178			178
- sale							0
- liquidation							0
- transfer to other units of the Bank			338	12			338
- balance adapting					15		15
- other decrease			12 067	12 067			12 067
<b>g) Incremental amortisation/depreciation as at the end of the period</b>	<b>7 465</b>	<b>40 682</b>	<b>59 258</b>	<b>54 987</b>	<b>3 811</b>	<b>0</b>	<b>111 216</b>
i) accrue due to permanent lost of value at the end of the period	0	0	0	0	0	0	0
<b>j) net value of intangible fixed assets at the end of the period</b>	<b>14 956</b>	<b>65 447</b>	<b>121 879</b>	<b>105 557</b>	<b>3 421</b>	<b>13 165</b>	<b>218 868</b>

## Note 14C

INTANGIBLE ASSETS	H1 2002	2 001	H1 2001
a) own	218 868	211 813	199 845
<b>Total intangible assets</b>	<b>218 868</b>	<b>211 813</b>	<b>199 845</b>

## Note 15A

GOODWILL OF SUBORDINATED COMPANIES	H1 2002	2 001	H1 2001
a) goodwill - subsidiaries	130 250		
<b>Total goodwill of subordinated companies</b>	<b>130 250</b>		

## Note 15B

MOVEMENTS IN GOODWILL - SUBSIDIARIES	H1 2002	2 001	H1 2001
<b>a) gross goodwill as at the beginning of the period</b>	<b>147 268</b>		
<b>b) increase (due to)</b>	<b>7 251</b>		
- purchased shares	1 496		
- increase of committal of group due to indirect subsidiary	4 113		
- reclassification from affiliates	1 642		
<b>d) gross goodwill as at the end of the period</b>	<b>154 519</b>		
<b>e) goodwill appropriations as at the beginning of the period</b>	<b>27 645</b>		
<b>f) appropriation of goodwill (due to)</b>	<b>-3 376</b>		
- depreciation	9 072		
- increase of appropriation due to indirect subsidiary	343		
- increase of appropriation due to reclassification	484		
- decrease of appropriation due to 15-years depreciation	-13 275		
<b>g) appropriation of goodwill as at the end of the period</b>	<b>24 269</b>		
<b>h) net goodwill as at the end of the period</b>	<b>130 250</b>		

## Note 15D

MOVEMENTS IN GOODWILL - AFFILIATES	H1 2002	2 001	H1 2001
<b>a) gross goodwill as at the beginning of the period</b>	<b>1 642</b>		
<b>c) decrease (due to)</b>	<b>1 642</b>		
- reclassification	1 642		
<b>e) goodwill appropriations as at the beginning of the period</b>	<b>484</b>		
<b>f) appropriation of goodwill (due to)</b>	<b>-484</b>		
- decrease in depreciation due to reclassification	-484		

### Movements in goodwill - subsidiaries

	Polfactor BRE Sp. z o.o.	Pierwszy Fundusz Kapitałowy Sp. z o.o.	BRE Leasing Sp. z o.o.	BRE SA	Skarbiec Emerytura SA	BRE Private Equity I Sp. z o.o.
a) gross goodwill at the beginning of the period		3349	3096		116383	
b) increase (due to)	60			291		5755
- purchased shares	60			291		
- increase of committal due to indirect subsidiary						4113
- reclassification from affiliates						1642
c) decrease (due to)	0	0	0	0	0	0
d) gross goodwill at the beginning of the period	60	3349	3096	291	116383	5755
e) goodwill appropriation at the beginning of the period		1384	1278		19400	
f) goodwill appropriation in the period (due to)	60	692	639	291	-9055	1482
- appropriation of goodwill	60	692	639	291	3879	655
- decrease of appropriation due to sale						
- increase of appropriation due to indirect subsidiary						343
- increase of appropriation due to reclassification						484
- decrease of appropriation due to 15-years depreciation					-12934	
g) goodwill appropriation at the end of the period	60	2076	1917	291	10345	1482
h) net goodwill at the end of the period	0	1273	1179	0	106038	4273
	RHEINHYP BRE	Bank Często	BRE Corpo	Inter market	Transfinance a.s.	Razem

	KHEINHYP BRE Bank Hipoteczny SA	Bank Często chowa SA	BKE Corpo rate Finance SA	inter market Bank AG	Transfinance a.s.	kazem
a) gross goodwill at the beginning of the period	353	9479	4438	7017	3153	147268
b) increase (due to)	0	1145	0	0	0	7251
- purchased shares		1145				1496
- increase of committal due to indirect subsidiary						4113
- reclassification from affiliates						1642
c) decrease (due to)	0	0	0	0	0	0
d) gross goodwill at the beginning of the period	353	10624	4438	7017	3153	154519
e) goodwill appropriation at the beginning of the period	65	510	2820	1536	652	27645
f) goodwill appropriation in the period (due to)	36	-25	1410	768	326	-3376
- appropriation of goodwill	36	316	1410	768	326	9072
- decrease of appropriation due to sale						
- increase of appropriation due to indirect subsidiary						343
- increase of appropriation due to reclassification						484
- decrease of appropriation due to 15-years depreciation		-341				-13275
g) goodwill appropriation at the end of the period	101	485	4230	2304	978	24269
h) net goodwill at the end of the period	252	10139	208	4713	2175	130250

## Note 16A

TANGIBLE FIXED ASSETS	H1 2002	2 001	H1 2001
<b>a) tangible fixed assets, including:</b>	<b>770 913</b>	<b>771 429</b>	<b>735 040</b>
- land (including the perpetual usufruct)	53 839	53 692	12 766
- buildings, premises'	478 467	477 220	359 332
- technical machines	145 109	150 470	155 377
- vehicles	27 647	21 788	19 714
- other tangible fixed assets	65 851	68 259	187 851
<b>b) tangible fixed assets under construction</b>	<b>164 493</b>	<b>105 066</b>	<b>69 921</b>
<b>c) prepayments for tangible fixed assets under construction</b>	<b>34 429</b>	<b>158</b>	<b>128</b>
<b>Total tangible fixed assets</b>	<b>969 835</b>	<b>876 653</b>	<b>805 089</b>

**NOTE 16B**

<b>MOVEMENTS IN TANGIBLE FIXED ASSETS (BY TYPE)</b>						
	own land and buildings	other land and buildings	equipment	vehicles	other tangible fixed assets	Tangible assets, total
a) Gross tangible fixed assets as at the beginning of the period	653	509 569	276 329	32 545	133 908	953 004
b) Increase (due to)	58 127	8 044	35 415	16 485	12 680	130 751
- opening balance adapting	57 908	188	184			58 280
- purchase		1 904	10 841	5 748	1 331	19 824
- from investment		2 661	1 591	227	4 880	9 359
- consolidation of BRE Agent Transferowy, BRE Asset Management, PTE Skarbiec Emerytura, Skarbiec TFI, BRE Corporate Finance, Intermarket Bank AG, Transfinance a.s., Polfactor SA, BRE Leasing, BRE Private Equity, Rheinhypp with acquisition method	216	3 152	21 532	10 017	5 924	40 841
- from investment		113	1 022	416	424	1 975
- other increase	3	26	245	77	121	472
c) Decrease (due to)	0	587	2 017	4 343	1 469	8 416
- sale		426	420	3 790	286	4 922
- liquidation		48	503	137	661	1 349
- transfer to other units of the Bank		113	1 022	416	424	1 975
- other decrease			72		98	170
d) Gross tangible fixed assets as at the end of the period	58 780	517 026	309 727	44 687	145 119	1 075 339
e) Incremental amortisation/depreciation as at the beginning of the period		30 253	125 855	10 757	67 557	234 422
f) Depreciation in the period (due to)	4 941	7 271	38 760	6 281	11 705	68 958
- opening balance adapting	4 869	14	130			5 013
- counted		6 751	25 627	4 505	8 333	45 216
- investment relief		22				22
- transfer from other units of the Bank		3	791	126	343	1 263
- consolidation of BRE Agent Transferowy, BRE Asset Management, PTE Skarbiec Emerytura, Skarbiec TFI, BRE Corporate Finance, Intermarket Bank AG, Transfinance a.s., Polfactor SA, BRE Leasing, BRE Private Equity, Rheinhypp with acquisition method	72	920	13 776	4 502	4 326	23 596
- other increase		1	159	28	45	233
- sale		426	334	2 719	284	3 763
- scrapping		11	566	35	616	1 228
- transfer		3	791	126	343	1 263
- other decrease			32		99	131

g) Incremental amortisation/depreciation as at the end of the period	4 941	37 524	164 615	17 038	79 262	303 380
h) Net tangible fixed assets as at the end of the period		185	3	2	2	192
- increase		850			4	854
- decrease						0
i) accrue due to permanent lost of value at the end of the period	0	1 035	3	2	6	1 046
j) net value of tangible fixed assets at the end of the period	53 839	478 467	145 109	27 647	65 851	770 913

## Note 16C

<b>BALANCE SHEET TANGIBLE FIXED ASSETS (BY OWNERSHIP)</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) proprietary	770 913	771 429	735 040
<b>Total balance sheet tangible fixed assets</b>	<b>770 913</b>	<b>771 429</b>	<b>735 040</b>

## Note 16D

<b>OFF BALANCE SHEET TANGIBLE FIXED ASSETS</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
- used under a lease, hire, or similar contract, including the lease of:	1 042 986	46 074	2 134
- value of land with perpetual usufruct		46 074	840
- tangible fixed assets	1 042 729		1 294
- intangible assets	257		
<b>Total off balance sheet tangible fixed assets</b>	<b>1 042 986</b>	<b>46 074</b>	<b>2 134</b>

The value of perpetual usufruct is PLN 53,019.

## Note 17A

<b>OTHER ASSETS</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) assets repossessed, held for sale	27 568	22 750	23 348
b) other, including:	2 873 713	2 618 014	1 661 959
- debtors	259 857	136 553	110 117
- receivables under additional equity payment	1 174	30 263	43 519
- interbank balances	5 155	918	7 180
- balances in respect of trading in securities and financial instruments	2 596 779	2 294 953	1 334 899
- inventories	6 392		
- overpayment of income tax	1 824	140 507	
- other	2 532	14 820	166 244
<b>Total other assets</b>	<b>2 901 281</b>	<b>2 640 764</b>	<b>1 685 307</b>

## Note 17B

<b>ASSETS REPOSSESSED, HELD FOR SALE</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
b) real estate	22 230	22 230	22 230
c) other	5 338	520	1 118
<b>Total assets repossessed, held for sale</b>	<b>27 568</b>	<b>22 750</b>	<b>23 348</b>

## Note 17C

<b>MOVEMENT IN ASSETS REPOSSESSED, HELD FOR SALE</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
<b>I. Assets as at the beginning of the period</b>	<b>22 750</b>	<b>24 007</b>	<b>24 007</b>
- assets from operating lease			
- property	22 230	22 230	22 230
- other	520	1 777	1 777
- inventories			
<b>a) increase (due to)</b>	<b>51 222</b>	<b>473</b>	<b>1 776</b>
- debt-to-equity conversion	594	473	563
- alienation of assets	741		
- assets from operating lease - opening balance of companies consolidated for the first time with accounting method	49 887		
- reclassification			1 213
<b>b) decrease (due to)</b>	<b>46 404</b>	<b>1 730</b>	<b>2 435</b>
- sale	46 404	1 290	1 170
- provisions		416	
- cancellation in the term of lease		24	41
- cost of sale			21
- sale adjustments			1 203
<b>Repossessed assets, held for sale - as at the end of the period</b>	<b>27 568</b>	<b>22 750</b>	<b>23 348</b>
- assets from operating lease	4 586		
- property	22 230	22 230	22 230
- other	752	520	1 118

**Note 17D**

<b>MOVEMENTS IN REPOSSESSED ASSETS, HELD FOR SALE IN CORRELATED COMPANIES (BY TYPE)</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
- assets from operating lease	0		
- alienation of assets	0		
- sale	0		

**Note 18A**

<b>PREPAYMENTS</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
<b>a) long-term</b>	953 247	782 537	585 269
- deferred income tax	888 863	736 639	536 691
- other prepayments	64 384	45 898	48 578
<b>b) short-term, including:</b>	36 221		
- deferred income tax	30 954		
- other prepayments	5 267		
<b>Total prepayments</b>	<b>989 468</b>	<b>782 537</b>	<b>585 269</b>

## Note 18B

<b>MOVEMENT IN DEFERRED INCOME TAX</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
<b>1. deferred income tax as at the beginning of the period, including:</b>	<b>788 313</b>	<b>287 965</b>	287 965
a) referring to financial statement	774 913	287 965	287 965
- interest payable	42 680		
- valuation of derivatives and forward/future contracts - reductions	574 181		
- provision for loans and guarantees	53 979		
- provision for bonuses	12 104		
- foreign exchange differences	578		
- other	91 391		
b) referring to equity	13 400		
- valuation of derivatives and forward/future contracts - reductions	14 386		
- foreign exchange differences	24		
- other	-1 010		
<b>2. Increase</b>	<b>181 161</b>	<b>448 674</b>	248 726
a) referring to financial statement in respect of temporary differences, due to	172 631	448 674	248 726
- interest payable	8 016		
- valuation of derivatives and forward/future contracts - reductions	89 864		
- provision for loans and guarantees	44 307		
- provision for bonuses	146		
- foreign exchange differences	15 367		
- other	14 931		
b) referring to financial statement in respect to tax lost	8 530		
- other	8 530		
<b>3. Decrease</b>	<b>49 657</b>		
a) referring to financial statement in respect of temporary differences, due to	49 368		
- interest payable	835		
- valuation of derivatives and forward/future contracts - reductions	1 868		
- provision for loans and guarantees	2 669		
- provision for bonuses	6 286		
- foreign exchange differences	58		
- other	37 652		
b) referring to financial statement in respect to tax lost	289		
- interest payable	289		
<b>4. Deferred income tax as at the end of the period, including:</b>	<b>919 817</b>	<b>736 639</b>	536 691
a) referring to financial statement	906 434	736 639	536 691
- interest payable	49 861		
- valuation of derivatives and forward/future contracts - reductions	661 888		
- provision for loans and guarantees	95 617		
- provision for bonuses	5 964		
- foreign exchange differences	15 904		
- other	77 200		
b) referring to equity	13 383		
- valuation of derivatives and forward/future contracts - reductions	14 386		
- foreign exchange differences	7		
- other	-1 010		

## Note 18C

<b>OTHER PREPAYMENTS</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
<b>a) cost prepayments, including:</b>	<b>68 909</b>	<b>12 419</b>	<b>15 342</b>
- down payment of costs	68 909	12 419	15 342
<b>b) other accruals including:</b>	<b>742</b>	<b>33 479</b>	<b>33 236</b>
- deferred income	742	33 479	33 236
<b>Total prepayments</b>	<b>69 651</b>	<b>45 898</b>	<b>48 578</b>

## Note 21A

<b>LIABILITIES TO FINANCIAL INSTITUTIONS (BY TYPE)</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) current accounts and deposits, including:	4 076 962	4 771 288	2 577 519
- deposits of banks and other financial institutions	3 011 922	4 191 914	2 147 971
b) loans and other borrowings received	3 724 205	2 143 069	1 998 526
e) other payables (due to)	40 334	1 158 027	691 467
- other payables	40 305	11 386	15 447
- liabilities in respect of cash collateral	29	1 146 641	676 020
f) interest	54 135	55 586	52 159
<b>Total liabilities to financial institutions</b>	<b>7 895 636</b>	<b>8 127 970</b>	<b>5 319 671</b>

## Note 21B

<b>LIABILITIES TO FINANCIAL INSTITUTIONS (BY MATURITY)</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) current amounts due	1 006 063		
b) term amounts due within (as at the balance sheet date):	6 835 536		
- up to 1 month	1 875 662		
- 1 to 3 months	992 740		
- 3 months to 1 year	1 389 208		
- 1 to 5 years	2 436 912		
- 5 to 10 years	141 014		
c) interest	54 037		
<b>Total liabilities to financial institutions</b>	<b>7 895 636</b>		

The balance of amounts due recorded in account no. 191 was included in term amounts due within up to 1 month.

## Note 21C

<b>LIABILITIES TO FINANCIAL INSTITUTIONS (BY ORIGINAL MATURITY)</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) current amounts due	1 006 063		
b) term amounts due within (as at the balance sheet date):	6 835 536		
c) interest	54 037		
<b>Total liabilities to financial institutions</b>	<b>7 895 636</b>		

The Bank's accounting records are not sufficient to present data aggregated by original maturity.

## Note 21D

<b>LIABILITIES TO FINANCIAL INSTITUTIONS (BY CURRENCY)</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a. Polish currency	3 513 316		
b. Foreign currency (by currency, converted into PLN)	4 382 320		
b1. unit/currency thou USD	393 498		
thou PLN	1 590 442		
b2. unit/currency thou EUR	654 806		
thou PLN	2 625 209		
b3. unit/currency thou GBP	695		
thou PLN	4 297		
b4. unit/currency thou SEK	148		
thou PLN	65		
b5. unit/currency thou CHF	4 066		
thou PLN	14 130		
b6. unit/currency thou NOK			
thou PLN			
b7. Other currency	148 177		
<b>Total liabilities to financial institutions</b>	<b>7 895 636</b>		

## Note 21E

<b>LIABILITIES TO FINANCIAL INSTITUTIONS</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) receivables from subordinates priced with equity method	5 189	77 667	62 564
b) to other companies	7 890 447	8 071 100	5 292 105
<b>Total liabilities to financial institutions</b>	<b>7 895 636</b>	<b>8 148 767</b>	<b>5 354 669</b>

## Note 22A

<b>LIABILITIES TO CLIENTS SECTOR (BY TYPE)</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) current accounts and deposits	9 507 154	9 458 291	7 956 316
e) other liabilities (due to)	596 881	355 397	244 688
- liabilities in respect of cash collateral	525 116	257 671	150 457
- other liabilities	71 765	97 726	94 231
f) interest	71 882	48 921	79 834
<b>Total liabilities to clients sector</b>	<b>10 175 917</b>	<b>9 862 609</b>	<b>8 280 838</b>

## Note 22B

<b>LIABILITIES TO CLIENTS SECTOR - SAVINGS DEPOSITS (BY MATURITY)</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) current amounts due	1 123 065		
b) term amounts due within (as at the balance sheet date):	486 044		
- up to 1 month	15 533		
- 1 to 3 months	11 027		
- 3 months to 1 year	156 964		
- 1 to 5 years	164 369		
- 5 to 10 years	138 151		
c) interest	4 192		
<b>Total liabilities to clients sector - savings deposits</b>	<b>1 613 301</b>		

## Note 22C

<b>LIABILITIES TO CLIENTS SECTOR - SAVINGS DEPOSITS (BY ORIGINAL MATURITY)</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) current amounts due	1 123 065		
b) term amounts due within (as at the balance sheet date):	486 044		
c) interest	4 192		
<b>Total liabilities to clients sector - savings deposits</b>	<b>1 613 301</b>		

## Note 22D

<b>LIABILITIES TO CLIENTS SECTOR - OTHER (BY MATURITY)</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) current amounts due	2 969 086		
b) term amounts due within (as at the balance sheet date):	5 525 840		
- up to 1 month	2 981 131		
- 1 to 3 months	580 974		
- 3 months to 1 year	918 265		
- 1 to 5 years	898 937		
- 5 to 10 years	146 533		
c) interest	67 690		
<b>Total liabilities to clients sector - other</b>	<b>8 562 616</b>		

The balance of amounts due recorded in account no. 291 was included in term amounts due within up to 1 month.

## Note 22E

<b>LIABILITIES TO CLIENTS SECTOR - OTHER (BY ORIGINAL MATURITY)</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) current amounts due	2 969 086		
b) term amounts due within (as at the balance sheet date):	5 525 840		
c) interest	67 690		
<b>Total liabilities to clients sector - other</b>	<b>8 562 616</b>		

The Bank's accounting records are not sufficient to present data aggregated by original maturity.

## Note 22F

<b>LIABILITIES TO CLIENTS SECTOR (BY CURRENCY)</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a. Polish currency	7 951 659		
b. Foreign currency (by currency, converted into PLN)	2 224 258		
b1. unit/currency thou USD	297 896		
thou PLN	1 203 960		
b2. unit/currency thou EUR	231 554		
thou PLN	926 715		
b3. unit/currency thou GBP	14 594		
thou PLN	68 243		
b4. unit/currency thou SEK	8 071		
thou PLN	3 555		
b5. unit/currency thou CHF	3 203		
thou PLN	8 719		
b6. unit/currency thou NOK	9 154		
thou PLN	4 947		
b7. other currency	8 119		
<b>Total liabilities to clients sector</b>	<b>10 175 917</b>		

## Note 22G

<b>LIABILITIES TO CLIENTS SECTOR</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) receivables from subordinates priced with equity method	1 300		
b) to other companies	10 174 617	9 862 609	8 280 838
<b>Total liabilities to clients sector</b>	<b>10 175 917</b>	<b>9 862 609</b>	<b>8 280 838</b>

## Note 23A

<b>LIABILITIES TO THE PUBLIC SECTOR (BY TYPE)</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) current accounts and deposits	196 979	167 845	145 203
e) other liabilities (due to)			7
- debits to be explained			7
f) interest	755	537	819
<b>Total liabilities to the public sector</b>	<b>197 734</b>	<b>168 382</b>	<b>146 029</b>

## Note 23D

<b>LIABILITIES TO THE PUBLIC SECTOR - OTHER (BY MATURITY)</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) current amounts due	62 557	28 371	26 974
b) term amounts due within (as at the balance sheet date):	134 422	139 474	118 236
- up to 1 month	92 066	27 764	105 955
- 1 to 3 months	23 052	108 779	9 550
- 3 months to 1 year	16 701	7	107
- 1 to 5 years	2 603	2 924	2 624
c) interest	755	537	819
<b>Total liabilities to the public sector - other</b>	<b>197 734</b>	<b>168 382</b>	<b>146 029</b>

The balance of amounts due recorded in account no. 390 was included in term amounts due within up to 1 month.

## Note 23E

<b>LIABILITIES TO THE PUBLIC SECTOR - OTHER (BY ORIGINAL MATURITY)</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) current amounts due	62 557	28 371	26 974
b) term amounts due within (as at the balance sheet date):	134 422	139 474	118 236
c) interest	755	537	819
<b>Total liabilities to the public sector - other</b>	<b>197 734</b>	<b>168 382</b>	<b>146 029</b>

The Bank's accounting records are not sufficient to present data aggregated by original maturity.

### Note 23F

<b>LIABILITIES TO THE PUBLIC SECTOR (BY CURRENCY)</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a. Polish currency	195 418		
b. Foreign currency (by currency, converted into PLN)	2 316		
b1. unit/currency thou USD	109		
thou PLN	439		
b2. unit/currency thou EUR	468		
thou PLN	1 877		
b3. unit/currency thou GBP			
thou PLN			
b4. unit/currency thou SEK			
thou PLN			
b5. unit/currency thou CHF			
thou PLN			
b6. unit/currency thou NOK			
thou PLN			
b7. other currency			
<b>Total liabilities to the public sector</b>	<b>197 734</b>		

### Note 24

<b>LIABILITIES UNDER SECURITIES ISSUED WITH BUY-BACK CLAUSE</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) to financial institutions	202 627		
c) interest	254		
<b>Total liabilities under securities issued with abuy0back clause</b>	<b>202 881</b>		

### Note 25A

<b>LIABILITIES UNDER OWN SECURITIES ISSUED</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) Bonds	1 377 933		
d) Other (due to)	137 165		
- mortgage bonds	24 877		
- investment bills of exchange	112 286		
- banking securities issued, pursuant to Art. 89 of the Banking Law	2		
3. Interest	6 994		
<b>Total liabilities under own securities issued</b>	<b>1 522 092</b>		

### Note 25B

<b>MOVEMENT IN LIABILITIES UNDER OWN SECURITIES ISSUED</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
<b>Liabilities as at the beginning of the period</b>	<b>3 073</b>		<b>1 005</b>
<b>a) increase (due to)</b>	<b>1 520 551</b>	<b>3 015</b>	<b>466</b>
- issues	132 631		
- foreign exchange differences	161 088		
- consolidation	1 226 832	3 015	
- interest			466
<b>b) decrease (due to)</b>	<b>1 532</b>		<b>470</b>
- interest paid	1 532		470
- discount			
<b>Liabilities under own securities issued as at the end of the period</b>	<b>1 522 092</b>	<b>3 015</b>	<b>1 001</b>

The opening balance was corrected by PLN 58,000 in respect of changing the accountancy regulations.

## Note 25C

LONG TERM LIABILITIES UNDER DEBT SECURITIES ISSUED							
a	b	c	d	e	f	g	h
debt securities by type	nominal value	terms of interest	redemption	guarantees / collateral	additional rights	quotation	other
- Mortgage bonds (PLN)	5 000	3MWIBOR + 0,25% (nowadays 9,28%)	28-06-05	Register of mortgage bonds securities			
- Mortgage bonds (EUR)	5 000	3MEURIBOR + 0,55% (nowadays 4,016%)	14-09-04	Register of mortgage bonds securities			
- Mortgage bonds (USD)	10 000	3MLIBOR + 0,55% (nowadays 2,43688%)	14-09-04	Register of mortgage bonds securities			
- Mortgage bonds (USD)	10 000	3MLIBOR + 0,60% (nowadays 2,51%)	20-11-05	Register of mortgage bonds securities			
- Mortgage bonds (USD)	10 000	3MLIBOR + 0,70% (nowadays 2,61%)	20-05-08	Register of mortgage bonds securities			
- Mortgage bonds (EUR)	10 000	6MEURIBOR + 0,75% (nowadays 4,434%)	20-05-09	Register of mortgage bonds securities			
- Bonds (USD)	15 000	6MLIBOR + 1,45%	11-06-04	-			
- Bonds (USD)	28 141	6MLIBOR + 1,45%	11-12-04	-			
- Bonds for purchase shares of BPE	18 994	3MWIBOR + 0,95%	17-07-08	-			
- Bonds for purchase shares of Milenium	40 000	3MWIBOR + 0,80%	16-07-03	-			
- Bonds for purchase shares of AWSA	3 408	6MEUROBOR + 9%	31-05-37	-			
- Bonds	200	3MEURIBOR + 0,375%	09-06-05	deposit			
- Bonds	125	3MEURIBOR + 0,375%	02-11-04	deposit			

## Note 26

SPECIAL FUNDS AND OTHER LIABILITIES	H1 2002	2 001	H1 2001
<b>1. Special funds (in respect of)</b>	4 125	19 966	20 087
- Social Fund	4 125	2 487	2 688
- Housing Fund	0	17 479	17 399
<b>2. Other liabilities (in respect of)</b>	640 883	50 387	267 614
- corporate income tax liabilities	5 232	204	31 813
- interbank balances	142 924	4 836	203 326
- creditors	162 002	45 154	29 812
- other liabilities	330 725	193	2 663
<b>Total special funds and other liabilities</b>	<b>645 008</b>	<b>70 353</b>	<b>287 701</b>

## Note 27A

PREPAYMENTS	H1 2002	2 001	H1 2001
<b>a) short-term, including:</b>	35 486	69 213	5 128
- accrued expenses	12 497	69 213	5 128
- bonuses fund	14 917		
- pension dismissals and jubilees reserves	8 072		
<b>b) long-term, including:</b>	10 324		
- costs paid	10 324		
<b>Total prepayments</b>	<b>45 810</b>	<b>69 213</b>	<b>5 128</b>

## Note 27C

<b>ACCRUALS, DEFERRED INCOME AND QUALIFIED INCOME</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
<b>a) short-term, including:</b>	178 454	694 733	510 725
- income received in advance	200	12 939	44 961
- qualified income	176 044	142 764	120 700
- capitalised interest	2 210	5 569	6 251
- unrealised foreign exchange differences		520 108	336 509
- other		13 353	2 304
<b>b) long-term, including:</b>	6 891		
- income received in advance	5 495		
- qualified income	1 396		
<b>Total accruals, deferred income, and qualified income</b>	<b>185 345</b>	<b>694 733</b>	<b>510 725</b>

## Note 28A

<b>GOODWILL (NEGATIVE FIGURE) OF SUBORDINATED</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) goodwill (negative figure) - subsidiaries	1 140		
<b>Goodwill (negative figure) of subordinated, total</b>	<b>1 140</b>		

## Note 28B

<b>MOVEMENT IN GOODWILL (NEGATIVE FIGURE) - SUBSIDIARIES</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) goodwill (negative figure) as at the beginning of the period		15 700	15 700
<b>b) increase (due to)</b>	<b>2 420</b>		
- consolidation	2 420		
<b>d) goodwill (negative figure) as at the end of period</b>	<b>2 420</b>	<b>15 700</b>	<b>15 700</b>
<b>e) appropriation of goodwill (negative figure) as at the beginning of the period</b>		9 556	9 556
<b>f) appropriation of goodwill (negative figure) for period</b>	<b>1 280</b>	<b>6 144</b>	6 144
- depreciation of goodwill (negative figure)	240		
- consolidation	1 040		
- depreciation		6 144	6 144
<b>g) appropriation of goodwill (negative figure) as at the end of the period</b>	<b>1 280</b>	<b>15 700</b>	<b>15 700</b>
<b>h) goodwill (negative figure) at the end of period</b>	<b>1 140</b>		

## Note 28D

### Movement in goodwill (negative figure)

### **Polfactor**

a) goodwill (negative figure) as at the beginning of the period	-
<b>b) increase (due to)</b>	<b>2 420</b>
- consolidation	2 420
-	
<b>c) decrease (due to)</b>	<b>-</b>
-	
<b>d) goodwill (negative figure) as at the end of period</b>	<b>2 420</b>
-	
<b>e) appropriation of goodwill (negative figure) as at the beginning of the period</b>	<b>-</b>
<b>f) appropriation of goodwill (negative figure) for period</b>	<b>1 280</b>
- depreciation of goodwill (negative figure)	240
- consolidation	1 040
- depreciation	-
-	
<b>g) appropriation of goodwill (negative figure) as at the end of the period</b>	<b>1 280</b>
<b>h) goodwill (negative figure) at the end of period</b>	<b>1 140</b>

## Note 29A

<b>MOVEMENT IN DEFERRED INCOME TAX RESERVE</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
<b>1. Movement in deferred income tax at the beginning of the period</b>	<b>871 251</b>	<b>257 923</b>	257 923
a) referring to financial statement	725 396	257 923	257 923
- interest received	32 545		
- valuation of derivatives and forward/future contracts - rise	577 304		
- securities discount	9 102		
- investment relief	63 433		
- foreign exchange differences	25 431		
- other	17 581		
b) referring to equity	27 899		
- interest received	-603		
- valuation of derivatives and forward/future contracts - rise	9 712		
- other	18 790		
c) referring to goodwill	117 956		
- interest received	3 149		
- valuation of derivatives and forward/future contracts - rise	105 820		
- other	8 987		
<b>2. Increase</b>	<b>21 922</b>	<b>435 916</b>	129 877
a) referring to financial statement in respect of temporary differences, due to	21 922	435 916	129 877
- interest received	3 152		
- valuation of derivatives and forward/future contracts - rise	48		
- securities discount	423		
- foreign exchange differences	17 825		
- other	474		
<b>3. Decrease</b>	<b>38 175</b>		
a) referring to financial statement in respect of temporary differences, due to	38 173		
- interest received	197		
- valuation of derivatives and forward/future contracts - rise	2 207		
- securities discount	5 251		
- investment relief	1 383		
- foreign exchange differences	25 431		
- other	3 704		
b) referring to equity in respect to temporary differences, due to	2		
- interest received	2		
<b>4. Deferred income tax as at the end of the period, including:</b>	<b>854 998</b>	<b>693 839</b>	387 800
a) referring to financial statement	827 172	693 839	387 800
- interest received	38 720		
- valuation of derivatives and forward/future contracts - rise	680 965		
- securities discount	4 274		
- investment relief	62 050		
- foreign exchange differences	17 825		
- other	23 338		
b) referring to equity	164		
- interest received	164		
- valuation of derivatives and forward/future contracts - reductions	0		
- other	0		

## Note 29B

<b>MOVEMENT IN DEFERRED INCOME TAX RESERVE</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a. Polish currency	853 997	693 839	387 800
b. Foreign currency (by currency, converted into PLN)	1 001		
b1. unit/currency thou USD thou PLN			
b2. unit/currency thou EUR thou PLN	210 839		
b3. unit/currency thou GBP thou PLN			
b4. unit/currency thou SEK thou PLN			
b5. unit/currency thou CHF thou PLN			
b6. unit/currency thou NOK thou PLN			
b7. other currency	162		
<b>Movement in deferred income tax reserve, total</b>	<b>854 998</b>	<b>693 839</b>	<b>387 800</b>

## Note 29C

<b>OTHER PROVISIONS (BY TYPE), INCLUDING:</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
- for off balance sheet contingent liabilities	4 647	26 919	37 157
- general banking risk reserve	16 224	63 845	17 566
- pension and other services reserves	7 227		
- future costs	6 354		
- other	6 006		
<b>Total other provisions</b>	<b>40 458</b>	<b>90 764</b>	<b>54 723</b>

## Note 29D

<b>OTHER PROVISIONS</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
<b>a) short-term (by type)</b>	<b>19 590</b>	<b>90 764</b>	<b>54 723</b>
- for off balance sheet contingent liabilities	3	26 919	37 157
- general banking risk reserve	0	63 845	17 566
- pension and other services reserves	7 227		
- future costs	6 354		
- other	6 006		
<b>b) long-term (by type)</b>	<b>20 868</b>		
- for off balance sheet contingent liabilities	4 644		
- general banking risk reserve	16 224		
<b>Total other provisions</b>	<b>40 458</b>	<b>90 764</b>	<b>54 723</b>

## Note 29E

<b>OTHER PROVISIONS (BY CURRENCY)</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a. Polish currency	21 603		
b. Foreign currency (by currency, converted into PLN)	18 855		
b1. unit/currency thou USD thou PLN	308 1 245		
b2. unit/currency thou EUR thou PLN	3 666 14 697		
b3. unit/currency thou GBP thou PLN			
b4. unit/currency thou SEK thou PLN			
b5. unit/currency thou CHF thou PLN			
b6. unit/currency thou NOK thou PLN			
b7. other currency	2 913		
<b>Total other provisions</b>	<b>40 458</b>		

## Note 29F

<b>MOVEMENT IN OTHER SHORT-TERM PROVISIONS</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
<b>Provisions as at the beginning of the period (by type)</b>	<b>3</b>	<b>86 479</b>	<b>85 180</b>
- for off balance sheet contingent liabilities	3		
- general banking risk reserve			
- pension and other services reserves			
- future costs			
- other			
<b>a) increase (due to)</b>	<b>25 056</b>	<b>102 788</b>	<b>28 359</b>
- appropriation			
- foreign exchange differences			
- pension and other services reserves			
- dismissal reserves			
- income tax			
- general reserve			
- other	3 571		
- inclusion the opening balance of company consolidated with accounting method for the first time	21 485		
<b>b) provisions used through (due to)</b>	<b>5 469</b>	<b>1 425</b>	
- use of the reserve	2 635		
- other	2 834		
<b>c) provisions released (due to)</b>		<b>97 078</b>	<b>58 816</b>
- release			
- foreign exchange differences			
<b>Total other short-term provisions as at the end of the period</b>	<b>19 590</b>	<b>90 764</b>	<b>54 723</b>
- for off balance sheet contingent liabilities	3		
- general banking risk reserve	0		
- pension and other services reserves	7 227		
- future costs	6 354		
- other	6 006		
<b>Total other short-term provisions as at the end of the period</b>	<b>19 590</b>		

## Note 29G

<b>MOVEMENT IN OTHER LONG-TERM PROVISIONS</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
<b>Provisions as at the beginning of the period (by type)</b>	<b>90 761</b>		
- for off balance sheet contingent liabilities	26 916		
- general banking risk reserve	63 845		
- pension and other services reserves			
- future costs			
- other			
<b>a) increase (due to)</b>	<b>19 185</b>		
- appropriation	18 648		
- foreign exchange differences	537		
<b>c) provisions released (due to)</b>	<b>89 078</b>		
- release	89 078		
<b>Total other long-term provisions as at the end of the period</b>	<b>20 868</b>		
- for off balance sheet contingent liabilities	4 644		
- general banking risk reserve	16 224		
- pension and other services reserves			
- future costs			
- other			
<b>Total other long-term provisions as at the end of the period</b>	<b>20 868</b>		

## Note 30A

SUBORDINATED LIABILITIES						
a Company name	b Loan amount		c Terms of interest	d Maturity	e Status of subordinated liabilities	f Interest
	currency	thous PLN				
- ATLAS	EUR	724 000	3MEURIBOR +	27-03-2012	724 000	-
- Rheinhyp	EUR	35 520	3MEURLIBOR	07-12-2011	35 520	69

## Note 30B

MOVEMENTS IN SUBORDINATED LIABILITIES	H1 2002	2 001	H1 2001
Subordinated liabilities as at the beginning of the period	31 268		
<b>a) increase (due to)</b>	<b>729 143</b>	<b>31 268</b>	
- subordinated loan received	724 000	31 204	
- subordinated loan interest	827	64	
- foreign exchange differences	4 316		
<b>b) decrease (due to)</b>	<b>822</b>		
- interest paid	822		
Subordinated liabilities as at the end of the period	<b>759 589</b>		

## Note 31

MOVEMENT IN OWN CAPITAL OF MINORITY SHAREHOLDERS	H1 2002	2 001	H1 2001
Capital as at the beginning of the period	71 041		
<b>a) increase (due to)</b>	<b>81 728</b>	<b>71 041</b>	65 901
- share in net assets		71 041	65 901
- consolidation the companies with accounting method for the first time	81 309		
- increase in respect of accounting regulation changes	419		
<b>b) decrease (due to)</b>	<b>3 256</b>		
- share in net assets	2 780		
- share in company	476		
Capital as at the end of the period	<b>149 513</b>	<b>71 041</b>	<b>65 901</b>

## Note 32

SHARE CAPITAL								
Series/ issues	Type of share	Type of preference	Rodzaj ograniczenia praw do akcji	Number of shares	Value od series/ issue	Contribution method	Registration date	Right to dividend
- 11-12-86	bearer shares	-	-	9 957 500	39 830 000	in cash	23-12-86	01-01-89
- 11-12-86	registered shares	-	-	42 500	170 000	in cash	23-12-86	01-01-89
- 20-10-93	bearer shares	-	-	2 500 000	10 000 000	in cash	04-03-94	01-01-94
- 18-10-94	bearer shares	-	-	2 000 000	8 000 000	in cash	17-02-95	01-01-95
- 28-05-97	bearer shares	-	-	4 500 000	18 000 000	in cash	10-10-97	10-10-97
- 27-05-98	bearer shares	-	-	3 800 000	15 200 000	in cash	20-08-98	01-01-99
- 24-05-00	bearer shares	-	-	170 500	682 000	in cash	15-09-00	01-01-01
-								
<b>Total number of shares</b>				<b>22 970 500</b>				
<b>Total share capital</b>					<b>91 882 000</b>			
<b>Nominal value of one share = PLN 4</b>								

On 30.06.2002 BRE Bank owns 42,500 registered shares of BRE Bank SA.  
The capital share of BRE Bank was PLN 91,882,000 and divided into 22,970,500 bearer and registered shares with nominal value PLN 4 per one share. Each give one vote during the General Meeting of Shareholders of BRE Bank SA.

The only shareholder, who reached or exceed 5% of maximum amount of votes on General Meeting of Shareholders of BRE Bank SA, was Commerzbank AG. He held 11,485,250 shares of BRE Bank SA, which constitute 50,00% of capital share of BRE Bank SA and allow to execute 50,00% votes during the General Meeting of Shareholders of BRE Bank SA.

**Note 33B**

<b>BANK SHARES HELD BY SUBSIDIARIES</b>			
a	b	c	d
company name	number of shares	value at cost	balance sheet value
...			

**Note 34**

<b>SUPPLEMENTARY CAPITAL</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) Share premium	626 269		625 998
b) Statutory reserve	17 857		10 211
d) contributions of the shareholder	784		
e) Other	7 517		66
- division of profit from previous years	457		
- revaluation from 1995	5 002		
- over-estimation tangible fixed assets 1993 and 1994	1 992		
- sale of tangible fixed assets	66		66
<b>Total supplementary capital</b>	<b>652 427</b>		<b>636 275</b>

**Note 35**

<b>REVALUATION CAPITAL</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) revaluation tangible fixed assets	8 895	8 063	8 078
b) deferred income tax	-164		
c) foreign exchange differences	0		
d) other	1 137		
- foreign exchange differences	2 800		
- revaluation	-1 663		
<b>Revaluation capital, total</b>	<b>9 868</b>	<b>8 063</b>	<b>8 078</b>

**Note 36**

<b>OTHER RESERVES (BY DESIGNATION), INCLUDING:</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
- General banking risk fund	558 000		453 000
- By-laws reserve	827 050		795 563
- dividend payment fund			
- gross dividend prepayment for 2002	-1 600		
- for eventual loss covery	539		
<b>Total other reserves</b>	<b>1 352 395</b>		<b>1 248 563</b>

## Note 37

### Data for calculating the capital adequacy ratio:

The total of Tier 1 capital and Tier 2 capital:

#### Tier 1 capital:

Share capital	PLN 91.882 thousand
Supplementary capital	PLN 748.738 thousand
Other reserves	PLN 794.916 thousand
General banking risk reserve	PLN 558.000 thousand

#### Tier 2 capital:

Revaluation reserve	PLN 9.559 thousand
Subordinated liabilities	PLN 724.000 thousand

**Total of Tier 1 capital and Tier 2 capital: PLN 2.927.095 thousand**

Adjustment to Tier 1 capital and Tier 2 capital (in acc. with Resolution No. 6/01 of the Banking Supervision Commission of 16 December 2001)

deficit in the required specific provisions -  
intangible assets

PLN 58.493 thousand

Uncovered loss from the previous years

PLN 191.576 thousand

Loss at the end of the period

PLN 100.334 thousand

shareholding specified in § 4, clause 1, item 2 of the above Act

PLN 457.088 thousand

TOTAL:

PLN 807.491 thousand

Equity after adjustment: **PLN 2.119.604 thousand**

Total required capital : **PLN 1.451.009 thousand**

(in acc. with Resolution No. 5/2001)

$$\text{Capital adequacy} = \frac{\text{equity} + \text{short-term capital} - \text{amount over the threshold of capital concentration}}{12,5 \times \text{total required capital}} \times 100\% = 11,69\%$$

## Note 38

Data for calculating bookvalue per share:

Book value:

Share capital	PLN 91.882 thousand
Supplementary capital	PLN 652.427 thousand
Revaluation reserve	PLN 9.868 thousand
Other reserves	PLN 1.352.395 thousand
Foreign exchange differences of subordinated	PLN 472 thousand
Profit (loos) from previous years	PLN (122.735) thousand
Net profit (loss)	PLN (99.654) thousand
TOTAL	PLN 1.884.655 thousand

Number of shares: 22.970.500 szt

Book value per one share = PLN 1.884.655 thousand / 22.970.500 shares = 82,05 PLN / share

Information about diluted book value per one share:

BRE Bank SA did not issue convertible bonds, warrants or options, which realisation price indicates the necessity of increase the predicted number of shares.

**Note 39**

<b>CONTINGENT LIABILITIES TO CORRELATED COMPANIES</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
<b>b) other</b>	<b>295</b>		
open credit lines	295		
- to subsidiaries	295		
- correlated companies			
- to affiliates			
- significant investor			
- to parent company			
<b>Total contingent liabilities to correlated companies</b>	<b>295</b>		

**NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT****Note 41**

<b>INTEREST INCOME</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) from financial institutions	30 232		98 093
b) from clients sector	512 603		503 719
c) from public sector	23 141		3 642
d) from fixed income securities	285 172		270 904
e) other	2 634		1 675
<b>Total interest income</b>	<b>853 782</b>		<b>878 033</b>

**Note 42**

<b>INTEREST EXPENSE</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) from financial institutions	251 375		245 088
b) from clients sector	392 055		455 169
c) from public sector	11 378		8 741
d) other	19 625		2 224
<b>Total interest expense</b>	<b>674 433</b>		<b>711 222</b>

**Note 43**

<b>COMMISSION INCOME</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
1. Commissions on banking activities	120 786		129 594
2. Commissions on brokerage activities	18 317		15 528
<b>Total commission income</b>	<b>139 103</b>		<b>145 122</b>

**Note 44**

<b>INCOME FROM SHARES AND OTHER SECURITIES AND OTHER FINANCIAL INSTRUMENTS WITH VARIABLE INCOMES</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) from subsidiaries	4 042		3 375
c) from affiliates	3 267		420
d) from other companies	488		1 744
<b>Income from shares and other securities and other financial instruments with variable incomes</b>	<b>7 797</b>		<b>5 539</b>

**Note 45**

<b>PROFIT ON FINANCIAL OPERATIONS</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) in securities and other financial instruments	5 105		7 913
- income from operations in securities and other financial instruments	555 165		455 034
- costs of operations in securities and other financial instruments	-550 060		-447 121
b) other financial operations	-40 245		-71 416
<b>Total profit on financial operations</b>	<b>-35 140</b>		<b>-63 503</b>

## Note 46

<b>OTHER OPERATING INCOME</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) management of clients' assets	21 331		
b) sale or scrapping of tangible fixed assets and assets for sale	58 672		2 432
c) collected lost receivables	212		249
d) compensation, penalty, fees received	516		51 315
f) other (in respect of)	17 169		12 909
- other operating income	8 153		7 142
- auxiliary income	2 275		5 767
- pension funds services	3 957		
- investment funds services	2 784		
<b>Total other operating income</b>	<b>97 900</b>		<b>66 905</b>

## Note 47

<b>OTHER OPERATING EXPENSES</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
b) sale or scrapping of tangible fixed assets and assets for sale	52 394		2 910
c) receivables deemed lost	255		348
d) compensation, penalty, fees paid	1 017		145
e) donations given	1 996		1 115
f) other (in respect of)	26 364		3 198
- other operating expense	8 426		3 198
- provisions for other receivables	17 938		
<b>Other operating expenses, total</b>	<b>82 026</b>		<b>7 716</b>

## Note 48

<b>BANK'S OVERHEADS</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
1. Wages and salaries	141 987		110 911
2. Employee benefits	7 704		2 346
3. Material costs	165 343		96 347
4. Taxes and fees	5 129		2 234
5. Contributions and transfers to the Banking Guarantee Fund	3 019		3 868
6. Other:	3 427		917
- transfers to the Social Fund	1 983		917
- provision for benefits			
- other	1 444		
<b>Total Bank's overheads</b>	<b>326 609</b>		<b>216 623</b>

## Note 49

<b>PROVISIONS AND WRITE-DOWNS</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
<b>1. Provisions for:</b>	<b>326 327</b>		<b>170 966</b>
- regular receivables	12 304		2 000
- "watch receivables"	10 726		4 250
- irregular receivables	285 997		137 505
- general banking risk	17 242		11 630
- off balance sheet liabilities	58		15 556
- other			25
<b>2. Write-downs::</b>	<b>1 653</b>		
- financial assets	1 562		
- contracting partie's receivables	91		
<b>Total provisions and write-downs</b>	<b>327 980</b>		<b>170 966</b>

## Note 50

<b>RELEASE OF PROVISIONS AND REVERSAL OF WRITE-DOWNS</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
<b>1. Release of provisions for:</b>	<b>205 288</b>		<b>136 966</b>
- regular receivables	14 562		
- "watch receivables"	25		
- irregular receivables	124 929		74 108
- general banking risk	63 845		51 522
- off balance sheet liabilities	73		5 538
- reserve lease for future losses	1 854		
- other			5 798
<b>2. Reversal of write-downs:</b>	<b>446</b>		
- financial assets	446		
<b>Total release of provisions and reversal of write-downs</b>	<b>205 734</b>		<b>136 966</b>

## Note 51

<b>PROFIT (LOSS) ON SALE OF SHARES OF SUBORDINATED</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
<b>a) profit on sale of shares</b>			<b>47 949</b>
a) subsidiaries			29 377
c) affiliates			18 572
<b>b) loss on sale of shares</b>	<b>-18 344</b>		<b>4 415</b>
a) subsidiaries	-18 344		
c) affiliates			4 415
<b>Total profit (loss) of shares of subordinated</b>	<b>-18 344</b>		<b>43 534</b>

## Note 52

<b>EXTRAORDINARY GAINS</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) incidental	139		227
b) other	1 557		
- compensation received	1 557		
<b>Total extraordinary gains</b>	<b>1 696</b>		<b>227</b>

## Note 53

<b>EXTRAORDINARY LOSSES</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) incidental	635		152
<b>Total extraordinary losses</b>	<b>635</b>		<b>152</b>

## Note 54

<b>APPROPRIATION OF GOODWILL OF SUBORDINATED COMPANIES</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) subsidiaries	9 072		11 631
c) affiliates			241
<b>Appropriation of goodwill of subordinated companies, total</b>	<b>9 072</b>		<b>11 872</b>

## Note 55

<b>APPROPRIATION OF GOODWILL (NEGATIVE FIGURE) OF SUBORDINATED COMPANIES</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) subsidiaries	240		6 144
<b>Appropriation of goodwill (negative figure) of subordinated companies, total</b>	<b>240</b>		<b>6 144</b>

### Note 56A

<b>CORPORATE INCOME TAX</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
1. Profit (loss) before tax (consolidated)	-138 467		228 432
2. Consolidation adjustments			1 071
3. Differences between profit (loss) before tax and taxable income	113 049		376 753
- memorial incomes	-1 060 083		-38 703
- non-taxed incomes	-948 076		422 917
- memorial costs	1 082 231		-7 461
- costs non-generating incomes	1 038 980		
4. Tax base	-25 418		606 256
5. Corporate income tax 28%	-7 117		169 752
7. Income tax shown on tax declaration in the period	2 656		169 752
- shown in profit and loss account	2 656		169 752

### Note 56B

<b>CORPORATE INCOME TAX SHOWN IN PROFIT AND LOSS ACCOUNT</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
- increase (decrease) due to setting up and turning the temporary differences	18 265		167 427
- increase (decrease) due to unheld tax loss, tax relief or temporary differences of previous period	289		
- increase (decrease) due to asset appropriation in respect of deferred income tax or lack of possibility to use reserve for deferred income tax	7		
- other component of deferred income tax	4 925		
<b>Deferred income tax, total</b>	<b>23 486</b>		<b>167 427</b>

### Note 56C

<b>TOTAL DEFERRED INCOME TAX</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
- referring to equity	-93		

### Note 57

<b>OTHER OBLIGATORY DEDUCTIONS AGAINST THE GROSS PROFIT (INCREASE IN LOSS)</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
- tax declaration correction for 2001			
<b>Other obligatory deductions against the gross profit (increase in loss), total</b>			

### Note 58

<b>NET PROFIT (LOSS)</b>	<b>H1 2002</b>	<b>2 001</b>	<b>H1 2001</b>
a) net profit (loss) of parent company	-100 334		173 541
b) net profit (loss) of subsidiaries	-33 726		-22 304
d) net profit (loss) of affiliates	1 244		4 256
e) consolidation corrections	33 162		
<b>Net profit (loss)</b>	<b>-99 654</b>		<b>155 493</b>

#### Share of particular companies of BRE Bank's capital Group in consolidated net financial results:

Banking activity	PLN (118,329) thousand	118,74%
Pesnion funds	PLN 13,385 thousand	-13,43%
Investment activity	PLN 5,290 thousand	-5,31%
<b>TOTAL:</b>	<b>PLN (99,654) thousand</b>	<b>100,00%</b>

## Note 59

### Data for calculating earnings per one share:

#### Number of shares of BRE Bank SA:

July'01 22 970 500  
August'01 22 970 500  
September'01 22 970 500  
October'01 22 970 500  
November'01 22 970 500  
December'01 22 970 500  
January'02 22 970 500  
February'02 22 970 500  
March'02 22 970 500  
April'02 22 970 500  
May'02 22 970 500  
June'02 22 970 500

Grupo net results: PLN thousand

2H 2001 65 907

1H2002 (99 654)

(33 747)

Profit per 1 share

PLN (33 747) thousand / 22 970 500 = PLN (1,47)

Information about diluted book value per one share:

BRE Bank SA did not issue convertible bonds, warrants or options, which realisation price indicates the necessity of increase the predicted number of shares.

Signatures of Members of Management Board			
Date	Name	Position	Signature
27-09-2002	Wojciech Kostrzewa	CEO/President of the Board	
27-09-2002	Anton M.Burghardt	Head of Investment Banking/Deputy President	
27-09-2002	Henryk Okrzeja	Head of Banking Operations/Deputy President	
27-09-2002	Jan Zieliński	Head of Finance and Controlling/Deputy President	
27-09-2002	Krzysztof Kokot	Deputy President/Head of Corporate Banking	
27-09-2002	Sławomir Lachowski	Head of Retail Banking/Deputy President	
27-09-2002	Alicja Kos	Head of Communication/Member of the Management Board	

Signature of person responsible for the Company's accounts			
Date	Name	Position	Signature
27-09-2002	Jan Zieliński	Head of Finance and Controlling/Deputy President	

**ADDITIONAL EXPLANATORY NOTES  
TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR H1 2002**

The additional explanatory notes were prepared in accordance with the requirements of the Regulation of the Council of Ministers dated 16 October 2001 (Journal of Laws No. 139, item 1569) and the Regulation of the Council of Ministers dated 19 March 2002 amending the Regulation concerning current and periodic reports submitted by issuers of securities (Journal of Laws No. 31, item 28).

**1. Concentration of the exposure of BRE Bank SA per client, sector, capital group, including risk assessment related to this exposure**

BRE BANK SA CREDIT PORTFOLIO BY SECTOR  
As at 30 June 2002

Sector (NACE)	No. of clients	Principal debt (PLN'000)	% share
wholesale and consignment trade	702	1 902	16.7%
Insurance and pension funds	4	980 000	8.6%
Real estate servicing	58	766 371	6.7%
Construction	183	657 965	5.8%
Financial services**)	48	539 612	4.7%
Production of foodstuffs and beverages	126	449 999	3.9%
Manufacturing of other non-metal products	43	388 303	3.4%
Post and telecommunication	12	362 146	3.2%

\*) except trade in vehicles and motors

\*\*\*) except insurance and pension funds

The table shows receivables from non-financial clients, financial institutions (excluding banks), the public sector, and bills of exchange eligible for discounting. It does not include employee loans, interest, suspended amounts.

The total exposure to these sectors represents over half the loan portfolio. According to the latest study by Instytut Badań nad Gospodarką Rynkową (Institute of Market Economy Studies, Report No. 19, June 2002), the investment risk of these sectors (on a scale of 5 grades: LOW, MEDIUM, INCREASED, HIGH, VERY HIGH) was rated as follows:

1. Wholesale and consignment trade -	MEDIUM
2. Insurance and pension funds -	(not rated)
3. Real estate servicing -	MEDIUM
4. Construction -	VERY HIGH
5. Financial services -	(not rated)
6. Production of foodstuffs and beverages -	MEDIUM
7. Manufacturing of other non-metal products -	INCREASED
8. Post and telecommunication -	MEDIUM

1. Among the *wholesale trade clients* there are large individual exposures. These can be divided in two groups of borrowers:

- 1.1. The first group includes large (mainly publicly-traded companies), former foreign trade enterprises, which are parent companies for large manufacturing and trading groups. Traditionally the largest clients are enterprises connected with metal and fuel and chemical markets. In this group of borrowers, a bigger exposure of the Bank to individual clients may be noted.
- 1.2. The second group includes smaller clients, specialised in local wholesale trading. In the second group, a very considerable diversification of exposure may be noted.
2. Exposure to *insurance and pension funds* relates to a single client of a low risk profile.
3. There is a large capital debt related to financing investments on the real estate market (so-called *real estate servicing*). IBnGR considers that the risk in this business grew (from low to medium).
4. Lending activities involving *construction* companies concentrate on industrial and specialised construction enterprises. The housing sector is hardly ever financed. Publicly traded companies associated with construction groups dominate among construction companies. These groups intensify the diversification of their activities and, striving to optimise the risk, get involved in activities other than construction.
5. Leasing and factoring companies account for the bulk of exposure to the *financial services sector*. Much of the exposure relates to a leasing company whose major shareholder is a foreign investor.
6. *Production of foodstuffs and beverages* is the most diversified sector as far as the types of production are concerned. It includes many different food processing subsectors. BRE Bank SA is mostly involved in the financing of *meat plants* (many of them are associated in sectoral trade groups), *production of beverages* (including alcoholic beverages) and *production of vegetable fats*. In an attempt to minimise credit risk, lending activities are limited to large enterprises, which are either members of strong groups or are publicly traded companies. Economic situation of these sectors is constantly monitored.
7. The sector of *manufacturers of other non-metal products* is dominated by producers of construction materials and glass products.
8. The exposure to the sector of *post and telecommunication* relates to lending to telecommunication companies, mainly cellular phone operators.

### Equity investment

The equity investment of BRE Bank SA per sector is as follows:

- Telecommunications, Media, Technologies (TMT) – 31.64% of total equity investment,
- Asset Management – 30.29% of total equity investment,
- Corporate Banking – 7.48% of total equity investment.

### Risk assessment of equity investment:

Investment in TMT companies is long-term investment of the Bank. This is due to the fact that the sector requires high capital investment and a long period of return on investment (several years). The TMT market is now undergoing important change including restructuring. The process should improve the profitability and liquidity of the sector. The higher investment risk of the TMT sector offers higher expected profits. Divestment opportunities are largely dependent on the outlook of the sector on global markets and the sentiment on the Polish stock market.

Investment in asset management companies, i.e., PTE Skarbiec-Emerytura SA, Skarbiec Asset Management Holding S.A. ("SAMH"), BRE Asset Management S.A, BRE Private

Equity Sp. z o.o., is long-term investment closely related to the Bank's strategy. The integration of asset management companies in SAMH (to be finalised in Q3 2002) will ensure a stronger market position due to cost cutting opportunities and thus enhance the competitive advantage of the companies. The risk of the investment is mainly due to volatile conditions on the Polish capital markets and the overall economic outlook. Each asset management company has a relatively high market share in its segment (the market share of PTE Skarbiec-Emerytura will increase following the merger with the open-ended pension fund Ego). The outlook of further dynamic growth of the companies is closely linked to Poland's forthcoming EU accession and growing wealth of Polish citizens.

***Concentration of the Bank's exposure per company and capital group (balance sheet and off-balance sheet exposure):***

<b>Company</b>	<b>PLN'000</b>	<b>% of total exposure</b>
Client 1	1,377,518	5.5%
Client 2	981,700	3.9%
Client 3	399,931	1.6%
Client 4	390,967	1.6%
Client 5	356,014	1.4%
Client 6	329,311	1.3%
Client 7	325,551	1.3%
Client 8	299,786	1.2%
Client 9	270,843	1.1%
Client 10	222,334	0.9%

The largest exposure is to BRE International Finance B.V. relating to the guarantee of redemption of EUR 325 million eurobonds.

<b>Capital Group</b>	<b>PLN'000</b>	<b>% of total exposure</b>
Group 1	605,482	2.4%
Group 2	527,567	2.1%
Group 3	523,931	2.1%
Group 4	421,532	1.7%
Group 5	394,516	1.6%

## 2. Deposits and Loans by Geographical Segment

Deposits accepted from and loans extended to non-financial clients of BRE Bank SA and other companies of the Capital Group at 30 June 2002 were as follows:

<b>Branch</b>	<b>Deposits (PLN'000)</b>	<b>Loans (PLN'000)</b>
Warsaw	2,007,238	3,709,563
Łódź	442,508	530,513
Lublin	512,902	238,996
Olsztyn	337,045	229,003
Poznań	564,649	976,493
Kraków	349,507	363,465
Szczecin	304,077	529,976
Wrocław	440,918	760,379
Gdańsk	307,840	397,934
Katowice	944,224	543,926
Bydgoszcz	288,835	210,455
Head Office	3,175,970	2,676,317
<b>Total BRE:</b>	<b>9,675,713</b>	<b>11,167,020</b>
Bank Częstochowa SA	94,151	66,821
Dom Inwestycyjny BRE Banku SA	69,151	0
Intermarket Bank AG	81,373	402,674
BRE Leasing Sp. z o.o.	2,224	1,313,007
Polfactor SA	148,883	53,572
BRE Private Equity Sp. z o.o.	0	46
PTE Skarbiec – Emerytura SA	0	725
Rheinhyp-BRE Bank Hipoteczny SA	38	697,788
Transfinance a.s.	68	231,335
<b>Total Companies:</b>	<b>395,888</b>	<b>2,765,968</b>
<b>Total Group:</b>	<b>10,071,601*)</b>	<b>13,932,988**)</b>

\*) Excluding suspended credits and interest.

\*\*\*) Including discount credit, excluding suspended debits and interest.

In terms of the break-down of deposits by sector, it can be determined for some clients of the holding company. There is no sector break-down for natural persons and foreign clients; some deposit holders (who do not use other products of the Bank) are not assigned a sector..

Of this group of clients classified by sector, the largest share in deposits is that of *wholesale and consignment trade* (13.3%), *other business services* (10.1%), *real estate servicing* (8.3%), *production and supply of electricity and gas* (7.3%). The other deposit holders classified by sector belong to a diversified range of sectors.

### 3. Information about change in subsidies to foreign branches

BRE Bank SA has no foreign branches.

### 4. Information about financial instruments

<b>FINANCIAL INSTRUMENTS DESIGNATED FOR TRADING</b>				
	Debt securities	Other securities and other financial assets	Cash in hand and with the central bank, current accounts	TOTAL
Balance at the beginning of the period	3 376 022	135 573	1 600 156	5 111 751
a) increase (in respect of):	86 236 100	331 705		86 567 805
- purchase	85 810 366	274 795		86 085 161
- release provisions	4 758	0		4 758
- increase in value	59 983	56 910		116 893
- fx differences	25 741	0		25 741
- opening balance of companies first consolidated under acquisition accounting	0	0		0
- opening balances of companies first consolidated	1 869	0		1 869
- other increase	333 383	0		333 383
b) decrease (in respect of):	85 945 170	437 491	451 216	86 833 877
- sale	85 636 961	283 128		85 920 089
- fx differences	0	0		0
- re-rating of securities	0	103 659		103 659
- provisions set up	3 082	0		3 082
- re-rating of provisions	0	0		0
- decrease in value	45 440	50 704		96 144
- other decrease	259 687	0		259 687
Financial assets designated for trading at 30 June 2002	3 666 952	29 787	1 148 940	4 845 679

<b>FINANCIAL ASSETS AVAILABLE FOR SALE</b>				
	Debt securities	Other securities and other financial assets	Stocks and shares in other companies	TOTAL
Balance at the beginning of the period	816 587	647 439	25 204	1 489 230
a) increase (in respect of):	20 228 452	705 073	5 595	20 939 120
- purchase	20 128 588	389 186	0	20 517 774
- re-rating of securities	0	163 113	0	163 113
- released provisions	1 117	78 254	944	80 315
- re-rating of provisions	0	0	0	0
- increase in value	14 070	48 693	0	62 763
- fx differences	6 038	9 481	421	15 940
- debt conversion	0	10 046	0	10 046
- opening balance of companies first consolidated based on acquisition accounting	0	6 300	4 230	10 530
- opening balance of companies first consolidated	438	0	0	438
- other increase	78 201	0		78 201
b) decrease (in respect of):	20 492 490	652 606	2 601	21 147 697
- sale	20 294 742	459 451	0	20 754 193
- fx differences	0	0	189	189
- re-rating of securities	0	28 105	0	28 105
- provisions set up	770	119 465	2 412	122 647
- re-rating of provisions	0	599	0	599
- decrease in value	9 620	44 986	0	54 606
- elimination of bonds of companies consolidated based on acquisition accounting	123 237	0	0	123 237
- other decrease	64 121	0	0	64 121
Financial assets available for sale at 30 June 2002	552 549	699 906	28 198	1 280 653

Financial assets kept to maturity consist of PLN 140,152 thousand of NBP bonds acquired on the reduction of the mandatory reserve rate. The value of the assets did not change compared to the beginning of the period. The value of the assets represents ca. 40% of all NBP bonds held by the Group.

The dates and volumes of future cash flows under balance sheet financial instruments are shown in tables presenting receivables and liabilities by maturity.

Securities designated for trading are purchased with the intention to keep and to achieve profits within 3 months.

Securities available for sale are those with a planned investment horizon of more than 3 months.

The portfolio of securities kept to maturity consists of only NBP bonds acquired on the reduction of the mandatory reserve rate with maturity in years 2008-2012.

The accounting policies applicable to derivative financial instruments are described in the Introduction to the Consolidated Financial Statements, Accounting Policies, Off-Balance Sheet Derivatives and Forward and Future Transactions.

The methodology and the assumptions applied in setting the fair value of financial assets and liabilities stated at fair value are described in Introduction to the Consolidated Financial Statements, Accounting Policies.

Financial instruments acquired on the regulated market are entered in the books of account as follows:

- transactions closed in a session – at cost on the transaction date;
- package transactions (off session) – at cost on the date of payment.

The maximum credit risk at the balance sheet date is shown as the value of off-balance sheet receivables and liabilities determined in credit risk calculations of the Bank's capital adequacy. The credit risk of the Capital Group is mainly borne by the holding company given the scale of operations of BRE Bank SA compared to other companies of the Group. Risk-weighted off-balance sheet assets and liabilities were, at 30 June 2002, PLN 16,925,140 thousand at the holding company, PLN 672,142 thousand at RHEINHYP-BRE Bank Hipoteczny, PLN 72,899 thousand at Bank Częstochowa. The credit risk of other companies is immaterial to the Group.

Financial assets available for sale and designated for trading are valued according to the Group's accounting policies, i.e., at fair value or depreciated cost less write-downs for permanent diminution in value.

The valuation of some assets available for sale at historical cost less permanent diminution in value is based on the following grounds:

- Telbank, Unitra, PZU – there are no grounds (such as preliminary sale contracts, accepted offers, call options) to reasonably determine their fair value. The balance sheet value of the said companies at 30 June 2002 was PLN 53,006 thousand, PLN 136 thousand, and PLN 73,989 thousand, respectively;
- Polskie Centrum Leasingowe Sp. z o.o. – given the weak financial standing of the company which reported negative equity at 31 December 2001, the entire investment is covered by provisions;
- SPV-Portfel 1 – shares acquired in Q1 2002, a small investment and a small stake in the company's share capital (the balance sheet value is PLN 0.2 thousand);
- ITI Holding SA shares – problems with setting the fair value are due to the fact that the company has indefinitely postponed the IPO (the balance sheet value of shares was PLN 254.054 thousand at 30 June 2002).

In the case of assets stated at depreciated cost, there are no grounds to set their fair value.

There are no assets in the Capital Group where the fair value would be lower than the balance sheet value.

The Bank was not a party to agreements whereby financial assets would be converted into securities or buy-back contracts.

Information about sell-buy-back transactions and repo and reverse repo transactions is shown in point 7 of the Notes.

The effect of the valuation of securities for previous years is presented in the Introduction to the Consolidated Financial Statements, The Effect of the New Accounting Policies in the Capital Group.

Material sale of stocks/shares available for sale in H1 2002 took place at BRE Bank SA (income PLN 144,440 thousand, cost PLN 184,200 thousand) and at Tele-Tech Investment Sp. z o.o. (income PLN 59,656 thousand, cost PLN 57,753 thousand).

In the reporting period, no assets were sold whose fair value could not first be reasonably set.

No financial assets stated at fair value were moved to assets stated at adjusted cost.

Apart from own receivables, there were no material write-downs for permanent diminution in value of financial assets rated as available for sale and not valued based on the equity method or stated at fair value.

The Bank's interest income (before eliminations) accounted for 91.6% of the interest income of the Group (before eliminations). The Bank's interest income comprises:

- interest from regular loans from clients and the public sector PLN 335,788 thousand (43%);
- income from debt securities PLN 284,454 thousand (36.4%);
- interest paid in cash from watch loans PLN 22,852 thousand (2.9%);
- interest paid in cash from irregular loans to clients PLN 58,852 thousand (7.5%);
- interest from regular receivables from the financial sector PLN 77,394 thousand (9.9%);
- interest paid in cash from irregular and watch loans to the financial sector PLN 2,614 thousand (0.3%).

The Bank's interest cost (before eliminations) accounted for 95.2% of the interest cost of the Group (before eliminations). Interest costs consist of interest paid and to be paid:

- to clients of the Bank PLN 347,713 thousand (54.2%);
- to banks and financial institutions PLN 265,027 thousand (41.3%);
- to the public sector PLN 11,366 thousand (1.8%);
- other PLN 17,139 thousand (2.7%).

The due dates of interest under both receivables and liabilities are almost all less than 3 months.

### ***Notional value of derivative contracts***

Liabilities under purchase/sale transactions include notional amounts of the following contracts:

* Spot and forward foreign exchange transactions (foreign currency and PLN to be released)	31,294,182
* Spot and forward foreign exchange transactions (foreign currency and PLN to be received)	31,396,697
Placements to be released	417,967
Deposits to be received	768,757
Sell/buy back transactions	1,348,022
Buy/sell back transactions	40,000
Forward purchase of securities	1,781,426
Forward sale of securities	1,715,532
*FRA transactions – sold	25,176,045
*FRA transactions – purchased	28,055,000
Call fx options – purchased	7,125,872
Call interest rate options – purchased	970,032
Call fx options – sold	6,585,630
Call interest rate options – sold	1,159,682

Put fx options – purchased	4,139,280
Put interest rate options – purchased	1,008,682
Other put options – purchased	20,045
Put fx options – sold	5,605,382
Put interest rate options – sold	970,032
Other put options – sold	121,898
Put stock options – sold	752
Call warrants for securities and stock indices – purchased	355
Call warrants for securities and stock indices – sold	1,338
Put warrants for securities and stock indices – purchased	759
Put warrants for securities and stock indices – sold	1,002
Futures for stocks / bonds – sold	625,209
Futures for stock indices – purchased	18,090
*Interest rate swaps – interest received	23,334,823
* Interest rate swaps – interest paid	23,305,974
Take-over of issues	57,330
Treasury bills – Repo	155,000
Other	20,365
<b>Total BRE Bank SA:</b>	<b>197,221,160</b>
Netting of swaps with RHEINHYP–BRE	(82,565)
Swaps with RHEINHYP-BRE outside Capital Group companies	243,515
<b>Total Capital Group:</b>	<b>197,382,110</b>

\* For foreign exchange spot and forward transactions and FRA and swap transactions, the amount of the contract was presented both as a receivable and as a liability.

Consolidation adjustments eliminated PLN 82,565 thousand of swap transactions between BRE Bank SA and RHEINHYP-BRE Bank Hipoteczny SA.

Transactions in derivatives are one of the operating activities of both BRE Bank SA and RHEINHYP-BRE Bank Hipoteczny SA. For BRE Bank SA, these instruments help to manage the interest rate risk, the foreign exchange risk, and the market risk and are also offered to the Bank's clients. Swaps entered into by RHEINHYP-BRE Bank Hipoteczny SA are purely hedging transactions.

The accounting policies applied to financial instruments are described in the Introduction to the Consolidated Financial Statements, Accounting Policies, Off-Balance Sheet Derivatives and Forward and Future Transactions.

### **Risk Controlling and Management System**

Information about the risk controlling and management system is presented for those Capital Group companies where the risk is material for the Capital Group.

#### **BRE Bank SA**

The Bank believes that an effective risk controlling and management system must rely on three co-ordinated elements:

- organisational structure – including the division of tasks and competences, with a clear assignment of risk controlling and management functions to organisational units;
- risk measurement and assessment methodologies – as a condition of adequate assessment of risks incurred by the Bank;
- IT support – necessary to timely provide relevant information on particular risks to which the Bank is exposed.

## Organisational Structure

Risk controlling and management at BRE Bank SA is a process at three main levels:

- a) strategic decisions made by the Management Board of the Bank in the system of risk committees:
  - Capital, Assets, and Liabilities Management Committee mainly responsible for the approval of risk management policies concerning the Bank's overall potential to incur risks, allocation of capital to risk areas, and supervision of the achievement of financial results from the viewpoint of risks;
  - Financial Risk Committee whose main functions include the supervision of the Bank's compliance with regulatory requirements, the system of risk limits, approval of risk measurement methodologies, and regular monitoring of financial performance.

The Management Board is supported by the Financial Risk Department and the Controlling Department.

- b) strategic controlling by the risk line, i.e., the Financial Risk Department, the Credit Department, and the Credit Administration Department. In the risk line, the Financial Risk Department has special functions as it is responsible for development of the risk system, the strategic risk limits system, risk monitoring based on internal models, and external capital adequacy requirements.
- c) operational risk management – carried out by organisational units exposed to risks. Special functions are those of the Treasury Department specialised in the management of the Bank's interest rate risk and liquidity and the Financial Markets Department which manages the foreign exchange risk and is responsible for trading.

The main principle adopted in developing the risk controlling and management system is the division of organisational units which control risks and business units exposed to risks, as reflected in the organisational structure of BRE Bank SA.

## Risk Measurement Methodologies

BRE Bank SA uses state-of-the-art risk measurement methodologies for all types of risks. In the case of the market risk of the trading ledger, the Bank applies the Value-at-Risk (VaR) methodology, sensitivity tests, and stress testing. In the case of the interest rate risk of the banking ledger, in addition to the traditional methodology of interest gap, the Bank uses sensitivity tests, including the Earnings-at-Risk (EaR) method. The liquidity risk is monitored both based on external requirements (liquidity gap) and an internal model developed following an analysis of the Bank's specificity, volatility of the deposit base, concentration of financing, and planned development of positions. The credit risk is measured using a range of portfolio analyses subject to further development: e.g., the Credit-Value-at-Risk (CvaR) methodology is now being implemented.

Risk measurement helps to develop risk limits, from Value-at-Risk and position limits at the strategic level to sensitivity and stop-loss limits at the operational level.

## IT Support

Effective practical application of the outcome of risk analyses and assessments requires software supporting risk controlling and management. Controlling of the market risk of the trading portfolio is supported by the front-office system Kondor+ which is a support tool for the management of trading positions in operational units and the Bank's interest position, as well as a source of information about portfolios for the risk controlling system SAS/Risk Dimensions used as a risk calculation and monitoring tool for the trading ledger. The system is being expanded to interest rate risk analyses of the banking ledger and will replace the existing software by the end of Q3 2002. To better monitor capital adequacy, the Bank implemented software enabling daily automatic calculation of capital requirements and the solvency ratio. In the area of controlling the liquidity risk, analytical and controlling applications are also being improved; by the end of the year they will have been integrated as part of the system developed based on SAS/Risk Dimensions.

## **BRE Leasing Sp. z o.o.**

The company identifies and controls the following risks:

a) market risk, including:

- foreign exchange risk

The company assumes fx and PLN liabilities, depending on the type of leasing contract executed with the client. Risk is managed by matching receivables and liabilities in relevant currencies.

- interest rate risk

The company executes leasing contracts with fixed and floating interest rates, and finances such contracts with sources of refinancing with fixed or floating interest rates, respectively.

- pricing risk

Leasing contracts executed by the company take effect upon the entry into force of the sale/purchase contracts for leased assets which lay down the price of the leased assets. Leasing contract provide that should the purchase price change in the course of the delivery of leased assets, the price set in the leasing contract shall also change.

b) credit risk

Credit agreements executed by the company are assessed in terms of the credit risk by branches which draft the agreements and by a special unit at the head office. Transactions over PLN 5 million require the signature of two Management Board Members and those above PLN 15 million require the prior consent of the Supervisory Board. The company also uses internal limits of exposure to lessees. Liabilities under leasing contracts are secured similarly to bank credits. Another security is the fact that the lessor holds the ownership right to the leased assets.

c) liquidity risk

The company manages the liquidity risk by matching the maturity of receivables under leasing contracts and credit liabilities.

d) operational risk

The company manages the operational risk by verifying the financial standing of lessees and by regular monitoring of payments under contracts.

## **RHEINHYP-BRE Bank Hipoteczny SA**

Management of the foreign exchange risk is a responsibility of the Assets and Liabilities Management Division where dealers buy and sell currencies in order to bring the bank's fx position in line with internal limits and regulatory requirements.

The interest rate risk is minimised by matching the time of revaluation of liabilities and assets at the time of making decision to issue securities or by means of interest rate derivatives.

The liquidity risk is minimised by drafting short-term and long-term liquidity projections for currencies, controlling balances in nostro accounts, and using short-term money market instruments.

The operational risk is minimised through a system of internal procedures and instructions.

The Bank and the Group do not carry security accounting in the Consolidated Financial Statements.

### ***5. Information about executed share subscription or ordinary share sale contract***

The companies of the Capital Group did not execute share subscription or ordinary share sale contracts.

### ***6. Detailed information about assets used as security of own liabilities and third party liabilities***

The companies of the BRE Bank Group did not have assets used as security of own liabilities or third party liabilities to companies outside the Group.

### ***7. Information about sell-buy-back transactions not disclosed in the Balance Sheet***

Off-balance sheet sell-buy-back transactions amount to PLN 1,348,023 thousand. Receivables and liabilities under repo and reverse report transactions are disclosed in the Balance Sheet.

### ***8. Contingent off-balance sheet liabilities***

Contingent liabilities granted consist of financing liabilities and guarantees. Financing liabilities are loans granted but not drawn and liabilities under letters of credit issued and confirmed.

Guarantees granted include performance guarantees, guarantees of timely payments, customs guarantees, tender guarantees, advance repayment guarantees, loan repayment guarantees.

### ***9. Off-balance sheet items***

#### ***Contingent liabilities granted***

Given BRE Bank SA's dominant position in the Capital Group, contingent liabilities mainly consists of those granted by BRE Bank SA worth PLN 6,488,699 thousand.

Other than the holding company, other material liabilities include financing liabilities granted by Rheinhyp-BRE Bank Hipoteczny SA to companies outside the Capital Group (PLN 211,392 thousand) and liabilities of Intermarket Bank AG (equivalent to PLN 38,964 thousand).

Guarantees granted were adjusted with the amount of the guarantee of redemption of eurobonds issued to BRE International Finance B.V., a 100% subsidiary of BRE Bank SA (PLN 1,302,958 thousand, i.e., equivalent to PLN 325 million), guarantees to Skarbiec TFI (PLN 75,235 thousand), and to Tele-Tech Investment (PLN 21.372 thousand).

Liabilities under letters of credit only apply to BRE Bank SA and stand at PLN 127,563 thousand.

Provisions set up by the Capital Group for off-balance sheet liabilities amounted to PLN 4,647 thousand.

The Bank's contingent liabilities to subsidiaries and affiliates as at 30 June 2002 were as follows:

	<b>Guarantees, PLN'000</b>	<b>Loans granted not drawn, PLN'000</b>	<b>Total</b>
Subordinated companies	1,405,152	35,590	1,440,742
including those consolidated*)	1,405,152	35,295	1,440,447

\*) including the PLN 1,302,958 thousand guarantee to BRE International Finance B.V.

### Issue Underwriting by the Bank

	<b>Issuer</b>	<b>Underwritten securities</b>	<b>Amount underwritten, PLN</b>	<b>Financial, organisational, and personal links</b>	<b>Liquidity of securities</b>
1.	BRE.locum Sp. z o.o.	Investment Bills	31 000 000	<ul style="list-style-type: none"> <li>3 Supervisory Board Members</li> <li>BRE Bank SA holds 70% of shares and Tele-Tech Investment Sp. z o.o. holds 30% of shares in BRE.locum Sp. z o.o.</li> </ul>	Acquired for the BRE Bank SA portfolio (liquid)
2.	Browary Żywiec SA	Virtual Bonds	50 000 000	None	Liquid
3.	Elektrobudowa SA	Investment Bills	10 000 000	None	Liquid
4.	Pharmag HM Sp. z o.o.	Bonds	5 970 000	None	Liquid
5.	PKN ORLEN SA	Bonds	50 000 000	None	Liquid
6.	Polfactor SA	Investment Bills	30 000 000	<ul style="list-style-type: none"> <li>BRE Fundusz Kapitałowy holds 50% of shares in Polfactor SA</li> <li>Intermarket Bank AG holds 50% of shares in Polfactor SA;</li> <li>2 Supervisory Board Members</li> </ul>	Liquid
7.	Veracomp SA	Investment Bills	5 500 000	None	Liquid
8.	Euro Invest Sp. z o.o.	Bonds	92 000 000	None	Acquired for the BRE Bank SA portfolio (liquid)
9.	Hestia Investment Sp. z o.o.	Bonds	74.00 000	None	Acquired for the BRE Bank SA portfolio (liquid)

## ***Commitments of companies consolidated using the acquisition accounting method***

### **BRE Bank SA**

- On 22 October 1999 DeTe Mobil Deutsche Telekom MobilNet GmbH with a registered seat in Bonn, Germany („DeTe Mobil”) filed a suit with the International Arbitration Court at the Austrian Chamber of Commerce in Vienna against BRE Bank SA and Kulczyk Holding SA, TUiR Warta SA, Drugi Polski Fundusz Rozwoju – BRE Sp. z o.o., Elektrim SA (“Defendants”). DeTe Mobil demands, among others, the following:
  - 1) Recognising the assignment of shares in PTC Sp. z o.o. made by the Bank and other Defendants to Elektrim SA as ineffective in full or in the part in which DeTe Mobil had pre-emptive rights to these shares;
  - 2) Obliging the Defendants to provide compensation of US\$ 1,000,000 for damages to DeTe Mobil. The value of the subject matter of litigation is US\$ 135,456,700, of which US\$ 134,456,700 represent the value of the shares in question, whereas US\$ 1,000,000 – the compensation for damages to DeTe Mobil. DeTe Mobil filed a petition with the District Court in Warsaw to issue an interim order to secure the above claims. The District Court in Warsaw dismissed DeTe Mobil's suit in full, and the ruling on this matter was upheld by the Appeal Court in Warsaw. In May 2001, the procedural part of the proceeding was completed. On 22 March and 10 May 2002, last witnesses were heard by the Court in Warsaw. A judgment of the Arbitration Court is now expected. The judgment of the Arbitration Court will settle the principle of the dispute, i.e., whether the challenged assignment of the shares was effective or not. It is difficult to say when the judgement will be passed given the legal and evidential complexity of the case. Another factor which may affect the proceedings is potential bankruptcy of Elektrim. In that case, the proceedings against Elektrim should be suspended ex officio, although that needs not stop the judgement about the principle as potential bankruptcy of Elektrim will take place after the end of this phase of the proceedings. Further action concerning claims will be subject to limitation under bankruptcy regulations. The Management Board of BRE Bank SA, on the basis of legal opinions, has reasons to believe that the claims of DeTe Mobil stand a narrow chance of being acknowledged by the Arbitration Court.
- On 23 May 2001, Art-B Export-Import, a company in liquidation, filed a procedural writ with the District Court in Warsaw, enumerating the losses incurred as a result of the transfer of US\$ 43.4 million to Israel as ordered by Art-B. The listed losses amount to PLN 20,262 thousand, ca. 1/10 of the amount set in the original claim. A proxy of Art-B confirmed this figure at the hearing on 22 August 2001; this means that even with a judgement against the Bank (very unlikely), the court will not adjudicate an amount higher than that set by Art-B Export-Import in liquidation. The next hearing at the District Court is scheduled for 28 October 2002. On request of the bank LEUMI LE ISRAEL, BRE Bank SA was invited to take part as a third party in litigation filed in Jerusalem by Art-B Export-Import in liquidation. The motion of the Israeli bank was based on BRE Bank SA’s participation in the transfer of the challenged amount.
- Agreement between BRE Bank SA and the Onet.pl S.A. Group whereby the Bank agreed to identify a buyer of 1,750,000 Optimus S.A. shares at PLN 10 per one share on or before 7 December 2002.
- Agreement between BRE Bank SA and ITI Holding SA whereby the Bank agreed to buy back between 1,391,622 and 1,393,210 Optimus S.A. shares at PLN 21.02 per one share on or before 31 December 2002.

- Pursuant to the agreement concerning the sale of cable.com SA shares, BRE Bank SA holds a call option on the shares granted by 4 companies which bought the shares from BRE Bank SA; those companies hold put options extended by BRE Bank SA.

### ***Contingent liabilities received***

Contingent liabilities received by the Capital Group were PLN 691,704 thousand as at 30 June 2002.

Liabilities received by BRE Bank SA stood at PLN 540,603 thousand, including PLN 133,910 thousand in financing liabilities (received and not drawn loans from foreign banks). Apart from BRE Bank SA, the following Group companies reported liabilities received (after elimination of mutual transactions): PLN 93,141 thousand of financing liabilities received by BRE Leasing Sp. z o.o., PLN 23,695 thousand of guarantee liabilities received by Polfactor SA, and PLN 34,265 thousand guarantee liabilities received by RHEINHYP-BRE Bank Hipoteczny.

The other companies covered by the Consolidated Financial Statements did not have contingent liabilities received from companies outside the Group.

### ***10. Information about the proposed dividend pay-out if not approved***

Not applicable

### ***11. Liabilities under approved dividend pay-outs***

Liabilities under approved dividend pay-outs of PLN 229,705 thousand are disclosed in the Balance Sheet under special funds and other liabilities.

### ***12. Liabilities to governmental institutions and local governments under ownership rights in buildings***

The Bank's liabilities to governmental institutions and local governments under ownership rights in land with buildings used by the Bank charged to the cost of H1 2002 totalled PLN 1,506 thousand, including the real estate in Warsaw, Senatorska St. and Królewska St. (PLN 1,163 thousand), the real estate in Poznań (PLN 89 thousand), and the real estate in Katowice with the offices of the local branch of the Bank (PLN 65 thousand). The liabilities of H1 2002 were paid.

Apart from BRE Bank SA, none of the companies covered by the Consolidated Financial Statements had any liabilities to governmental institutions and local governments under ownership rights in buildings.

### ***13. Information on the revenue, cost, and net income of business discontinued in the current year or planned to be discontinued in the coming period***

None of the companies covered by the Consolidated Financial Statements discontinued any business in 2002, neither do they plan to discontinue any business in the coming period.

#### ***14. Cost of fixed assets under construction, started investment, and asset improvement***

The companies covered by the Consolidated Financial Statements incurred no cost of fixed assets under construction, started investment and asset improvement in 2002.

#### ***15. Capital expenditure incurred and planned for the next 12 months after the balance sheet date***

The companies subject to consolidation incurred capital expenditure in non-financial assets at PLN 69,479 thousand in H1 2002; they plan to invest PLN 111,922 thousand in H2 2002. The Bank paid PLN 141,774 thousand for strategic stocks and shares in H1 2002; it plans to invest PLN 523,639 thousand in H2 2002, including PLN 397,500 thousand to increase its investment in PTE Skarbiec-Emerytura (due to the merger with PTE Ego).

As there is no approved investment plan for 2003, it is not possible to publish investments planned for the next 12 months, i.e., by the end of June 2003.

#### ***16.1. Material transactions with companies associated with BRE Bank SA***

The company Skarbiec Asset Management Holding SA (“SAMH”), 100% owned by BRE Bank, was registered in January 2002. It will be the Group’s asset management centre. SAMH will integrate, among others, investment fund managers, investment advisors, and the transfer agent. The following stocks and shares were sold to SAMH in H1 2002:.

- shares in BRE Agent Transferowy Sp. z o.o., gross value PLN 5,066 thousand;
- shares in Serwis Finansowy Sp. z o.o., gross value PLN 31,697 thousand;
- shares in Skarbiec TFI SA, gross value PLN 33,966 thousand;
- shares in BRE Asset Management SA, gross value PLN 240 thousand.

In H1 2002, the Bank gave loans worth PLN 8,700 thousand to associated companies.

The Bank’s total balance sheet exposure to subordinated companies under granted loans and purchased receivables (including accrued interest) was PLN 426,429 thousand at 30 June 2002, representing 2.8% of the total balance sheet exposure of the Group to the financial and non-financial sector.

With regard to subordinated companies, the Bank pursues lending policies based on market conditions.

## 16.2 Information about transactions with companies subject to acquisition accounting or equity method consolidation and equity method valuation

No.	Company	Assets			Liabilities			Income Statement				Off Balance Sheet		
		Receivables	Interest on receivables	Total	Liabilities	Interest on liabilities	Total	Interest income	Interest cost	Commission income	Commission cost	Liabilities given	Liabilities received	Purchase/Sale liabilities
1	BRE Bank SA	433 266	95	433 361	1 331 495	49	1 331 544	56 223	28 475	1 429	775	1 427 982		82 565
2	BRE Corporate Finance SA	44		44	4 050		4 050	1	242		125		3 955	
3	Dom Inwestycyjny BRE Bank SA	18 143		18 143	416		416	1 625		1 041	112		1 036	
4	BRE - Fundusz Kapitałowy Sp. z o.o.	20 822		20 822			0	102	18 467		636			
5	AMBRESA Sp. z o.o.	12 558	16	12 574			0	141			3			
6	Skarbiec Asset Management Holding SA													
7	BRE International Finance B.V.	1 299 913	4 779	1 304 692			0	23 535	22 763				1 302 958	
8	PTE Skarbiec Emerytura SA	8 462	10	8 472			0	222					565	
9	ServicePoint Sp. z o.o.	48		48			0							
10	Serwis Finansowy Sp. z o.o.													
11	BRE Agent Transferowy Sp. z o.o.	1 252		1 252	1 413		1 413	36	102				800	
12	Skarbiec Serwis Finansowy Sp. z o.o.			0			0				11			
13	CIMC Midas plc			0			0							
14	BRELINVEST Sp. z o.o. Fly 1 Sp. kom.	1 047	1	1 048			0	4			1			
15	BRELINVEST Sp. z o.o. Fly 2 Sp. kom.	1 053	1	1 054			0	8			1			
16	AMBRESA Sp. z o.o. - BRELLA Sp. kom.			0			0							
17	FERREX Sp. z o.o.	395		395	1 305	15	1 320	1	90		146			
18	Promes Sp. z o.o.	468	1	469	319	1	320	20	23		2			
19	Bank Częstochowa SA	7 915	28	7 943			0	397						
20	BRE Asset Management SA	2 878		2 878	1 431		1 431	132	19					
21	BRE.locum Sp. z o.o.			0			0	42			31			
22	Intermarket Bank AG			0	20 045		20 045		215	32	69			
23	Skarbiec TFI	761		761			0	1 122			4		75 235	
24	BRE Leasing Sp. z o.o.	10 221		10 221	126 585		126 585	337	1 816		581			
25	RHEINHYP-BRE Bank Hipoteczny SA	10 520	8	10 528	236 972		236 972	739	3 951				22 061	82 565
26	TRANSFINANCE a.s			0			0					1 403		
27	BRE Private Equity I Sp. z o.o.	3 327	3	3 330			0	202	2					
28	Xtrade SA	392		392			0		26		3			
29	Tele-Tech Investment Sp. z o.o.	3 067		3 067			0	27	5 467		183		21 372	
30	Szeptel SA	45		45			0	74	2 415		106			
31	Polfactor SA	320		320	42 468	95	42 563	4	3 185	69	20	2 053	4 123	

***17. Information on joint ventures not consolidated using the acquisition accounting or the equity method***

The companies of the Group did not have any joint ventures in H1 2002.

***18. Information about the income and cost of the Bank's brokerage business***

The Bank does not carry out directly any brokerage business. Brokerage is a responsibility of the subsidiary Dom Inwestycyjny BRE Banku SA covered by the Consolidated Financial Statements using acquisition accounting.

***19. Information about irrecoverable receivables written off***

In H1 2002, the Group wrote off irrecoverable receivables of PLN 12,119 thousand charged to provisions and PLN 5,743 thousand charged to costs,

***20. Information about the cost of provisions for future liabilities to employees***

BRE Bank SA did not set up additional provisions for future liabilities in respect of retirement allowances, awards, jubilee awards, and outstanding holiday in H1 2002. Payments were made from provisions set up in previous periods.

In other companies of the Group, additional provisions for holiday were PLN 427 thousand and additional provisions for 2002 bonuses were PLN 1,544 thousand.

***21. Information about the cost of financing employee pension schemes***

The Bank does not carry an employee pension scheme; it does carry group life insurance with investment funds whose cost was PLN 2,880 thousand in H1 2002.

In other companies of the Group, the cost of financing employee pension schemes was PLN 145 thousand

***22. Information about the custodial business***

The BRE Bank Custodial Service Bureau carries out custodial operations for domestic and foreign securities and works with investment funds and pension funds. The other companies of the Group have no custodial business.

***23. Information about securitisation of assets***

BRE Bank SA and the companies covered by the Consolidated Financial Statements did not report any securitisation of assets.

***24. Average number of employees of the Capital Group***

The average number of employees of the Group in H1 2002 was 3,791 persons.

The Group has no data in respect of different professional groups.

## **25. Information about remuneration and bonuses paid or due to the Management Board and Supervisory Board Members of the Issuer**

In H1 2002 remuneration amounted to:

BRE Bank SA Management Board	PLN 7,637 thousand
Supervisory Board	PLN 794 thousand

In addition, in this period, members of the Management Board of BRE Bank SA received PLN 164 thousand in respect of their participation in the management boards and supervisory boards of the Bank's subsidiaries and affiliates.

Members of the Management Board of BRE Bank SA acceded the BRE Bank SA managerial stock option programme and executed agreements with BRE Bank SA entitling them to a total of 159,000 options for BRE Bank shares in the new issue planned for 2003.

## **26. Information about outstanding cash advances, credits, loans and guarantees or other agreements providing for benefits to the Issuer, its subsidiaries and affiliates, including the terms of interest and repayment, given to Management Board and Supervisory Board Members**

Outstanding debt of the Members of the Management Board of BRE Bank SA as at 30 June 2002:

Housing loans	PLN 1,195 thousand
Other loans	PLN 4,211 thousand
	CHF 129 thousand
Guarantees	PLN 2.5 thousand

Members of the Bank's Management Board had no debt in respect of cash advances. The item Other loans refers to private banking credits.

As at 30 June 2002, Members of the Supervisory Board had no outstanding loans from the Bank.

Debt of Bank employees (except Management Board Members) was PLN 15,416 thousand under housing loans and PLN 4,547 thousand under cash advances.

Interest on housing loans amounts to 1% p.a. Interest on cash advances granted by BRE Bank SA to its employees is calculated according to the floating bill of exchange rediscounting rate. Interest on foreign currency loans is calculated according to market terms. All loans are repaid in monthly instalments.

Members of the Management Board and the Supervisory Board and their spouses, relatives and other linked persons did not have outstanding debt to subsidiaries and affiliates in respect of cash advances, guarantees or other agreements providing for benefits as at 30 June 2002.

## **27. Information on significant events of previous years disclosed in the Consolidated Financial Statements**

There were no significant events of previous years in the Group disclosed in the Consolidated Financial Statements for H1 2002.

## ***28. Information on significant post-balance sheet date events not disclosed in the Consolidated Financial Statements***

- On 4 July 2002, BRE Leasing Sp. z o.o. (a subsidiary of the Bank) executed an agreement concerning a EUR 100,000,000 term syndicated loan to BRE Leasing. The loan is designated for the financing of leasing operations.
- On 8 July 2002, a PLN 66,733 thousand increase of the share capital of Skarbiec Asset Management Holding SA (“SAMH”) was registered. BRE Bank acquired all shares of the new issue for that amount. After the registration, the share capital of SAMH is PLN 87,300 thousand. BRE Bank SA holds 100% of the shares and votes at the General Meeting of Shareholders of SAMH.
- On 18 July 2002, the court registered a decrease of the share capital of Dom Inwestycyjny BRE Banku SA. The share capital was decreased by reducing the nominal value of the shares from PLN 100 to PLN 77.
- On 1 August 2002, PKP and a consortium of banks including BIG Bank Gdański SA, BRE Bank SA, Deutsche Bank Polska SA and Westdeutsche Landesbank Polska SA executed an agreement concerning servicing and underwriting of an issue of PKP bonds guaranteed by the State Treasury with the total nominal value of PLN 1,000,000,000. The bonds will be issued within 60 days of the date of the agreement. Each bank participating in the consortium undertook to acquire or to effectuate the acquisition of and payment for 25% of all bonds.
- On 31 July 2002, shares in CIMC Midas plc, a floating capital collective investment fund, were cancelled. As a result of the cancellation of the shares, BRE Bank SA will receive PLN 87,144.3 thousand in cash.
- On 2 August 2002, Skarbiec Asset Management Holding bought from Allgemeine Deutsche Investment-Gesellschaft (ADIG) shares in Skarbiec Towarzystwo Funduszy Inwestycyjnych SA representing 49% of the share capital and votes at the General Meeting of Shareholders. The value of the purchased shares in the books of SAMH is PLN 47,399,600.
- On 7 August 2002, the District Court of the Capital City of Warsaw registered the merger of the subsidiary of BRE Bank SA PTE Skarbiec-Emerytura SA and Powszechnie Towarzystwo Emerytalne BIG Banku Gdańskiego SA. The merger was effected through the transfer of all assets of PTE BIG BG to PTE Skarbiec-Emerytura in exchange for shares representing 38.61% of the increased share capital and votes at the General Meeting of Shareholders of PTE Skarbiec-Emerytura. The stake of BRE Bank SA in PTE Skarbiec-Emerytura is 61.39% of the share capital and votes at the General Meeting of Shareholders.
- At 12 August 2002, Commercial Union Otwarty Fundusz Emerytalny BPH CU WBK held BRE Bank SA shares representing 5.07% of the share capital and votes at the General Meeting of Shareholders.
- On 20 August 2002, Skarbiec Asset Management Holding SA (SAMH), a subsidiary of BRE Bank SA, and the Foundation for Polish Science (Fundacja na rzecz Nauki Polskiej) executed an agreement providing for the sale of shares in BRE Asset Management SA representing 20.004% of the share capital and votes at the General Meeting of Shareholders for PLN 4,000,000. After the transaction, SAMH will hold 100% of the share capital and votes at the General Meeting of Shareholders of BRE Asset Management Holding.

- On 29 August 2002, the Bank was informed of the registration of a capital increase in Transfinance a.s. The capital increase was acquired pro rata by the existing shareholders of the company: BRE Bank SA and Intermarket Bank AG, a subsidiary of BRE Bank SA. BRE Bank SA acquired shares representing 25% of the increased share capital and votes at the General Meeting of Shareholders and Intermarket Bank AG acquired shares representing 25% of the increased share capital and votes at the General Meeting of Shareholders. Both BRE Bank SA and Intermarket Bank AG held before the registration and still hold 50% of the share capital and votes at the General Meeting of Shareholders of Transfinance a.s.
- BRE Bank SA accepted for information the decision of the Management Board of Elektrim SA to refuse the execution of final restructuring agreements and to cancel the date of restructuring of convertible bonds issued by Elektrim Finance B.V. worth PLN 1,795,024,000 (equivalent to EUR 440,000,000) maturing in 2004. The refusal of Elektrim SA to execute the restructuring agreements means that one of the conditions precedent of the acquisition of some of the bonds by BRE Bank SA, as set in an agreement between BRE Bank SA, Elektrim SA, and some bond holders, is not met.
- At its meeting on 12 September 2002, the Supervisory Board of BRE Bank SA obligated the Management Board of BRE Bank SA to take action to merge Bank Częstochowa SA (acquired company) and BRE Bank SA (acquiring company) through the transfer of the assets of Bank Częstochowa SA to BRE Bank SA in return for BRE Bank SA shares pursuant to Art. 124 of the Banking Law and Art. 492.1.1 of the Code of Commercial Companies. Given the planned merger of the two banks, the restructuring programme of Bank Częstochowa SA will be amended.
- Given the macroeconomic and microeconomic situation in the Polish economy and recent trends on the capital markets, BRE Bank SA took dramatic measures to effect permanent reductions in its operational costs and to improve the effectiveness and the competitive advantage of BRE Bank SA. The Management Board of the Bank decided to implement a large-scale programme aimed at cutting the material cost of operations and to grow income in the four core business areas of the Bank. In addition, the Management Board of the Bank decided to carry out group workforce reductions of up to 500 staff in September 2002 – March 2003 and to change the terms of payroll of Bank employees. The workforce restructuring programme was started in September 2002.
- On 13 September 2002, the Management Board of Elektrim SA filed a motion for bankruptcy of Elektrim SA. At 30 June 2002, BRE Bank SA together with its subsidiaries held 21.6% of the share capital of Elektrim SA.
- On 25 September 2002 in Budapest, BRE Bank SA and Kereskedelmi és Hitelbank Rt. executed an agreement whereby BRE Bank SA shall acquire shares in Magyar Factor Rt. The shares to be acquired represent 50% of the share capital and votes at the General Meeting of Shareholders. The agreement is contingent and shall take effect on the approval of the Hungarian Regulator of Financial Institutions for the acquisition of the shares in Magyar Factor Rt. by BRE Bank SA. The shares will be acquired for HUF 550,000,000 (at the NBP rate of the forint on the date the transaction is closed, not later than 31 March 2003). At present BRE Bank SA holds no shares in Magyar Factor Rt., its subsidiary Intermarket Bank AG holds 50% of the shares. The Bank considers this a long-term investment.

**29. Information about significant events of the financial year causing material change in the structure of balance sheet positions and the financial result**

On 27 March 2002, BRE Bank SA issued subordinated bonds with a nominal value of EUR 200,000,000 maturing on 27 March 2012. On 27 March 2002, the Bank was notified by the Banking Supervision Commission about its approval for the inclusion of cash liabilities (subordinated loan) of PLN 724,000,000 in the Bank's supplementary capital until 31 March 2012.

**30. Information about relations between the legal predecessor and the issuer and on the mode and scope of taking over assets and liabilities**

Not applicable to BRE Bank SA.

**31. The Consolidated Financial Statements and comparable financial data, at least the main items of the Consolidated Balance Sheet and the Consolidated Income Statement, adjusted for inflation, with information about the source and method of application of the inflation rate, based on the period of the previous Financial Statements as the reference period, if in the past 3 years of the issuer's business cumulative average annual inflation was 100% or more.**

In the past 3 years, cumulative average annual inflation was less than 100%.

**32. List of changes between data disclosed in the Consolidated Financial Statements and the comparable Consolidated Financial Statements and previously drafted and published Consolidated Financial Statements**

The main differences between data disclosed in the Financial Statements and previously published Financial Statements are discussed in the Introduction to the Consolidated Financial Statements, Comparability Adjustments, page 19.

**33. Changes to accounting principles (policies) and the methodology of drafting the Consolidated Financial Statements compared to the previous financial year(s), their reasons, titles, and the impact of the financial effect on the financial standing, assets, liquidity, financial result, and profitability**

Compared to the previous financial year, changes were introduced in the applied accounting policies and the methodology of drafting financial statements. The change of the accounting policies as of 1 January 2002 is based on the Act amending the Accountancy Act dated 9 November 2000 (Journal of Laws No. 113, item 1186) with secondary legislation. The legal acts which constitute the basis of the report are listed in the Introduction to the Consolidated Financial Statements, Accounting Policies, The Basis of the Financial Statements, page 22-23, and the effect of the adoption of the new accounting policies is described on page 20.

Given the long period of future real economic benefits from investment, the period of depreciation for the goodwill of Bank Częstochowa SA and PTE Skarbiec-Emerytura SA was set at 15 years.

***34. Adjustment of fundamental errors, their reasons, titles, and the impact of the financial effect on the financial standing, assets, liquidity, financial result, and profitability***

No adjustments of fundamental errors were made in the companies covered by the Consolidated Financial Statements in the financial year.

***35. On-going business concern***

There is no uncertainty concerning on-going business of both the holding company and the companies covered by the Consolidated Financial Statements.

***36. Consolidated Financial Statements for the period of merger of companies***

Not applicable to BRE Bank SA.

***37. Balance sheet date of the Consolidated Financial Statements and the balance sheet date of subordinated companies***

The holding company and its subordinated companies draft financial statements at the same balance sheet date.

***38. Conversion of financial statements of companies covered by the Consolidated Financial Statements for the methodologies and policies adopted by the holding company***

All companies covered by the Consolidated Financial Statements used the same accounting and valuation policies as the holding company.

***39. Exemptions from the Consolidated Financial Statements under separate regulations***

At 30 June 2002, BRE Bank SA held 34.5% of shares and votes at the General Meeting of Shareholders of Pozmeat SA. Given that the Bank plans to sell the company in the nearest future, the company was not included in the Consolidated Financial Statements under provisions of the Accountancy Act.

# **Management Board Report on the Business of the BRE Bank Group in H1 2002**

## **I. Introduction**

The difficult macro- and microeconomic situation in the Polish economy and recent trends on the capital markets affected the results of the banking sector last year and had a clearly adverse effect on the profitability of BRE Bank in H1 2002. The Bank generated a net loss of PLN 100.3 million. The Group generated a consolidated loss of PLN 99.7 million.

The following factors also influenced the results of the Bank and the Group in H1 2002:

- **amended rules of the valuation of strategic companies in the Bank's portfolio.** As of 1 January 2002, under the new Polish Accounting Standards, the Bank is required to record equity investment in subsidiaries and affiliates according to the equity method, which significantly affects the Bank's Profit and Loss Account
- **amended method of the valuation of stocks, shares, and securities designated for trading**
- **necessary additional provisions for irregular receivables which grew due to the declining conditions of the Bank's clients.**

Given the temporary deterioration of the Bank's results, the Management Board decided to implement a large-scale programme of cost-cutting measures in day-to-day activities ensuring sustainable growth in income in the four core business areas of the Bank. The measures taken will ensure the Bank's adequate income in 2003-2004.

As part of the programme, the Bank will carry out group workforce reductions and amend the rules of staff remuneration.

In addition, in response to the continued unfavourable stock market conditions, BRE Bank has recently reduced its exposure on the stock market and is making efforts to exit its investments. However, the main criterion applied by BRE Bank in closing its positions is to optimise the rate of return. Consequently, the Bank is ready to postpone the finalisation of some transactions where a delay gives real chances of higher profits at a later time.

Given the foregoing, the Management Board of the Bank believe that the previously published profit projection of the BRE Bank Group forecasting a profit of PLN 371 million in 2002 is not feasible.

The Management Board will make best efforts to close the financial year at a profit, but this will only be possible if the sale of some assets of the Bank is finalised. It must be emphasised that BRE Bank's core safety ratios are steady and strong. The Bank's liquidity remains at a safe level under international standards. The Bank carries out daily monitoring of both the market risk of the trading portfolio and the Bank's ledger, the liquidity risk, and the credit risk. BRE Bank's solvency ratio was 11.70% at 30 June 2002, much above the level set in the Banking Law (8%).

## II. Developments in the External Environment

### II.1. The Economy in H1 2002

The Polish economy continued to suffer from stagnation in H1 2002 and showed no sign of recovery. This was reflected in:

- low GDP growth rate: 0.5% in Q1 2002 compared to 2.3% in Q1 2001, 0.8% in H1 2002 compared to 0.9% in H1 2001, estimates of annual GDP growth are 1.1%-1.3%;
- investments down by ca. 7% p.a.;
- no growth in real wages;
- growth in consumption at 2% p.a.;
- still high unemployment: 17.3% at 30 June 2002 (compared to 15.8% at 30 June 2001 and 17.4% at 31 December 2001);
- low growth rate of industrial output, 1.5% lower in H1 2002 than in H1 2001;
- weak position of the construction sector: construction output was 13.4% lower in H1 2002 than in H1 2001;
- growing budget deficit: PLN 25 billion at 30 June 2002 (PLN 19 billion at 30 June 2001), i.e., 62.5% of the 2002 budget target (the reasons of the large deficit include stopped privatisation: PLN 677.3 million was earned in H1 2002, compared to PLN 6,600 million planned in the budget).

Positive economic trends include:

- low annual inflation: 1.6% at 30 June 2002 (the inflation target for 2002 was 4-6%, amended to 2-4% by the Monetary Policy Council in late June);
- decreasing deficit of foreign trade: down by ca. US\$ 1 billion, mainly due to lower imports while exports remain stable.

### II.2. NBP Interest Rates

In H1 2002, the Monetary Policy Council cut the interest rates four times: the Lombard rate and the discount rate were cut by 400 basis points and the intervention rate by 300 basis points.

The rates were as follows at 30 June 2002:

- 28-day intervention rate 8.5%
- rediscounting rate 10.0%
- Lombard rate 11.5%
- rate of bank deposits 5.5%

In response to NBP's initiative, banks also cut their interest rates on both loans and deposits. In mid-July 2002, average interest rates of the 20 biggest banks were as follows:

- corporate loans 13.5%, 2.5 percentage points lower than in December 2001;
- 12-month consumer loans 18.1%, 1.4 percentage points lower than a year earlier,
- 12-month PLN deposits ca. 7%, 2.6 percentage points lower.

However, despite four NBP interest rate cuts, in the context of unexpectedly low inflation, the real interest rates on bank loans remained relatively high, which did not encourage corporates and in particular consumers to take bank loans.

### **II.3. Financial Situation of the Banking Sector**

The above developments had a significant impact on the situation of banks in H1 2002:

- deposits down 2.2% (consumer deposits up 1.4%, corporate deposits down 11.1%); investment in securities, units of participation in investment funds, assets under management grew as an alternative to deposits;
- relatively low growth in receivables, up 3%, but corporate loans grew only 1.8%;
- growth in irregular receivables due to the deteriorating condition of many companies (the bankruptcy of the Szczecin Shipyard was particularly hard for banks) and the resulting need to set up provisions for loans;
- assets of the banking sector down 0.1%;
- net profits at PLN 2.3 billion, down 10% (down 14.4% in commercial banks excluding co-operative banks) compared to H1 2001.

An important factor reducing the profitability of banks was the amendment of accounting policies, whereby banks need to disclose in their financial statements the share in profits and losses of subsidiaries. Previously, the share in profits was shown in consolidated accounts while now banks have to disclose it in stand-alone statements. As many banks either own or have significant interests in loss-making leasing companies, insurance companies and pension funds, this had a negative impact on their profitability according to the new accounting policies.

### III. BRE Bank Group in H1 2002

#### III.1. Composition of the BRE Bank Group

BRE Bank operates in four core business areas:

- Investment banking
- Corporate banking
- Retail banking
- Asset management and private banking

The group of subsidiaries and affiliates includes several strategic companies providing financial services. The structure of the Group by business area at 30 June 2002 was as follows:

##### The Bank

<b>Investment Banking</b>	<b>Corporate Banking</b>	<b>Retail Banking</b>	<b>Asset Management and Private Banking</b>
Money markets	Large corporates	mBank	Proprietary portfolio investment
Capital markets	SMEs	MultiBank	Private banking
Specialised finance	Foreign trade		
Custody	Financial institutions		

##### Strategic Subsidiaries

<b>Investment Banking</b>	<b>Corporate Banking</b>	<b>Retail Banking</b>	<b>Asset Management</b>
Dom Inwestycyjny BRE Banku SA	RHEINHYP-BRE Bank Hipoteczny SA	Bank Częstochowa SA	Skarbiec Asset Management Holding SA:
BRE Corporate Finance SA	BRE Leasing Sp. z o.o.		Skarbiec TFI SA
	Intermarket Bank AG (with Transfinance a.s.- Czech Rep., Magyar Factor Rt. – Hungary, and Polfactor SA – Poland)		BRE Asset Management SA
			Skarbiec Serwis Finansowy Sp. z o.o
			BRE Agent Transferowy Sp. z o. o
			PTE Skarbiec Emerytura SA
			BRE Private Equity SA

## **III.2. Change in the BRE Bank Group in H1 2002**

### **III.2.1. Formation of Skarbiec Asset Management Holding SA**

The company Skarbiec Asset Management Holding SA (“SAMH”) was registered in January 2002. The company, 100% owned by the Bank, is the Group’s asset management centre. The holding comprises the following companies:

- Skarbiec TFI SA (BRE Bank sold 51% of shares to SAMH in H1 2002, Allgemeine Deutsche Investment-Gesellschaft (ADIG) sold the remaining 49% in early August 2002);
- PTE Skarbiec Emerytura SA (unlike the other companies, PTE is not owned by SAMH – it will still be owned by BRE Bank and possibly another investor and will continue to manage funds of the pension fund while using investment consulting services of SAMH);
- BRE Asset Management SA (BRE Bank sold 10% of the held 80% less one share to SAMH in H1 2002; at 31 August 2002, the holding owned 100% of the shares as it bought the remaining shares from BRE Bank and the Foundation for Polish Science; the company will manage all assets of the holding, i.e., the assets held by BRE AM and Skarbiec TFI funds, and provide consulting to PTE);
- BRE Agent Transferowy Sp. z o.o. (100% owned by SAMH, the company will be the back office of the holding, responsible for settlements, accounting, registers of fund subscribers);
- Skarbiec Serwis Finansowy Sp. z o.o. (in SAMH, the company will be responsible for acquisition of clients, marketing, and sale of products); this is a new company with its registered seat in Warsaw, 100% owned by SAMH. Its share capital is PLN 550 thousand. A previously existing company with the same name with its office in Gdańsk was renamed Serwis Finansowy Sp. z o.o. The company is now in liquidation: a motion was filed with the court on 4 July 2002.

The holding was formed in order to enhance the effectiveness of asset management operations thanks to planned 10-15% cost reductions, reorganisation of the sales force to better offer products and services to clients, cross-selling, improved asset management thanks to a state-of-the-art risk monitoring system.

The registered share capital of SAMH was PLN 20.6 million at 30 June 2002; following further increase, the capital was PLN 134.6 million in August 2002, to be registered by the court.

At 30 June 2002, the value of assets managed by SAMH companies was PLN 2,461.7 million, including PLN 593.4 million at PTE Skarbiec Emerytura, PLN 1,312.5 million at Skarbiec TFI, and PLN 555.8 million at BRE AM.

In the Bank’s consolidated financial statements for H1 2002, SAMH was not consolidated (it was subject to equity method valuation). Companies of the holding were consolidated, except Skarbiec Serwis Finansowy which started its operations on 1 July 2002. In the future, the companies will be consolidated in the holding, which in turn will be covered by the consolidated financial statements of the BRE Bank Group.

### **III.2.2. Merger of PTE Skarbiec Emerytura SA and PTE BIG Banku Gdańskiego SA**

PTE Skarbiec-Emerytura SA (“PTE Skarbiec – Emerytura”) received, on 29 May 2002, a positive opinion of the Pension Fund and Insurance Supervision Commission (KNUiFE), an institution that combines insurance and pension fund regulatory functions, concerning the approval of the merger with PTE BIG Banku Gdańskiego SA (“PTE BIG Banku Gdańskiego”). The funds were merged on 7 August 2002 through a transfer of all assets of PTE BIG Banku Gdańskiego to PTE Skarbiec –Emerytura in return for shares representing 38.61% of the increased capital. After the transaction, the capital of PTE Skarbiec – Emerytura was PLN 82,261.8 thousand and BRE Bank held 61.39% of shares and votes at the General Meeting of Shareholders of the merged company; the remaining shares and votes were held by BIG Bank Gdański SA (“BIG BG”). Both banks hold call and put options whereby BRE Bank may buy from BIG BG its stake in the merged pension fund company. This would however require another approval of KNUiFE. The Bank plans to sell 49% of shares in the merged pension fund company, but the transaction, originally expected to close in 2002, will probably be postponed until 2003.

### **III.3. Consolidated Companies**

The composition of consolidated companies changed pursuant to the amendment of the Accountancy Act and the Regulation of the Minister of Finance dated 12 December 2001 concerning rules of drawing up consolidated financial statements of banks and consolidated financial statements of financial holdings. As of 1 January 2002, consolidation covers all subsidiaries and affiliates material to the financial statements other than companies acquired with the intention to sell. In addition, all subsidiaries which are banks, credit institutions or financial institutions are now consolidated using acquisition accounting while other companies are consolidated using the equity method.

Most of the strategic companies of the BRE Bank Group listed in the table were consolidated using acquisition accounting, with the exception of SAMH and its subsidiary Skarbiec Serwis Finansowy Sp. z o.o. which started its operations on 1 July 2002 – those were subject to equity method valuation.

Consolidation also covered the real estate developer BRE.locum Sp. z o.o., special purpose vehicles: BRE Fundusz Kapitałowy Sp. z o.o. and Tele-Tech Investment Sp. z o.o., and the company BRE International Finance B.V.

As a result, the list of companies consolidated at 30 June 2002, apart from the holding company BRE Bank, included 17 companies compared to 12 companies consolidated at 30 June 2001 and at 31 December 2001. These were:

1. BRE Agent Transferowy Sp. z o.o. – acquisition accounting consolidation,
2. BRE Asset Management SA – acquisition accounting consolidation,
3. PTE Skarbiec-Emerytura SA – acquisition accounting consolidation,
4. Skarbiec TFI SA – acquisition accounting consolidation,
5. BRE Corporate Finance SA – acquisition accounting consolidation,
6. BRE International Finance B.V. – acquisition accounting consolidation,
7. Dom Inwestycyjny BRE Banku SA – acquisition accounting consolidation,
8. BRE Fundusz Kapitałowy Sp. z o.o. (formed through the merger of two previously consolidated companies: Drugi Polski Fundusz Rozwoju – BRE Sp. z o.o. and Pierwszy Polski Fundusz Rozwoju – BRE Sp. z o.o.) – acquisition accounting consolidation,

9. Bank Częstochowa SA – acquisition accounting consolidation,
10. BRE.locum Sp. z o.o. – equity method consolidation (subsidiary and sub-subsidiary via Tele-Tech Investment),
11. Intermarket Bank AG – acquisition accounting consolidation,
12. Transfinance a.s. – acquisition accounting consolidation (subsidiary and sub-subsidiary via Intermarket)
13. Polfactor SA (sub-subsidiary via BRE Fundusz Kapitałowy Sp. z o.o. and Intermarket Bank AG) – acquisition accounting consolidation,
14. BRE Leasing Sp. z o.o. – acquisition accounting consolidation,
15. BRE Private Equity Sp. z o.o. – (subsidiary and sub-subsidiary via Tele-Tech Investment Sp. z o.o.) – acquisition accounting consolidation,
16. RHEINHYP – BRE Bank Hipoteczny SA – acquisition accounting consolidation,
17. Tele-Tech Investment Sp. z o.o. – acquisition accounting consolidation.

The table below presents major stand-alone figures of the consolidated companies (PLN'000).

Company	Core business	% share of the BRE Bank Group in capital	Equity*/	Retained profit/loss of previous years	Stand-alone profit/loss of H1 2002	Assets
1. BRE Bank SA	Bank		1 911 184	(191 576)	(100 334)	24 684 948
2. DI BRE Banku SA	Brokerage	100 %	42 964	4 374	(410)	119 037
3. BRE Corporate Finance SA	Consulting	100 %	442	18	(1 976)	5 352
4. PTE Skarbiec-Emerytura SA	Pension fund	100 %	48 893	(42 644)	(13 385)	58 672
5. Skarbiec TFI SA	Investment fund	51%	42 018	(24 572)	(10)	43 138
6. BRE International Finance BV	SPV	100 %	1 185	911	194	1 306 971
7. BRE Agent Transferowy Sp. z o.o.	Fund service	100%	5 050	(102)	102	7 970
8. BRE Fundusz Kapitałowy Sp. z o.o.	SPV	100%	33 991	(26 569)	(17 269)	388 510
9. BRE Asset Management SA	Asset management	80%	1 452	(3 474)	(1 074)	4 674
10. BRE Private Equity Sp. z o.o.	Asset management	100 %	6 404	960	4 487	10 686
11. BRE Leasing Sp. z o.o.	Leasing	50.001 %	13 815	(5 349)	710	1 411 603
12. RHEINHYP-BRE Bank Hipoteczny SA	Bank	50 %	131 692	(1 862)	(1 446)	747 014
13. Intermarket Bank AG	Factoring	51.43 %	73 446	25 426	5 031	444 613
14. Transfinance a.s.	Factoring	75.72 %	22 828	3 879	3 075	224 949
15. Polfactor SA	Factoring	75.72%	8 994	(3 010)	504	135 177
16. Bank Częstochowa SA	Bank	85.01%	14 134	(16 803)	(12 349)	123 940
17. BRE.locum Sp. z o.o	Developer	77.20%	43 712	(2 512)	(1 008)	116 993
18. Tele-Tech Investment Sp. z o.o.	SPV	24.0%	1 038	(866)	1 244	115 032

\*/ including the retained profit/loss of previous years and this year's profit/loss

#### IV. Financial Standing of BRE Bank and the Group in H1 2002

The Bank made relevant adjustments in the presentation of comparable data (at 30 June 2001 and at 31 December 2001), both in the financial statements of the Group and the financial information of the Bank, but it did not apply the new accounting policies to such data.

The main reason why the balance sheet total of the Bank at 31 December 2001 is different from that disclosed in the published stand-alone financial statements of the Bank is that deferred income tax is shown not netted, as previously, but as deferred income tax assets and deferred income tax liabilities. This added PLN 708 million to the balance sheet total at 31 December 2001. The other important reason was that the new valuation of the portfolio of

companies was included, which added PLN 199.5 million to the balance sheet total. The adjusted balance sheet total is PLN 23,672.2 million, compared to PLN 22,978.6 million disclosed in the annual financial statements for 2001.

#### IV.1. Change in the Bank's Assets

PLN'000	30.06.2002		31.12.2001		31.12.01=100%
	amount	% structure	amount	% structure	
Cash in hand and with the central bank	518 400	2,1	738 276	3,1	70,2
Receivables from financial institutions	2 598 651	10,5	2 593 285	11,0	100,2
Receivables from clients and the public sector	10 795 561	43,7	9 831 362	41,5	109,8
Debt securities	4 718 630	19,1	4 621 972	19,5	102,1
Stock and shares	1 147 496	4,6	1 440 059	6,1	79,7
Intangible fixed assets	207 612	0,8	248 683	1,1	83,5
Tangible fixed assets	873 402	3,5	821 178	3,5	106,4
Other assets	2 955 017	12,0	2 629 596	11,1	112,4
Accruals	870 179	3,5	747 825	3,2	116,4
<b>Total assets</b>	<b>24 684 948</b>	<b>100,0</b>	<b>23 672 236</b>	<b>100,0</b>	<b>104,3</b>

The Bank's balance sheet total grew 4.3% in H1 2002. According to NBP data, the assets of the banking sector decreased 0.1% in H1 2002; the assets of the sector grew 5.7% compared to 30 June 2001. Over the past year, the assets of BRE Bank grew 31.5%, proof of significant expansion of the Bank's business in a difficult period for the sector.

The main change in the Bank's assets includes:

- receivables from clients and the public sector up 9.8% (up 3% in the banking sector), their share in the assets up 2.2 percentage points. Due to the deteriorating condition of many corporates, the share of irregular loans grew to 15.3% of the loan portfolio at 30 June 2002 (including forced receivables), compared to 11.9% at 31 December 2001 and 13.8% at 30 June 2001;
- investment in stocks and shares of other companies and units of participation down 20.3%, partly due to the reduction of the portfolio, but mainly due to the falling value of held stocks and shares in view of continuing bearish conditions on the capital markets;
- portfolio of debt securities slightly up, its share in the assets down from 19.5% to 19.1%;
- other accruals up, mainly due to growth in deferred income tax assets.

#### IV. 2. Change in the Bank's Liabilities

PLN'000	30.06.2002		31.12.2001		31.12.01=100%
	amount	% structure	amount	% structure	
Liabilities to financial institutions and NBP	7 855 579	31,8	8 176 737	34,5	96,1
Liabilities to clients and the public sector	10 076 797	40,8	9 865 388	41,7	102,1
Other liabilities under financial instruments	2 354 721	9,5	1 597 198	6,7	147,4
Subordinated liabilities	724 000	2,9	0	0,0	
Equity	2 011 518	8,1	2 096 504	8,9	95,9
Net profit/loss	-100 344	-0,4	336 180	1,4	-29,8
Other liabilities	1 762 667	7,1	1 600 229	6,8	110,2
<b>Total liabilities</b>	<b>24 684 948</b>	<b>100,0</b>	<b>23 672 236</b>	<b>100,0</b>	<b>104,3</b>

The main change in the Bank's liabilities includes:

- liabilities to clients and the public sector up 2.1% while total deposits and other liabilities of banks fell 2.2%; the growth in BRE deposits was due to the high growth of retail

banking deposits: in H1 2002, funds deposited with mBank and MultiBank grew from PLN 1,062 thousand to PLN 1,601.5 million, representing 15.9% of total liabilities to clients and the public sector. Private banking clients deposited PLN 2,721.0 million. Total customer deposits accounted for 42.3% of all deposits of clients and the public sector;

- liabilities to financial institutions down 3.9% (they now include special cash deposits [*kaucja*] of clients, including a cash deposit of PLN 1,146 million placed by BRE International Finance B.V. in respect of a guarantee of the redemption of eurobonds; consequently, the figure disclosed in comparable data in the financial statements at 30 June 2002 is much higher than that in the financial statements for 2001);
- other liabilities under financial instruments up strongly due to the growing volume of such transactions; these are disclosed off balance sheet, however unrealised losses are stated in the liabilities and unrealised gains are shown in the assets;
- new item, Subordinated liabilities, related to the BRE Bank issue of EUR 200 million eurobonds (see below).

### IV.3. Shareholders and Equity – Restructuring the Equity

Commerzbank AG was the main shareholder holding 50% of BRE Bank shares at 30 June 2002.

Pursuant to the Resolution adopted by the General Meeting of Shareholders of BRE Bank SA held on 25 April 2002 concerning 2001 profit distribution, of PLN 336.2 million of profits PLN 229.7 million (over 68%) was paid out as dividend and PLN 105 million was allocated to equity.

Equity grew significantly due to a subordinated loan.

On 27 March 2002, the Bank issued EUR 200 million worth of bonds. The entire issue was acquired by Atlas-Vermögensverwaltungs GmbH, Germany. It is a financial institution 100% owned by Commerzbank. The bonds mature on 27 March 2012. The bonds may be redeemed before maturity subject to the approval of the Banking Supervision Commission. The Bank was allowed by the Banking Supervision Commission to include cash liabilities of PLN 724 million in respect of the said bonds issue in the Bank's supplementary capital until 31 March 2012 pursuant to Art. 127.3.2(b) of the Banking Law. Funds raised in the issue were used to restructure the Bank's equity by raising the share of supplementary capital. Equity including the subordinated loan was PLN 2,735.5 million, up 30.5% compared to 31 December 2001. The share of the subordinated loan in the Bank's equity (excluding this year's profit/loss) was 26.5% at 30 June 2002.

Equity of BRE Bank at 30 June 2002	
	PLN'000
First-tier equity	91 882
Supplementary capital – statutory reserve	748 738
Revaluation reserve	9 559
Other reserves	1 352 915
Retained profit/loss of previous years	-191 576
Result of this year	-100 334
<b>Equity</b>	<b>1 911 184</b>
<b>Subordinated loan</b>	<b>724 000</b>

The loss disclosed under Retained profit/loss of previous years, deducted from equity, is the effect of the adoption of the new accounting policies in the opening balance at 1 January 2002. All adjustments affecting the profitability of 2001 and previous years, had the new policies been in force, were made in correspondence with the item Profit/Loss of previous years. The resulting amount of PLN 191.6 million was mainly due to the equity method valuation of subsidiaries and affiliates and the valuation of other financial assets at fair value, including the effect of deferred income tax.

The Bank plans to issue another tranche of subordinated debt securities worth EUR 50 million in H2 2002.

#### **IV.4. Growth in Off-Balance Sheet Items**

Given the growing volume of transactions in derivatives and the adopted presentation policy (both the “amount to be received” and the “amount to be delivered” are disclosed for spot, forward, and swap contracts), the notional value of contracts executed by BRE Bank is very high: PLN 197,138.6 million at 30 June 2002 (up 38.0% in H1 2002). It must be emphasised that the notional value of executed contracts does not reflect the real risks of such derivatives. The risks are disclosed in the balance sheet in the estimated fair value.

The high value of off-balance sheet items is due to BRE Bank’s very active role on the market of off-balance sheet instruments denominated in PLN. The range of such instruments is broad, including forward fx contracts, fx options, interest rate options, FRA (Forward Rate Agreements), IRS (Interest Rate Swaps). In addition, the Bank is active on the interbank market of fx swaps. Despite the high growth in notional amounts of off-balance sheet transactions, it must be stressed that the risks of such instruments are monitored and managed on a permanent basis.

In addition, guarantees given were PLN 2,747.1 million (up 12.0% in H1 2002) while financial liabilities given were PLN 3,741.6 million (down 6.8% compared to 31 December 2001).

#### **IV.5. Consolidated Balance Sheet of the Group vs. the Bank’s Balance Sheet**

The consolidated financial statements of the Bank were prepared in accordance with binding accounting regulations and the policies of drafting consolidated financial statements described in the Introduction to the financial statements. The consolidated companies adopted, for the purpose of consolidation, in all material aspects, accounting policies in compliance with those pursued by the holding company, BRE Bank. As a result of the equity method valuation of subsidiaries and affiliates in the stand-alone financial statements of the Bank, the Bank’s stand-alone net profit/loss and the consolidated profit/loss are very similar.

The balance sheet total of the BRE Bank Group was PLN 27,075.5 million at 30 June 2002, 9.7% more than the balance sheet total of the Bank. This was mainly due to receivables from clients and the public sector at PLN 13,580.1 million (PLN 2,784.5 million more than the Bank’s), representing 50.1% of the consolidated assets. This was due to the acquisition accounting consolidation of two banks and their loan portfolios: Rheinyp – BRE Bank Hipoteczny SA and Bank Częstochowa SA, as well as the receivables of BRE Leasing Sp. z.

o.o. (as of 1 January 2002, leasing companies moved fixed assets to receivables to the extent of total capital repayment plus front-up fees less depreciation to date).

In addition, tangible fixed assets of the Group were PLN 96.4 million higher and its accruals were PLN 119.3 million higher. As a result of consolidation eliminations, receivables from financial institutions of PLN 2,241.0 million were PLN 371.4 million lower than those of the Bank.

Consolidated financial assets, higher than those of the Bank, were financed with higher liabilities to clients and the public sector (PLN 295.6 million higher) and liabilities to financial institutions and NBP (PLN 162.0 million higher), as well as minority interests at PLN 149.5 million.

#### IV.6. Financial Results of BRE Bank and the Group in H1 2002

The profit and loss account of the Bank and the Group for H1 2002 and comparable data for H1 2001 are shown in the table below.

PLN'000	BRE Bank stand-alone, H1 2002	BRE Bank stand-alone, H1 2001	Growth, H1 2001 = 100	Group consolidated, H1 2002	Group consolidated, H1 2001	Growth, H1 2001 = 100
Net interest income	140 709	171 900	81,9	179 349	166 811	107,5
Net commission income	85 146	114 391	74,4	109 182	126 504	86,3
Net sales income				19 189	-	
Income from stocks, shares, other securities, and other fixed-income instruments (dividend)	9 358	11 179	83,7	7 797	5 539	140,8
Profit/loss on financial transactions	-58 486	-48 523	120,5	-35 140	-63 503	55,3
Foreign exchange profit/loss	194 707	252 304	77,2	173 300	251 139	69,0
Profit/loss on banking operations	371 434	501 251	74,1	453 677	486 490	93,3
Bank's overhead costs	221 057	192 588	114,8	326 609	216 623	150,8
Depreciation	61 736	55 212	111,8	71 849	58 462	122,9
Net provisions and revaluation	-106 977	-84 701	126,3	-122 246	-34 000	359,5
Goodwill of subsidiaries				9 072	11 872	76,4
Negative goodwill of subsidiaries				240	6 144	3,9
Gross profit	- 26 613	228 432	-11,7	-58 924	230 941	-25,5
Income tax	- 26 103	52 535	-49,7	-23 689	52 426	-45,2
Share in the net profit/loss of subsidiaries subject to equity method valuation	-99 824	-		-61 331	-22 554	271,9
Minority profit/loss				3 088	468	659,8
Net profit/loss	-100 334	175 987	-57,0	-99 654	155 493	-64,1

#### IV.6.1. Financial Results of the Bank

The main factors which caused the loss of the Bank in H1 2002 were:

- share in the net profit/loss of subsidiaries and affiliates subject to equity method valuation at (PLN 99.8 million) (pursuant to the new accounting regulations, the valuation covered 25 companies, of which the largest effect was that of Szeptel (PLN 31.4 million), BRE Fundusz Kapitałowy (PLN 21.1 million), Skarbiec Emerytura (PLN 17.3 million), Bank Częstochowa (PLN 10.3 million)); valuation of SAMH at (PLN 27.0 million) due to the elimination of gains on the sale of BRE Bank subsidiaries to the holding (see Change in the BRE Bank Group); the valuation of some companies produced a positive figure, especially for Skarbiec TFI: PLN 12.5 million;
- negative balance of the Bank's provisions for loans and guarantees set up and released (PLN 107.0 million) (the largest were the PLN 61 million provisions set up in H1 2002 for the Szczecin Shipyard Porta Holding SA and the PLN 30 million provisions for EL-NET Regionalne Sieci Telefoniczne);
- loss on financial transactions (PLN 58.5 million) due to:
  - ❖ loss on derivatives (PLN 39.9 million) (mainly futures for securities (PLN 24.7 million), swaps (PLN 6.2 million), and FRA (PLN 13.6 million));
  - ❖ (PLN 18.5 million) valuation of debt securities available for sale and designated for trading, due to overall weak market conditions and falling prices of securities; especially the valuation of Elektrim (PLN 45.1 million) and Optimus (PLN 10.0 million) where a PLN 24.1 million loss on sale was also incurred.

Important part of income was fx income at PLN 194.7 million. This included fx margins at PLN 46.8 million and fx differences at PLN 147.9 million. The latter is the result of revaluation of:

- |  |                  |
|--|------------------|
| • financial instruments                  | PLN 73.7 million |
| • balance sheet position                 | PLN 47.3 million |
| • spot, forward, and future transactions | PLN 26.9 million |

Traditional types of banking income, i.e., commissions and fees, were lower than in H1 2001. As a result, the profit on banking operations was nearly a quarter lower than in H1 2001. Despite strict cost regime at the Bank, costs grew 14.8%, mainly due to dynamic development of retail banking, especially the MultiBank branch network.

#### IV.6.2. Main Ratios of the Bank, 30 June 2002

ROE	2.8 %
ROA	0.3 %
Cost/income ratio	77.9 %
Interest margin	1.4 %
Solvency ratio	11.7 %

ROE, ROA, and the interest margin were calculated based on data of the past 12 months, the cost/income ratio and the solvency ratio are shown at 30 June 2002.

### **IV.6.3. Financial Results of the BRE Bank Group**

The similarity between the stand-alone profit/loss and the consolidated profit/loss is mainly due to the equity method valuation of subsidiaries and affiliates in the Bank's stand-alone financial statements.

## **V. Development of the Business Areas of the BRE Bank Group in H1 2002**

### **V.1. Corporate Banking**

Despite the difficult business environment of corporate clients, the Bank managed to expand its corporate banking business. Loans to corporate clients and the public sector were up 8.6% while deposits were up 4% compared to 31 December 2001.

The growing business volume coincided with the implementation of the corporate internet portal and a growing number of clients using the electronic banking systems BRESOK and interBRESOK. The number of large corporate clients using automatic bills processing service also grew, including power companies, gas companies, telecoms, insurers.

#### **V.1.1. Foreign Trade**

In January-June 2002, both Poland's revenue from exports of goods and expenditure for imports were lower than in H1 2001; imports were down 5.4% (to US\$ 19,746 million) and exports were down 0.4% (US\$ 14,886 million). Foreign trade transactions financed by BRE Bank amounted to US\$ 2,915.8 million in exports (up 6.2% compared to H1 2001) and US\$ 3,025.7 million in imports (down 6.4%). The share of BRE Bank in payments for goods was 20.1% including capital flows (17.3% excluding capital flows), compared to 19% a year earlier.

In H1 2002, the Bank launched a new product for clients involved in foreign trade: sale of guarantee carnets T.C.32 under the Common Transit Procedure, which simplify international transports of goods and customs procedures. One T.C.32 carnet for transit procedures is worth EUR 7 thousand and is valid for 1 year.

#### **V.1.2 Rheinhyp – BRE Bank Hipoteczny SA**

Loans grew fast (up 60%) from PLN 433.9 million to PLN 697.8 million in H1 2002. The bank's credit exposure including open credit lines is over PLN 900 million. The bank is the leader of mortgage bonds issues (95% market share) and a top bank financing commercial real estate projects; it also consolidated its position on the market of housing loans. The international rating agency Fitch Ratings rated Rheinhyp BRE – Bank Hipoteczny mortgage bonds AAA, the best Fitch rating.

Issued mortgage bonds disclosed in the liabilities were PLN 186.4 million. Assets are also financed with equity and bank deposits.

The Bank's stand-alone financial statements report a profit of PLN 2,037 thousand for H1 2002 while the consolidation report (under adjusted accounting policies) shows a loss of PLN

1,446 thousand. The difference is mainly due to different valuation policies of the portfolio of derivatives.

Rheinhyp BRE – Bank Hipoteczny and EBRD executed an agreement whereby EBRD shall acquire Rheinhyp BRE – Bank Hipoteczny mortgage bonds worth EUR 25 million and US\$ 25 million. In addition, the bank plans a public issue of mortgage bonds (listed on CETO) worth at least PLN 100 million in early 2003.

### **V.1.3. BRE Leasing Sp. z o.o.**

Due to the change of accounting policies as of January 2002, the company's results in 2002 are not comparable to the results of previous periods. On the effective date of the amended accountancy regulations, BRE Leasing had to convert its opening balance sheet by making relevant adjustments in the 2001 financial statements. The company's 2001 financial statements reported a profit of PLN 6.6 million; following the amendment of the accounting policies, the company reports a retained loss of previous years at PLN 5.3 million. The company generated a profit of PLN 710 thousand in H1 2002.

Assets leased in H1 2002 were worth PLN 379.1 million, compared to PLN 537.0 million in H1 2001. The company remains the second largest leasing company in Poland.

Following the registration of a share capital increase to PLN 6,120 thousand, the stake of BRE Bank grew to 50.001%. The stake of the other shareholder CommerzLeasing und Immobilien GmbH fell to 49.999% of the share capital. The shareholding structure was modified in order to change the consolidation process in the BRE Bank Group.

### **V.1.4. Intermarket Bank AG**

The company has the largest share in the factoring market in Austria (nearly 50%). The company is also the leader on Central European markets through its subsidiaries. Intermarket owns 50% of shares in Transfinance a.s., 50% of shares in Polfactor SA, and 50% of shares in Magyar Factor Rt.

The balance sheet total grew 23% to PLN 444.6 million and the income was up 32% in H1 2002 compared to H1 2001.

### **V.1.5. Transfinance a.s.**

The company is the leading (66% market share) and the oldest factor on the Czech market. The growth in the company's profitability (profits up 54.1% in H1 2002 compared to H1 2001) was due to significant growth on the factoring market in the Czech Republic and the company's growing market share. In early H2 2002, the company's share capital doubled, from CZK 56 million to CZK 112 million, through an issue of new shares. Following the acquisition of the issue by existing shareholders, BRE Bank and Intermarket Bank AG, their stake remained unchanged at 50% each.

### **V.1.6. Polfactor SA**

The company is a subsidiary of BRE Fundusz Kapitałowy Sp. z o.o. and Intermarket Bank AG (each holding 50% of its shares). The company is a member of the international factor

organisation Factor Chain International. The company is now in the process of cost reductions and sales improvements in co-operation with Intermarket Bank AG.

## **V.2. Investment Banking**

Corporate clients are increasingly using investment banking products, mainly instruments hedging against foreign exchange risk and interest rate risk, as well as debt issues through the Bank.

BRE Bank remained a leader on the debt securities market. Short-term debt securities issued through the Bank were worth PLN 1,831.2 million at 30 June 2002 (PLN 1,278.0 million at 30 June 2001, i.e., up 43.3%); there were 33 issuers. The Bank ranked third on the market in terms of both the value of issues and the number of issuers.

In H1 2002, PKP selected the offer of BRE Bank submitted together with BIG Bank Gdański SA, Deutsche Bank Polska SA and Westdeutsche Landesbank Polska SA concerning servicing and arranging an issue of PKP bonds guaranteed by the State Treasury with the total nominal value of PLN 1 billion. The agreement was executed on 1 August 2002. The bonds will be issued within 60 days of the date of the agreement. Each bank participating in the consortium undertook to acquire or to effectuate the acquisition of and payment for 25% of the bonds

BRE Bank was very successful on the money and capital markets. Among all banks running for the money market dealer status with NBP, BRE Bank came first in an NBP ranking of banks active on the money market, the fx market, and the debt market.

The market of syndicated loans suffered stagnation in H1 2002. BRE Bank was the most active market player: it arranged 5 syndications (of 11 large syndications arranged in Poland by domestic banks for PLN 3 billion). Syndicated loans arranged by BRE Bank amounted to PLN 838.3 million, including PLN 328.8 million of BRE Bank's participation. The largest exposure of the Bank is the financing of an investment programme under an energy service outsourcing agreement executed by SATURN Management and Frantschach Świecie SA.

### **V.2.1. Dom Inwestycyjny BRE Banku SA**

Dom Inwestycyjny BRE Banku kept its leading position among brokers in terms of the share in the trading on the stock market and the forward and future market on the Warsaw Stock Exchange. The company had a 5.1% share in the stock market and a 10.6% share in the forward and future market at 30 June 2002.

The results of the company reflect the situation on the capital markets, low trading volumes, and lack of primary market issues. The company implemented a cost cutting programme, including workforce reductions by 30% and internal reorganisation.

### **V.2.2. BRE Corporate Finance SA**

BRE Corporate Finance SA enjoys good reputation among foreign investors, Polish companies, and financial institutions thanks to successful transactions, privatisation and restructuring projects, and investments. The company is involved in consolidations in selected sectors.

The company's financial results deteriorated in H1 2002 due to continuing economic recession and lack of major privatisation projects, as well as the cost of debt repayment and the revaluation of receivables. As DI BRE Banku, BRE Corporate Finance SA is also restructuring (cost cutting, reorganisation).

### **V.3. Asset Management**

The Bank is active in asset management by managing:

- the proprietary portfolio directly;
- the proprietary portfolio indirectly, through special purpose vehicles: BRE Fundusz Kapitałowy, Tele-Tech Investment and Ambresa, the first two consolidated using acquisition accounting, the latter subject to equity method valuation;
- clients' assets through asset management companies.

#### **V.3.1. Proprietary Portfolio Managed Directly**

The balance sheet value of the proprietary portfolio of stocks and shares (and other securities and other financial assets) was PLN 1,147.5 million at 30 June 2001, down 20.3% compared to 31 December 2001. This was largely due to the falling prices of securities and the effect of the sale of all or part of packages in such companies as Stomil, DB24, PKN Orlen, Optimus.

In addition, the Bank sold asset management companies to Skarbiec Asset Management Holding (see section on change in the Group).

The Bank made new investments. The Bank built its investment in Elektrim SA in H1 2002, and held 20.51% of the share capital and votes at 30 June 2002. The Bank together with its affiliate (BRE-Fundusz Kapitałowy) jointly held 21.62% of the share capital and votes. The acquisitions were intended to provide BRE Bank with capital gains following restructuring of the company. Planned restructuring measures include a consortium with Eastbridge NV and Elektrim established to acquire 49% of shares in Elektrim Telekomunikacja from Elektrim. The Bank planned to participate in resolving the issue of Elektrim's debt by buying some past-due but fully secured bonds worth EUR 100 million to resell them. However, the transactions were not closed in H1 2002 and cannot be finalised now in view of the bankruptcy motion.

Another important investment in H1 2002 was the acquisition of shares in the Irish investment fund CIMC Midas plc for PLN 87.6 million. The shares were cancelled in late July 2002. The investment was attractive due to benefits under the Treaty on avoidance of double taxation between Poland and Ireland.

The planned sale of some ITI shares was not closed in H1 2002.

#### **V.3.2. Portfolio Managed by SPVs**

##### **BRE Fundusz Kapitałowy Sp. z o.o. (BRE FK)**

The merger of Pierwszy Polski Fundusz Rozwoju – BRE Sp. z o.o. (PPFR) and BRE – Fundusz Kapitałowy (formerly Drugi Polski Fundusz Rozwoju – BRE Sp. z o.o.) was registered in H1 2002. BRE FK held 100% of PPFR-BRE shares before the merger.

BRE FK managed financial assets worth PLN 344.4 million net at 30 June 2002. Its portfolio comprises stocks and shares in 17 companies (including Polfactor subject to this consolidation and three National Investment Funds) as well as ITI convertible bonds.

BRE FK generated a net loss of PLN 17.3 million in H1 2002. The main reasons included high costs of financing due to the way the investment was financed through issues of debt securities. In addition, the valuation of companies in the portfolio had a negative impact on the company's net result.

The company plans to make less new investment and to sell some of its portfolio public companies in H2 2002.

#### **Tele-Tech Investment Sp. z o.o. (TTI)**

The core business of the company includes:

- a/ to invest in securities and to trade in securities,
- b/ to make securities transactions on its own account,
- c/ to manage controlled companies,
- d/ to provide business and management consulting.

The company's portfolio was worth PLN 110.4 million at 30 June 2002, comprising shares in 8 companies, among others BREL-RES Sp. z o.o. and BREL MAR Sp. z o.o. (leasing SPVs), BRE Private Equity Sp. z o.o., and BRE.locum Sp. z o.o.

#### **V.3.3. Management of clients' assets through asset management companies**

The Bank manages clients' assets through companies recently integrated in Skarbiec Asset Management Holding and through BRE Private Equity (outside the holding). Assets managed by the companies totalled PLN 3,031.9 million at 30 June 2002, up 12.1% compared to 31 December 2001.

##### **Skarbiec TFI SA**

The company managed 8 investment funds whose net asset value was PLN 1.3 billion at 30 June 2002, ranking fourth on the market. In the FundStar rating published by the financial paper *Parkiet*, Skarbiec funds Waga and Akcja came fourth and fifth among stock funds. The Skarbiec funds Obligacja and Kasa ranked second and third among debt funds. All funds got the maximum score for return rates.

A new fund was registered: Skarbiec – Obligacja Plus. Certificates issued by the fund are listed. Income from their sale in December 2003 will be exempt from the income tax from capital gains.

##### **PTE Skarbiec – Emerytura SA**

The pension fund OFE Skarbiec – Emerytura held net assets of PLN 593.4 million at 30 June 2002, up 33% compared to 31 December 2001. It had 420.7 thousand accounts confirmed by ZUS (up 9 thousand). The minimum required return rate for two years of investment published by KNUiFE was 9.89%. The return rate of Skarbiec – Emerytura was higher. The company is now merging with the pension fund BIG BG. After the merger, the fund will have 472.8 thousand subscribers and manage assets totalling PLN 968.7 million.

## **BRE Asset Management SA**

The core business of the company is to manage clients' securities portfolios and to provide investment consulting. The portfolio of managed assets was worth PLN 555.8 million at 30 June 2002, up 35% compared to 31 December 2001.

In SAMH, the company will provide asset management service for the assets acquired by BRE AM and other companies of the holding.

## **BRE Private Equity Sp. z o.o.**

The company manages three National Investment Funds (Fund 1, Victoria, Fortuna). No other company on the Polish market manages more funds. BRE PE indirectly manages the assets of FAMCO. Net assets under management totalled PLN 570.2 million at 30 June 2002 (PLN 500 million under direct management), down from PLN 588.4 million at 31 December 2001.

The very good results of BRE PE in H1 2002 was due to the flat management fee and realised gains on the sale of premium shares in the managed National Investment Funds.

## **BRE Agent Transferowy Sp. z o.o.**

The company does not manage assets but is part of the asset management line as it keeps and operates registers of subscribers of pension funds and investment funds.

The company is a leading transfer agent. In H1 2002, it operated registers of subscribers of PTE Skarbiec – Emerytura and five investment fund companies (Skarbiec, DWS Polska, CAIB, PBK Atut, Union Investment).

## **V.4. Retail Banking**

mBank, the internet retail bank, generated very good results. It had 235.2 thousand clients holding 292.9 thousand accounts with PLN 1.53 billion of deposits at 30 June 2002. The number of clients grew 67.4%, the number of accounts grew 55.6%, and deposits grew 47.5% compared to 31 December 2001.

mBank launched corporate accounts mBiznes Konto in H1 2002. In addition to attractive interest rates, the account offers easy transfers, including those to ZUS and tax offices.

At present, one in four electronic banking clients is an mBank customer.

MultiBank, launched in late 2001, is also growing fast. The number of its branches, Financial Service Centres, grew from 4 to 16; the number of accounts grew four times. It had 14.9 thousand retail accounts and 2.7 thousand corporate accounts at 30 June 2002. Deposits totalled PLN 71.5 million (PLN 30 million at 31 December 2002).

In May 2002 MultiBank launched a new product range: Financial Plans. The WWJ (All-in-One) Plan combines current accounts, cards, housing loans, car loans, cash loans, and mortgage loans. MultiPlan combines loans, current accounts, savings accounts, term deposits, and cards.

### **V.4.1. Bank Częstochowa SA**

The assets of the bank at 30 June 2002 fell 5% compared to 31 December 2001. The company generated a net loss of PLN 12.3 million in H1 2002. The falling interest income and

commission income was due to changes in the bank's balance sheet following restructuring and the impact of macroeconomic factors. The restructuring programme now underway provides for gradual elimination of "old" loans which will not be rolled over, terminated execution of new loan contracts with the bank's existing clients, and a focus on retail banking rather than corporate accounts.

The original plan was to incorporate mBank into Bank Częstochowa SA ("Bank Częstochowa"). The Extraordinary General Meeting of Shareholders of BRE Bank held on 21 June 2002 adopted a resolution to establish a Bank Capital Group. A similar resolution was adopted by the Extraordinary General Meeting of Shareholders of Bank Częstochowa. An agreement was signed on 8 July 2002 between BRE Bank and Bank Częstochowa as partners in the Capital Group; the agreement took effect on 13 August 2002. Corporate clients were offered BRE Bank service and retail clients were offered MultiBank service. BRE Bank was to operate the banking business of Bank Częstochowa.

However, the decision concerning Bank Częstochowa changed in September 2002. On 12 September 2002, the Supervisory Board of BRE Bank obligated the Management Board of BRE Bank to take action in order to merge the two banks. The assets of Bank Częstochowa will be transferred to BRE Bank in return for BRE Bank shares. The merger is contingent on the approval of the regulators.

The position of BRE Bank on the retail banking market is expected to strengthen after the merger owing to the Bank Częstochowa client base and the extension of the product offer in Bank Częstochowa's traditional region.

## **VI. Other Companies Covered by the Consolidated Financial Statements**

### **VI.1. BRE International Finance B.V.**

BRE International Finance B.V. is a Special Purpose Vehicle. Its core business is to raise funds for the Bank by issuing debt on international financial markets. The company is registered in the Netherlands. It is not the objective of the company to maximise its own financial results. Eurobonds issued by the company stood at EUR 325 million at 30 June 2002. There were no new issues in H1 2002.

### **VI.2. BRE.locum Sp. z o.o.**

The company is a bank-owned real estate developer operating across Poland, with a seat in Łódź. Its core business segment is the primary market of residential real estate; the company also operates on the market of commercial real estate and provides comprehensive consulting on real estate investment. The company currently runs 4 residential real estate projects: two in Wrocław, one in Łódź, and one in Kraków. The company lets out its own office space and warehouses.

## **VII. Change in the Authorities of the Bank and the Group in H1 2002**

Changes in the Management Boards of the Bank and Group companies as of 1 January 2002 are presented in the consolidated financial statements for 2001. The composition of the

Supervisory Board of BRE Bank changed in H1 2002. The General Meeting of Shareholders held on 25 April 2002 elected 9 Supervisory Board Members for a term of 2 years, including:

Krzysztof Szwarc – Chairman of the Supervisory Board

Andreas de Maizière – Deputy Chairman of the Supervisory Board

Alberto Crippa

Gromosław Czempiński

Christian R. Eisenbeiss

Andrzej Księżny

Teresa Mokrysz

Jan Szomburg

Nicholas Teller.

There are three new Supervisory Board members: Teresa Mokrysz, Alberto Crippa and Andrzej Księżny.

The Supervisory Board elected its Executive Committee consisting of Krzysztof Szwarc – Chairman, Andreas de Maizière – Deputy Chairman, Jan Szomburg and Nicholas Teller – Members.

Change in the Management Boards of Group companies:

- Jarosław Kowalczyk, long-time Deputy President, replaced Andrzej Podgórski as President of Dom Inwestycyjny BRE Banku
- Maciej Kwiatkowski, President of BRE Asset Management, resigned and was replaced by Tomasz Adamski
- following the formation of Skarbiec Asset Management Holding, Marcus Nagel, previously Deputy President of Skarbiec TFI, was appointed President of SAMH

## **VIII. Plans and Prospects of the Bank and the Group**

Given the Bank's results in H1 2002, the Management Board of the Bank will continue to take action aimed at avoidance of losses. The financial result will mainly depend on improvements in the overall economy as well as stock prices of companies in the Bank's portfolio.

The new accounting policies effective as of 1 January 2002, especially those applicable to the valuation of stocks and shares, may temporarily reduce the revenue from proprietary asset management. Improvement of both the situation on the capital markets and the financial standing of subsidiaries and affiliates will have a positive impact on the Bank's financial result.

In addition, it must be stressed that many of the BRE Bank Group companies are now growing. This requires investment in further expansion. Investment in particularly important in the context of Poland's forthcoming EU accession, which will imply the need to compete against strong partners from EU member states. Importantly, the estimated market value of Group companies is many times higher than their value in the Bank's books of account.

Close co-operation among BRE Bank Group companies will be further developed in order to build a strong universal financial group.

Asset management will remain an important business area of the Bank; management of clients' assets by Skarbiec Asset Management Holding will gain more importance as the proprietary portfolio shrinks. In response to continued unfavourable stock market conditions, BRE Bank has recently reduced its exposure on the stock market and is making efforts to exit its investments. However, the main criterion applied by BRE Bank in closing its positions is to optimise the rate of return. Consequently, the Bank is ready to postpone the finalisation of some transactions where a delay gives real chances of higher profits at a later time.

The Management Board of BRE Bank decided not to sell mBank. Work is underway to sell some shares in PTE Skarbiec-Emerytura and/or to further consolidate the position on this market.

The Bank will develop state-of-the-art retail banking service using electronic distribution channels. The product offer will grow, sales will expand based on a network of agents, the branch network will grow. The first retail banking project mBank should break even in late 2003.

The Bank will also take a range of measures to grow its corporate banking income by:

- growing the SME client base by selling standard products, also via the internet portal;
- enhancing sales – more incentives and better organisation of the sales force;
- changing the products offer – giving easy access to selected products, growing the share of complex products, cross-selling financing and other products.

Action taken to grow the business will be accompanied by strict cost controlling and rationalisation, both with regard to payrolls and other costs. Group workforce reductions of up to 500 staff (17% of the workforce) are planned for Q4 2002 and Q1 2003. Payroll costs will be reduced by restructuring the tariff of payroll, assessing the value of job positions, and reducing salaries of selected employees based on a study of salaries and wages of professional groups.

Given the cycle of BRE Bank's profitability over the past years, the Bank plans to take advantage of 2002, a year of clearly weaker results, to carry out internal reform as an incentive of further growth. One of the Bank's mid-term priorities is to restore a profitability level satisfactory to the shareholders in 2003 and on.