

(for bank)

Pursuant to Art. 57.2 and Art. 58.1 of the Regulation of the Council of Ministers dated 16 October 2001 (Journal of Laws No. 139, item 1569 and No. 31, item 280 (from year 2002),

the Board of Management of BRE Bank SA  
publishes this Quarterly Report for Q1 2003:

05-05-03

(date of submittal)

SELECTED FINANCIAL DATA	PLN '000		EUR '000	
	I Q cumulative	I Q cumulative	I Q cumulative	I Q cumulative
(current year)	from 1 Jan 2003 to 31 Mar 2003	from 1 Jan 2002 to 31 Mar 2002	from 1 Jan 2003 to 31 Mar 2003	from 1 Jan 2002 to 31 Mar 2002
I. Interest income	293 923	448 986	69 201	124 287
II. Commission income	78 474	79 092	18 476	21 894
III. Profit (loss) on banking activity	170 954	157 873	40 249	43 702
IV. Operating profit (loss)	53 112	12 415	12 505	3 437
V. Gross profit (loss) before tax	46 310	4 080	10 903	1 129
VI. Net profit (loss)	33 841	(6 445)	7 967	(1 784)
VII. Net cash from operating activities	1 198 467	(687 288)	282 165	(190 253)
VIII. Net cash from investing activities	(20 873)	(271 576)	(4 914)	(75 177)
IX. Net cash from financing activities	133 612	699 005	31 457	193 496
X. Total net cash flows	1 311 206	(259 859)	308 708	(71 933)
XI. Total assets	28 880 658	27 193 236	6 556 038	7 546 131
XII. Amounts due to Central Bank	1 685	122 881	383	34 100
XIII. Liabilities to financial sector	7 196 864	9 093 934	1 633 720	2 523 569
XIV. Liabilities to non-financial and public sector	9 909 337	10 596 154	2 249 464	2 940 436
XV. Equity	1 616 017	2 227 969	366 843	618 262
XVI. Share capital	91 882	91 882	20 858	25 497
XVII. Number of shares	22 970 500	22 970 500	22 970 500	22 970 500
XVIII. Book value per share (in PLN/EUR)	70.35	96.99	15.97	26.92
XIX. Diluted book value per share (in PLN/EUR)	-	-	-	-
XX. Solvency ratio	9.77	14.39	9.77	14.39
XXI. Profit (loss) per ordinary share (in PLN/EUR)	1.47	(0.28)	0.35	(0.08)
XXII. Diluted profit (loss) per ordinary share (in PLN/EUR)	-	-	-	-
XXIII. Dividend declared or paid out per ordinary share (in PLN/EUR)	-	-	-	-

CONSOLIDATED BALANCE SHEET (PLN '000)	as at	as at	as at	as at
	31.Mar.2003 end of this Q (2003)	31.Dec.2002 end of previous Q (2002)	31.Mar.2002 end of this Q (2002)	31.Dec.2001 end of previous Q (2001)
<b>Assets</b>				
I. Cash and balances with the Central Bank	497 489	365 819	493 534	745 191
II. Debt securities eligible for rediscounting at the Central Bank	104 684	49 021	23 168	66 683
III. Amounts due from financial sector	4 029 037	2 835 778	3 330 197	2 770 664
1. Short-term	3 212 054	1 584 009	2 248 582	1 578 474
a) Current	2 114 013	953 579	1 992 956	865 468
b) Other short-term	1 098 041	630 430	255 626	713 006
2. Long-term	816 983	1 251 769	1 081 615	1 192 190
IV. Amounts due from non-financial sector	13 065 569	11 960 048	11 794 704	9 456 684
1. Short-term	7 727 856	6 523 061	6 332 832	4 713 705
a) Current	1 712 100	1 952 615	1 863 635	1 283 014
b) Other short-term	6 015 756	4 570 446	4 469 197	3 430 691
2. Long-term	5 337 713	5 436 987	5 461 872	4 742 979
V. Amounts due from public sector	51 651	51 637	1 019 233	962 751
1. Short-term	40 093	41 088	1 006 485	936 306
a) Current receivables	7 462	11 427	3 275	-
b) Other short-term	32 631	29 661	1 003 210	936 306
2. Long-term	11 558	10 549	12 748	26 445
VI. Amounts due in respect of purchase of securities with a resale clause	17 289	297 613	-	54 965

VII. Debt securities	4 940 079	5 155 445	4 745 603	4 732 461
VIII. Amounts due from subordinated priced using equity method	17 981	245	19	289 019
1. Subsidiaries	1 707	245	19	89 190
2. Correlatives	-	-	-	-
3. Associates	16 274	-	-	199 829
IX. Stocks or shares in subsidiaries priced using equity method	89 322	123 197	218 537	179 789
X. Stocks or shares in correlatives priced using equity method	-	-	-	-
XI. Stocks or shares in Associates priced using equity method	25 823	13 782	24 099	134 951
XII. Stocks or shares in other companies	13 856	11 015	36 987	29 151
XIII. Other securities and financial assets	684 766	670 972	1 033 084	768 453
XIV. Intangible assets, including:	300 009	305 590	213 442	211 813
- goodwill of company	100 357	97 586	68 099	70 753
XV. Goodwill of subordinates	480 903	492 114	116 058	120 781
XVI. Tangible fixed assets	902 086	902 310	959 657	876 653
XVII. Other assets	2 647 256	3 173 637	2 386 666	2 640 764
1. Assets acquired - for sale	6 286	2 789	27 832	22 750
2. Inventories	52 177	27 675	12 311	-
3. Other	2 588 793	3 143 173	2 346 523	2 618 014
XVIII. Prepayments	1 012 858	1 023 238	798 248	782 537
1. Deferred income tax	929 566	947 436	703 489	736 639
2. Other prepayments	83 292	75 802	94 759	45 898
Total assets	28 880 658	27 431 461	27 193 236	24 823 310
Liabilities				
I. Amounts due to Central Bank	1 685	1 532	122 881	2 718
II. Amounts due to financial sector	7 196 864	7 152 563	9 093 934	8 049 981
1. Short-term	5 233 384	5 195 558	5 643 500	4 352 708
a) Current	1 100 790	1 386 269	2 435 356	2 117 799
b) Other short-term	4 132 594	3 809 289	3 208 144	2 234 909
2. Long-term	1 963 480	1 957 005	3 450 434	3 697 273
III. Amounts due to non-financial sector	9 825 821	10 215 397	10 319 194	9 856 466
1. Short-term	8 788 936	9 161 083	8 984 936	7 870 420
a) Current, including:	4 751 804	4 917 942	3 629 615	1 588 516
- saving deposits	1 791 073	1 492 648	909 927	614 422
b) Other short-term, including:	4 037 132	4 243 141	5 355 321	6 281 904
- saving deposits	346 020	248 380	163 462	283 307
2. Long-term, including:	1 036 885	1 054 314	1 334 258	1 986 046
- saving deposits	225 131	225 585	316 549	169 522
IV. Amounts due to public sector	83 516	118 975	276 960	168 449
1. Short-term	80 918	116 372	271 443	165 524
a) Current	36 586	69 842	20 948	28 729
b) Other short-term	44 332	46 530	250 495	136 795
2. Long-term	2 598	2 603	5 517	2 925
V. Liabilities in respect of sale of securities with a repurchase clause	2 865 545	1 942 315	-	1 132 724
VI. Liabilities due to issue of debt securities	2 195 994	1 541 876	1 337 041	3 015
1. Short-term	518 827	238 426	60 002	3 015
2. Long-term	1 677 167	1 303 450	1 277 039	-
VII. Other liabilities due to financial instruments	2 162 503	2 264 262	1 663 855	1 603 056
VIII. Amounts due to subordinated priced using equity method	17 400	11 567	2 907	84 065
1. Subsidiaries	16 566	11 173	2 907	59 488
2. Correlatives	-	-	-	-
3. Associates	834	394	-	24 577
IX. Special funds and other liabilities	439 409	200 325	301 810	70 353
X. Accruals, deferred income and suspended income	258 902	277 606	200 450	763 946
1. Accruals	46 636	76 856	29 103	69 213
2. Goodwill (negative figure)	-	-	3 314	-
3. Other deferred and suspended income	212 266	200 750	168 033	694 733
XI. Goodwill of subordinated companies (negative figure)	916	900	1 260	-
XII. Provisions	951 595	957 747	743 132	784 603
1. Income tax provision	806 740	814 450	670 794	693 839
2. Other	144 855	143 297	72 338	90 764
a) short-term	16 648	4 285	19 492	-

b) long-term	128 207	139 012	52 846	90 764
XIII. Subordinated liabilities	1 140 888	1 041 213	756 002	31 268
XIV. Minority interests	123 603	123 877	145 841	71 041
XV. Share capital	91 882	91 882	91 882	91 882
XVI. Payment for share capital (negative figure)	-	-	-	-
XVII. Own shares (negative figure)	(4 545)	-	-	-
XVIII. Supplementary capital	655 243	659 013	651 792	622 559
XIX. Revaluation reserve	5 754	(8 643)	8 063	8 063
XX. Other reserves	1 357 339	1 358 267	1 248 697	1 248 541
XXI. Translation differences on consolidation	(1 487)	(351)	1 958	(3 950)
1. gains	6 778	1 959	6 376	-
2. losses	(8 265)	(2 310)	(4 418)	(3 950)
XXII. Retained earnings (Accumulated losses)	(522 010)	(137 946)	232 022	13 130
XXIII. Net profit (loss)	33 841	(380 916)	(6 445)	221 400
<b>Total liabilities</b>	<b>28 880 658</b>	<b>27 431 461</b>	<b>27 193 236</b>	<b>24 823 310</b>
Capital adequacy ratio	9.77	10.01	14.39	12.05
Book value	1 616 017	1 581 306	2 227 969	2 201 625
Number of shares	22 970 500	22 970 500	22 970 500	22 970 500
Book value per share (in PLN)	70.35	68.84	96.99	95.85
Diluted number of shares	-	-	-	-
Diluted book value per share (in PLN)	-	-	-	-

CONSOLIDATED OFF-BALANCE-SHEET ITEMS	as at	as at	as at	as at
	31.Mar.2003 end of this Q (2003)	31.Dec.2002 end of prev. Q (2002)	31.Dec.2002 end of Q (2002)	31.Dec.2001 end of prev. Q (2001)
I. Contingent liabilities extended and received	6 172 102	6 623 770	6 245 074	7 206 211
1. Liabilities extended	5 401 375	5 734 368	5 519 389	6 635 767
a) financial	4 079 603	4 498 741	4 225 175	4 175 115
b) guarantee	1 321 772	1 235 627	1 294 214	2 460 652
2. Liabilities received	770 727	889 402	725 685	570 444
a) financial	361 928	356 816	172 463	184 543
b) guarantee	408 799	532 586	553 222	385 901
II. Liabilities related to realised purchase/sale transactions	164 272 576	146 097 417	176 411 493	141 732 770
III. Other (due to)	323 211	348 342	-	68 179
- factoring receivables	323 211	251 976	-	-
- factoring liabilities	-	96 366	-	-
- option to acquire shares	-	-	-	68 179
<b>Total off-balance-sheet items</b>	<b>170 767 889</b>	<b>153 069 529</b>	<b>182 656 567</b>	<b>149 007 160</b>

CONSOLIDATED PROFIT AND LOSS ACCOUNT	I Q (current year)	I Q (previous year)
	from 01.Jan.2003 to 31.Mar.2003	from 01.Jan.2002 to 31.Mar.2002
I. Interest income	293 923	448 986
II. Interest expense	228 954	355 317
III. Net interest income (I-II)	64 969	93 669
IV. Commission income	78 474	79 092
V. Commission expenses	22 687	17 151
VI. Net commission income (IV-V)	55 787	61 941
VII. Net income of goods sold	-	7 150
VIII. Sold goods expenses	-	2 438
IX. Cost of sale	-	-
X. Profit on sale (VII-VIII-IX)	-	4 712
XI. Income from shares, other securities and financial instruments with variable yield	30	2 251
1. From subsidiaries	-	2 251
2. From correlatives	-	-
3. From Associates	-	-
4. From others	30	-
XII. Profit (loss) on financial transaction	6 219	(116 626)
XIII. Profit (loss) on foreign exchange result	43 949	111 926
XIV. Profit (loss) on banking activity	170 954	157 873
XV. Other operating income	38 986	59 531
XVI. Other operating expenses	14 787	55 827
XVII. Overhead costs of the bank	138 780	159 477
XVIII. Depreciation and amortisation	38 529	36 291
XIX. Provisions and write-downs	50 964	39 035
1 for specific reserves and to general banking risk	44 972	39 035
2. for revaluation of financial assets	5 992	-
XX. Release of provisions and reversal of write-downs	86 232	85 641
1 Release of specific reserves and general banking	77 370	85 641
2. Revaluation of financial assets	8 862	-
XXI. Net provisions and write-downs (XIX-XX)	(35 268)	(46 606)
XXII. Operating profit (loss)	53 112	12 415
XXIII. Profit (loss) on extraordinary items	123	394
1. gains	284	700
2. losses	161	306
XXIV. Amortization of goodwill	7 629	8 849
XXV. Recognition of negative goodwill	704	120
XXVI. Profit (loss) before tax	46 310	4 080
XXVII. Corporate income tax	13 365	12 646
1. Current part	3 199	2 724
2. Postponed part	10 166	9 922
XXVIII. Other obligatory profit appropriations (loss increases)	-	-
XXIX. Gain (loss) on share in subordinated priced using equity method	(716)	(611)
XXX. (Profit) loss of minority	1 612	2 732
XXXI. Net profit (loss)	33 841	(6 445)
Net profit (loss) (for 12 months)	(340 630)	209 606
Weighted average number of ordinary shares	22 970 500	22 970 500
Net profit (loss) per 1 ordinary share [PLN]	(14.83)	9.13
Weighted average number of ordinary shares	-	-
Diluted net profit (loss) per 1 ordinary share [PLN]	-	-

MOVEMENTS IN CONSOLIDATED EQUITY	I Q (current year)	I Q (previous year)
	from 01.Jan.2003 to 31.Mar.2003	from 01.Jan.2002 to 31.Mar.2002
I. Equity as at the beginning of the year (OB)	1 581 306	2 201 625
a) changes to accounting policy	-	32 929
b) adjustment of key miscalculation	-	-
I.a. Equity as at the beginning of the year (OB) after reconciliation to comparative data	1 581 306	2 234 554
I. Share capital as at the beginning of the year	91 882	91 882
1.1 Changes in share capital	-	-
a) increase (due to):	-	-
-issue of shares	-	-
b) decrease (due to):	-	-
-cancellation of shares	-	-
1.2. Share capital as at the end of the year	91 882	91 882
2. Payments for share capital at the beginning of the year	-	-
2.1 Changes in payments for share capital	-	-
a) increase (due to):	-	-
b) decrease (due to):	-	-
2.2 Payments for share capital at the end of the year	-	-
3. Own shares as at the beginning of the year	-	-
a) increase (due to):	(4 545)	-
b) decrease (due to):	-	-
3.1 Own shares at the end of the year	(4 545)	-
4. Supplementary capital as at the beginning of the year	659 013	622 559
4.1. Movements in the supplementary capital	(3 770)	29 233
a) increase (due to):	115	30 511
- issue of shares above nominal value	-	-
- allocation of the profit (statutory)	-	-
- allocation of the profit (above minimal value up to statutory)	-	-
- inclusion for consolidation	-	-
- exclusion from consolidation following disposal of a company	-	30 511
- fixed assets' disposal	-	-
- reclassification from reserve capital	-	-
- other	115	-
b) decrease (due to):	3 885	1 278
- loss coverage	-	-
- correction of opening balace	-	750
- termination of capital in case of payment to shareholders	-	528
- exclusion from consolidation following disposal of a company	3 885	-
4.2. Supplementary capital as at the end of the year	655 243	651 792
5. Revaluation reserve as at the beginning of the year	(8 643)	8 063
5.1. Movements in revaluation reserve	14 397	-
a) increase (due to)	18 175	-
- increase of value due to foreign exchanges	5 310	-
- deferred income tax	476	-
- revaluation of securities	5 915	-
- exclusion from consolidation following disposal of a company	6 463	-
- other	11	-
b) decrease (due to)	3 778	-
- disposal of fixed assets	-	-
- revaluation of fixed assets	-	-
- deferred income tax	2 104	-
- foreign exchange	1	-

- exclusion from consolidation following disposal of a company	754	
- revaluation of securities for disposal	919	-
5.2. Revaluation reserve as at the end of the year	5 754	8 063
6. General banking risk reserve as at the beginning of the year	558 000	453 000
6.1. Movements in general banking risk reserve	-	-
a) increase (due to)	-	-
- appropriation of Retained earnings	-	-
b) decrease (due to)	-	-
-		
-		
6.2. General banking risk reserve as at the end of the year	558 000	453 000
7. Other supplementary capitals as at the beginning of the year	800 267	795 541
7.1. Changes in other supplementary capitals	(928)	156
a) increase (due to):	1 056	156
- deduction of profit for supplementary capital	1 056	-
- inclusion for consolidation	-	156
- capital decrease reserve	-	-
- dividend payment	-	-
- other	-	-
b) decrease (due to)	1 984	-
- reclassification to reserve capital	-	-
- dividend payment by way of advance	-	-
- exclusion from consolidation following disposal of a company	1 984	-
- other	-	-
7.2. Other supplementary capital as at the end of the year	799 339	795 697
8. Foreign exchange gains/losses on the translation of subordinated companies	(1 487)	1 958
9. Retained earnings (Accumulated losses) as at the beginning of the year	(518 862)	234 530
9.1. Retained earnings as at beginning of the year	98 819	238 677
a) changes to accounting policy	-	34 374
b) adjustment of key miscalculation	-	-
9.2. Retained earnings as at the beginning of the year after reconciliation to comparative data	98 819	273 051
9.3. Change in retained earnings	(3 148)	(28 824)
a) increase (due to):	-	1 687
- allocation of retained earnings	-	-
- first acquisition accounting consolidation of a company	-	1 687
- stake increased through a subholding	-	-
-dividend received from companies consolidated for the first time	-	-
b) decrease (due to):	3 148	30 511
- exclusion from consolidation in connection of selling the company	-	30 511
- deduction of profit for general banking risk reserve	-	-
- profit allocation to supplementary capital	1 056	-
- profit allocation to reserve capital	-	-
- profit allocation to shareholder dividend	-	-
- transfer to the Social Fund	-	-
- foreign exchange gains/losses	2 092	-
- other	-	-
9.4. Retained earnings as at the end of the year	95 671	244 227
9.5. Accumulated losses at the beginning of the year	(617 681)	(4 147)
a) changes to accounting policies	-	(2 370)
b) adjustment of key miscalculation	-	-
9.6. Accumulated losses as at the beginning of the year after reconciliation to comparative data	(617 681)	(6 517)
9.7. Change in accumulated losses	-	(5 688)
a) increase (due to):	-	(5 688)
- loss to be covered brought forward from previous years	-	-

- inclusion the company to consolidation	-	(5 688)
b) decrease (due to):	-	-
- coverage from reserves	-	-
-	-	-
9.8. Accumulated losses as at the end of year	(617 681)	(12 205)
9.9. Retained earnings (Accumulated losses) as at the end of year	(522 010)	232 022
10. Net profit/loss	33 841	(6 445)
a) net loss	33 841	-
b) net profit	-	(6 445)
II. Equity as at the end of the year (CB )	1 616 017	2 227 969
III. Equity including proposed profit distribution (coverage of loss)	1 616 017	1 996 789

CONSOLIDATED CASH FLOW STATEMENT	I Q (current year)	I Q (previous year)
	from 01.Jan.2003 to 31.Mar.2003	from 01.Jan.2002 to 31.Mar.2002
A. Net cash flows from operating activities - indirect method	1 198 467	(687 288)
I. Net profit (loss)	33 841	(6 445)
II. Total adjustments for:	1 164 626	(680 843)
1. Profit (loss) of minority shareholders	1 612	2 732
2. Participation in profit (loss) of subordinated companies priced with equity method	716	611
3. Depreciation, including:	45 454	45 020
- appropriations of goodwill of subordinates and goodwill of subordinates (negative amount)	(6 925)	8 729
4. Foreign exchange gains/losses	88 371	52 010
5. Interest and dividends	29 535	13 327
6. (Profit) loss on investments	(1 322)	20 028
7. Change in provisions	(32 898)	762 539
8. Change in reserves	-	-
9. Change in debt securities	42 774	(372 979)
10. Change in receivables from financial sector	(32 208)	(952 080)
11. Change in receivables from non-financial and public sector	(1 126 411)	(2 502 061)
12. Change in amounts due in respect of purchase of securities with a resale clause	280 324	10 574
13. Change in stocks or shares and securities and other financial instruments	53 327	(144 261)
14. Change in liabilities to financial institutions	50 287	823 583
15. Change in liabilities to non-financial and public sector	(425 035)	828 910
16. Change in liabilities due to sold securities with a buy-back clause	923 230	-
17. Change in liabilities due to securities	651 116	1 334 026
18. Change in other liabilities	624 078	539 154
19. Change in prepayments	(19 840)	(617 873)
20. Change in deferred and qualified income	11 516	(524 103)
21. Other	-	-
III. Net cash flows from operating activities (I - II) - indirect method	1 198 467	(687 288)
B. Net cash flows from investment operations (I-II)	(20 873)	(271 576)
I. Incomes	96 186	204 435
1. Sale of stocks or shares in subsidiaries	37 042	2
2. Sale of stocks or shares in correlatives	-	-
3. Sale of stocks or shares in Associates	-	-
4. Sale of other stocks or shares, securities and financial instruments	58 571	198 877
5. Sale of intangible and tangible fixed assets	573	620
6. Sale of investment in real estate and intangible assets	-	-
7. Other investment incomes	-	4 936
II. Expenses	117 059	476 011
1. Purchase of stocks or shares in subsidiaries	3 384	104 080
2. Purchase of stocks or shares in correlatives	-	-
3. Purchase of shares in affiliated	9 815	5 297
4. Purchase of other stocks or shares, securities and financial instruments	76 060	338 131
5. Purchase of intangible and tangible fixed assets	14 436	14 837

6. Investment in real estate and intangible assets	13 364	13 666
7. Other investments' expenses	-	-
III. Net cash flows from investment operations (I-II)	(20 873)	(271 576)
C. Net cash flows from financing activities (I-II)	133 612	699 005
I. Incomes	175 716	724 734
1. Long term loans received from other banks	52 378	-
2. Long term loans received from financial sector, excluding banks	-	-
3. Issue of debt securities	119 931	-
4. Change in subordinated liabilities in plus	3 407	724 734
5. Net cash from shares' issue and payment to capital	-	-
6. Other	-	-
II. Expenses	42 104	25 729
1. Long term loans repaid to other banks	-	-
2. Long term loans repaid to financial sector, excluding banks	8 024	7 466
3. Redemption of securities	-	-
4. Due to other financial liabilities	-	-
5. Payments due to financial leasing liabilities	-	-
6. Decrease of subholding liabilities	-	-
7. Dividends and other payments to owners	-	-
8. Dividends and other participation in profit payments for minority	-	-
9. Payments for allocation of the profit (diferrent from payments to owners)	-	-
10. Acquisition of own shares	4 545	-
11. Other financial expenses	29 535	18 263
12. Other expenses	-	-
III. Net cash flows from financing activities (I-II)	133 612	699 005
D. Total net cash flows (A+B+C)	1 311 206	(259 859)
E. Net change in cash	1 311 206	(259 859)
- including change in cash due to foreign exchange gains/losses	16 041	-
F. Cash at the beginning of the period	1 418 263	785 397
G. Cash at the end of the period (F+ D)	2 729 469	525 538
	-	-



## QUARTERLY SHORTENED FINANCIAL STATEMENT

	as at 31.Mar.2003 end of this Q (2003)	as at 31.Dec.2002 end of previous Q (2002)	as at 31.Mar.2002 end of this Q (2002)	as at 31.Dec.2001 end of previous Q (2001)
BALANCE SHEET (PLN '000.)				
<b>A s s e t s</b>				
I. Cash and balances with the Central Bank	497 351	360 538	487 579	738 276
II. Debt securities eligible for refinancing at Central Bank	75 632	49 021	23 168	66 683
III. Amounts due from financial sector	4 432 526	3 265 405	3 674 948	3 290 107
1. Current	2 132 478	921 877	1 972 984	854 223
2. Term	2 300 048	2 343 528	1 701 964	2 435 884
IV. Amounts due from non-financial sector	9 311 655	9 275 400	9 314 656	9 019 260
1. Current	1 712 100	1 668 859	1 538 914	1 276 355
2. Term	7 599 555	7 606 541	7 775 742	7 742 905
V. Amounts due from public sector	51 651	50 367	1 017 251	961 132
1. Current	7 462	11 427	3 275	-
2. Term	44 189	38 940	1 013 976	961 132
VII. Amounts due in respect of purchase of securities with a resale clause	3 119	283 731	-	54 965
VII Debt securities	4 919 569	5 312 796	5 009 521	4 787 196
VIII. Stocks or shares in subsidiaries	863 716	852 493	779 366	657 499
IX Stocks or shares in correlatives	-	-	-	-
X. Stocks or shares in Associates	22 637	22 520	31 434	120 501
XI. Stocks or shares in other companies	13 371	12 830	20 874	20 954
XII. Other securities and financial assets	664 449	629 299	664 427	641 105
XIII. Intangible assets, including:	253 224	259 258	202 051	206 471
- goodwill	63 181	60 140	68 099	70 753
XIV. Tangible fixed assets	873 662	874 989	854 749	860 284
XV. Other assets	2 578 952	2 690 058	2 436 935	2 629 596
1. Assets acquired through debt recovery - for sale	2 809	2 736	22 887	22 750
2. Other	2 576 143	2 687 322	2 414 048	2 606 846
XVI. Prepayments	870 474	910 861	668 710	750 931
1. Deferred income tax	856 129	904 236	622 266	706 159
2. Other prepayments	14 345	6 625	46 444	44 772
<b>T o t a l a s s e t s</b>	<b>25 431 988</b>	<b>24 849 566</b>	<b>25 185 669</b>	<b>24 804 960</b>
<b>Liabilities</b>				
I. Amounts due to Central Bank	1 685	1 532	122 881	2 718
II. Liabilities to financial sector	6 588 450	6 690 955	8 984 575	8 174 019
1. Current	936 007	1 408 358	2 296 387	2 159 898
2. Term	5 652 443	5 282 597	6 688 188	6 014 121
III. Liabilities to non-financial sector	9 420 276	10 009 117	9 846 122	9 697 543
1. Saving deposits	2 362 224	1 958 640	1 389 924	1 072 557
a) Current	1 791 073	1 484 675	909 913	614 385
b) Term	571 151	473 965	480 011	458 172
2. Other	7 058 052	8 050 477	8 456 198	8 624 986
a) Current	2 965 209	3 289 887	2 497 667	2 860 051
b) Term	4 092 843	4 760 590	5 958 531	5 764 935
IV. Liabilities to public institutions	83 469	118 554	272 470	167 845
1. Current liabilities	36 586	69 683	18 664	28 371
2. Term liabilities	46 883	48 871	253 806	139 474
V. Liabilities due to sold securities with a buy-back clause	2 865 545	1 942 315	-	1 132 724
VI. Liabilities due to issue of debt securities	177 916	25 286	-	-
a) Short-term	174 882	25 286	-	-
b) Long-term	3 034	-	-	-
VII. Other liabilities due to financial instruments	2 117 950	2 233 465	1 655 594	1 597 197
VIII. Special funds and other liabilities	349 665	98 957	246 718	66 829
IX. Accruals, deferred income and qualified income	224 560	222 392	164 287	749 084
1. Costs prepayments	22 936	45 712	8 900	66 468
2. Goodwill (negative figure)	-	-	-	-
3. Other deferred and qualified income	201 624	176 680	155 387	682 616
X. Reserves	882 209	918 972	677 159	784 317
1. Income tax reserves	754 122	789 122	624 345	693 595



1. for specific provisions and to general banking risk	41 506	19 359
2. revaluation of financial assets	-	-
XVI. Reversal of provisions and revaluation	76 170	35 879
1. Release of provisions and general banking risk reserve	76 170	35 879
2. Revaluation of financial assets	-	-
XVII. Difference in provisions and revaluation appropriations and reversal (XV-	(34 664)	(16 520)
XVIII. Operating profit (loss)	51 706	36 468
XIX. Profit (loss) on extraordinary items	13	12
1. Extraordinary gains	13	98
2. Extraordinary losses	-	86
XX. Gross profit (loss) before tax	51 719	36 480
XXI. Income tax	11 289	10 230
1. Current part	-	-
2. Postponed part	11 289	10 230
XXII Other obligatory deductions of profit (increase of loss)	-	-
XXIII. Participation in net profit (loss) of subordinated to equity method valuation	(8 588)	-
XXIV. Net profit (loss)	31 842	26 250
Net profit (loss) (for 12 months)	(373 629)	278 618
Weighted average number of ordinary shares	22 970 500	22 970 500
Net profit (loss) per 1 ordinary share [PLN]	(16.27)	12.13
Weighted average diluted number of ordinary shares	-	-
Diluted net profit (loss) per 1 ordinary share [PLN]	-	-

MOVEMENTS IN EQUITY	I Q (current year)	I Q (previous year)
	from 01.Jan.2003 to 31.Mar.2003	from 01.Jan.2002 to 31.Mar.2002
I. Equity as at the beginning of the year (OB)	1 582 497	2 432 684
a) changes to accounting policies	-	32 929
b) adjustment of key miscalculation	-	-
I.a. Equity as at the beginning of the year (OB) after reconciliation to comparative data	1 582 497	2 465 613
1. Share capital as at the beginning of the year	91 882	91 882
1.1 Movements in share capital	-	-
a) increase (due to)	-	-
- issue of shares	-	-
b) decrease (due to):	-	-
- cancellation of shares	-	-
1.2. Share capital as at the end of the year	91 882	91 882
2. Payments for share capital at the beginning of the year	-	-
2.1 Movements in payments for share capital	-	-
a) increase (due to):	-	-
b) decrease (due to):	-	-
2.2 Payments for share capital at the end of the year	-	-
3. Own shares at the beginning of the year	-	-
a) increase (due to):	(4 545)	-
b) decrease (due to):	-	-
3.1 Own shares at the end of the year	(4 545)	-
4. Supplementary capital as at the beginning of the year	748 738	748 738
4.1. Movements in the supplementary capital	-	-
a) increase (due to):	-	-
- issue of shares above nominal value	-	-
- allocation of the profit (statutory)	-	-
- allocation of the profit (above minimal value up to statutory)	-	-
b) decrease (due to):	-	-
loss coverage	-	-

4.2. Supplementary capital as at the end of the year	748 738	748 738
5. Revaluation capital as at the beginning of the year	(3 045)	7 969
5.1. Movements in revaluation reserve	8 677	-
a) increase (due to)	11 701	-
- foreign exchanges gains/losses	5 310	-
- deferred income tax	476	-
- revaluation of securities for sale	5 915	-
b) decrease (due to)	3 024	-
- swap valuation	-	-
- revaluation of securities for sale	919	-
- deferred income tax	2 104	-
foreign exchanges gains/losses	1	-
5.2. Revaluation reserve as at the end of the year	5 632	7 969
6. General banking risk reserve as at the beginning of the year	558 000	453 000
6.1. Movements in general banking risk reserve	-	-
a) increase (due to)	-	-
- appropriation of Retained earnings	-	-
b) decrease (due to)	-	-
6.2. General banking risk reserve as at the end of the year	558 000	453 000
7. Other reserves as at the beginning of the year	794 915	794 915
7.1. Movements in other reserves	-	-
a) increase (due to):	-	-
- profit allocation to supplementary capital	-	-
- appropriation of profit	-	-
b) decrease (due to)	-	-
- other	-	-
7.2. Other reserves as at the end of the year	794 915	794 915
8. Retained earnings (Accumulated losses) as at the end of the year	(228 772)	-
8.1 Profit from previous years as at the beginning of the year	-	336 180
a) changes to accounting policy	-	32 929
b) adjustment of key miscalculation	-	-
		369 109
8.2 Retained earnings as at the beginning of the year	-	-
8.3. Changes in Retained earnings	-	-
a) increase (due to):	-	-
- allocation of Retained earnings	-	-
b) decrease (due to):	-	-
- deduction to supplementary capital	-	-
- deduction to general banking risk reserve	-	-
- transfer to the Social Fund	-	-
- profit allocation to shareholder dividend	-	-
8.4 Retained earnings as at the end of the year	-	369 109
8.5 Accumulated losses as at the beginning of the year	(228 772)	-
a) changes to accounting policy	-	-
b) adjustment of key miscalculation	-	-
8.6. Accumulated losses as at the beginning of the year	(228 772)	-
8.7 Movements of loss from previous years	(379 221)	-
a) increase (due to):	(379 221)	-
- profit allocation from previous years for coverage	(379 221)	-
-	-	-
b) decrease (due to):	-	-
-	-	-
-	-	-

8.8 Accumulated losses as at the end of the year	(607 993)	-
8.9 Retained earnings (Accumulated losses) as at the end of the year	(607 993)	369 109
9. Net profit (loss)	31 842	26 250
a) net profit	31 842	26 250
b) net loss	-	-
II. Equity as at the end of the year (CB )	1 618 471	2 491 863
III Equity including proposed profit distribution (coverage of loss)		2 260 683

	I Q (current year) <small>from 01.Jan.2003 to 31.Mar.2003</small>	III Q previous year) <small>from 01.Jan.2002 to 31.Mar.2002</small>
<b>CASH FLOW STATEMENT</b>		
A. Net cash flows from operating activities - indirect method	1 330 896	(834 654)
I. Net profit (loss)	31 842	26 250
II. Total adjustments for:	1 299 054	(860 904)
1. Participation in profit (loss) of subordinated companies priced with equity method	8 588	-
2. Depreciation	34 025	31 322
3. Foreign exchange gains/losses	82 375	52 010
4. Interest and dividends	29 535	13 327
5. (Profit) loss on investments	(1 328)	10 697
6 Change in reserves	(63 509)	669 648
7. Change in debt securities	366 616	(401 036)
8. Change in receivables from financial sector	51 225	(1 082 096)
9. Change in receivables from non-financial and public sector	(58 415)	(501 036)
10. Change in amounts due in respect of purchase of securities with a resale clause	280 612	-
11. Change in stocks or shares and securities and other financial instruments	6 043	(22 089)
12. Change in liabilities to financial sector	(144 129)	617 382
13. Change in liabilities to non-financial and public sector	(623 926)	510 876
14. Change in liabilities due to sold securities with a buy-back clause	923 230	-
15. Change in liabilities due to securities	149 628	-
16. Change in other liabilities	237 474	433 665
17. Change in prepayments	(3 934)	(681 799)
18. Change in deferred and qualified income	24 944	(511 775)
19. Other	-	-
III. Net cash flows from operating activities (I +/- II) - indirect method	1 330 896	(834 654)
B. Net cash flows from investment operations (I-II)	11 503	(114 747)
I. Incomes	121 876	153 784
1. Sale of stocks or shares in subsidiaries	37 042	-
2. Sale of stocks or shares in correlatives	-	-
3. Sale of stocks or shares in Associates	-	-
4. Sale of other stocks or shares, securities and other financial assets	84 499	148 728
5. Sale of intangible and tangible fixed assets	335	120
6. Sale of investment in real estate and intangible assets	-	-
7. Other incomes	-	4 936
II. Expenses	110 373	268 531
1. Purchase of stocks or shares in subsidiaries	3 384	104 080
2. Purchase of stocks or shares in correlatives	-	-
3. Purchase of shares in affiliated	9 815	5 297
4. Purchase of other stocks or shares, securities and financial instruments	76 060	134 737
5. Purchase of intangible and tangible fixed assets	7 773	10 831
6. Investment in real estate and intangible assets	13 341	13 586
7. Other investments' expenses	-	-

III. Net cash flows from investment operations (I-II)	11 503	(114 747)
C. Net cash flows from financing activities	13 276	698 271
I. Incomes	55 380	724 000
1. Long term loans received from other banks	52 378	-
2. Long term loans received from financial sector, excluding banks	-	-
3. Issue of debt securities	3 002	-
4. Change in subordinated liabilities in plus	-	724 000
5. Net cash from shares' issue and payment to capital	-	-
6. Other incomes	-	-
II. Expenses	42 104	25 729
1. Long term loans repaid to other banks	-	-
2. Long term loans repaid to financial sector, excluding banks	8 024	7 466
3. Redemption of securities	-	-
4. Due to other financial liabilities	-	-
5. Payments due to financial leasing liabilities	-	-
6. Decrease of subholding liabilities	-	-
7. Dividends and other payments to owners	-	-
8. Payments for allocation of the profit (diferrent than payments to owners)	-	-
9. Acquisition of own shares	4 545	-
10. Other financial expenses	29 535	18 263
III. Net cash flows from financing activities (I-II)	13 276	698 271
D. Total net cash flows (A+B+C)	1 355 675	(251 130)
E. Net change in cash	1 355 675	(251 130)
- including change in cash due to foreign exchange	16 041	-
F. Cash at the beginning of the period	1 372 576	785 397
G. Cash at the end of the period (F+ D)	2 728 251	534 267

**COMMENTARY  
TO THE CONSOLIDATED QUARTERLY REPORT  
Q1 2003**

***Methodology Used in the Consolidated Quarterly Report***

The Consolidated Quarterly Report comprises the balance sheet, the income statement, the statement of change in equity, and the cash flow statement prepared in accordance with the following:

- 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);
- Regulation of the Minister of Finance dated 10 December 2001 concerning specific accounting rules for banks (Journal of Laws No. 149, item 1673, as amended);
- Regulation of the Minister of Finance dated 12 December 2001 concerning rules of drawing up consolidated financial statements of banks and consolidated reports 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);
- 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 from 2001 No. 139, item 1569, as amended);
- 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).

The data contained in the Report were prepared in line with binding accounting regulations, according to the rules of valuation of assets and liabilities and measurement of the net financial profit as at the balance sheet date, taking account of adjustments in respect of provisions, including the deferred income tax provision mentioned in the Accountancy Act and asset revaluation appropriations.

A detailed description of the accounting policies and the valuation methodology used by the BRE Bank SA Group ("Group") and the ramifications of the new accounting rules adopted by the Group in 2002 are presented in the Consolidated Annual Report SAB-RS 2002 published on 21 March 2003. The accounting principles applied by the Group did not change in 2003.

The exchange rates used to convert data presented in the Report into the EUR:

- assets and liabilities items of the balance sheet were converted according to the mid rate prevailing on 31 March 2003 quoted by the National Bank of Poland (NBP), i.e., 4.4052 PLN to 1 EUR;

- income statement items for the three months of 2003 were converted according to the arithmetic mean of the mid rates quoted by NBP on the last day of each of the three months of 2003, i.e., 4.2474 PLN to 1 EUR.

### ***Structure of the BRE Bank SA Group***

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 reports of financial holdings, 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.

As of 31 March 2003, the Group covered by the consolidated financial statements comprised the following companies:

- 1.BRE Bank SA – holding company;
- 2.Dom Inwestycyjny BRE Banku SA – subsidiary;
- 3.BRE Leasing Sp. z o.o. – subsidiary;
- 4.BRE Corporate Finance SA – subsidiary;
- 5.Rheinhyp-BRE Bank Hipoteczny SA – subsidiary;
- 6.PTE Skarbiec Emerytura SA – subsidiary;
- 7.BRE International Finance B.V. – subsidiary;
- 8.Skarbiec Asset Management Holding SA – subsidiary;
- 9.Polfactor SA – subsidiary;
- 10.Tele-Tech Investment Sp. z o.o. – affiliate;
- 11.Intermarket Bank AG – subsidiary;
12. Transfinance a.s. – subsidiary;
- 13.Magyar Factor Rt – subsidiary.

All companies of the Group were consolidated using acquisition accounting.

The structure of the Group covered by the consolidated financial statements for Q1 2003 changed compared to the Group presented in the reports for 2002.

1. The portfolio of consolidated companies decreased due to the disposal of several companies in Q4 2002, including the shares of BRE – Fundusz Kapitałowy Sp. z o.o. and BRE Private Equity Sp. z o.o.
2. The merger of Bank Częstochowa SA and BRE Bank SA was registered on 28 February 2003. The shares of Bank Częstochowa SA were subject to equity accounting valuation for the period the company was a subsidiary (2 months of 2003), and the effect of the valuation was shown in the financial results of the Group. As a result of the merger, goodwill of PLN 5,695 thousand arose and was disclosed under “Intangible fixed assets” at the end of Q1 2003.
3. The company Skarbiec Asset Management Holding SA (SAMH) was established in 2002 as the centre of the Group’s asset management business. Three companies now in the SAMH portfolio were consolidated in previous reporting periods: BRE Asset Management SA, Skarbiec TFI SA and BRE Agent Transferowy Sp. z o.o. Now the companies of the holding (the three companies mentioned above and Skarbiec Serwis



Finansowy Sp. z o.o.) are first consolidated in the holding, which is then covered by the consolidated financial statements of the BRE Bank Group.

4. The company Magyar Factor Rt with its registered office in Budapest, whose shares representing 50% of the share capital and votes were acquired by the Bank in January 2003, was included in the consolidated financial statements. Magyar Factor Rt is a domestic and international factor and a member of Factors Chain International. The company is a leading factor in Hungary with a market share of 28% in 2002.
5. The company BRE.locum Sp. z o.o. was no longer consolidated as it did not fulfil the statutory criteria of consolidation (the company is a real estate developer).

As at 31 March 2003, BRE Bank held Elektrim SA shares representing 20.3% of the share capital and votes. Thereby, under the Accountancy Act, Elektrim SA was a holding (an affiliate) of the Bank. As the Bank executed an agreement to sell the entire held package of shares at a price higher than the average cost, the shares were stated at historical cost in the balance sheet and their valuation did not affect the income statement or the equity of the Bank.

### ***Comparability of Financial Data***

For practical reasons, no adjustments were made in the presentation of the balance sheet as at 31 March 2002 which would disclose debt securities under 'repo' transactions in the assets and liabilities under sold securities with a buy-back clause in the liabilities.

### ***Factors and Events that Materially Affected the Profitability of Q1 2003***

As previously projected by the Management Board of BRE Bank SA, both BRE Bank SA and the Group recorded profits in 2003. This is mainly a result of measures adopted in 2002 in order to improve the financial standing of the Bank and the Group companies. The reorganisation of the investment portfolio, the disposal of loss-making companies (Szeptel, BRE-Fundusz Kapitałowy), the provisioning of the loan portfolio, and cost-saving activities (including reorganisation of the workforce) produced first positive results. As at 31 March 2003, the Group recorded a net profit of PLN 33,841 thousand and the holding company a profit of PLN 31,842 thousand.

The following items of the income statement are important:

- Lower net interest income than in successive quarters of 2002, mainly due to macroeconomic factors. The low net interest income is a result of a series of interest rate cuts in 2002. Income from bond transactions was much lower than in Q1 2002. Slow growth in the loan portfolio coincided with falling net interest margins (excluding swaps). The margins of the holding company fell from 1.50% at 31 March 2002 to 1.35% at 31 December 2002 to 1.20% at 31 March 2003. The consolidated net interest income was PLN 29.1 million higher than that of the holding company thanks to the interest income of BRE Leasing (PLN 18.7 million), Rheinyp-BRE Bank Hipoteczny (PLN 6.0 million), Intermarket Bank (PLN 4.5 million).
- Positive result on financial transactions in Q1 2003. This was due to the positive valuation of securities designated for trading; the positive result on transactions in financial instruments; and no significant loss on the sale of companies in the investment portfolio.
- The result on banking operations was lower than in Q1 2002 due to the above mentioned fall in interest income as well as the low fx income (down over 50%).

- Significant reductions in the Group's overhead costs. As a result of the cost rationalisation policy, the overhead costs fell by over 30% compared to Q4 2002 (which however typically has higher costs than other quarters) and by 13% compared to Q1 2002. The cost reductions of the holding company were 33.8% and 19.4%, respectively. The highest cost reductions were noted in the holding company's maintenance costs: down nearly 50% and ca. 16% compared to Q4 2002 and Q1 2002, respectively. Due to workforce reductions, the cost of payroll is now ca. 10% lower than in 2002.
- Provisions set up were nearly 10 times lower than in Q4 2002. The rigorous approach to the loan portfolio adopted by the Management Board and high credit provisions created in 2002 mean that the provisions set up in 2003 are relatively low.
- Low share in the profit/loss of subsidiaries and affiliates subject to equity accounting valuation compared to 2002. Due to the disposal of loss-making companies and a better financial standing of subsidiaries and affiliates, this was a loss of PLN 725 thousand in Q1 2003 compared to a loss of over PLN 30 million as at 31 December 2002.

The income statement of Q1 2003 by business of BRE Bank SA is shown on page 10.

The income tax due of the Group was PLN 3,199 thousand in Q1 2003; the deferred income tax liability was PLN 10,166 thousand. The income tax due of the holding company was 0 as the holding company made a tax loss. Its deferred income tax liability was PLN 11,289 thousand.

The main changes in the consolidated balance sheet in Q1 2003 include:

- Growing receivables from financial institutions: up 42.1%, including a growth of 35.7% at BRE Bank as short-term funds raised by selling securities to clients (with a buy-back clause) were deposited in the interbank market.
- Reverted fall in lending: receivables from clients and the public sector grew 9.2% on a consolidated basis and 0.4% in BRE Bank. (In Q4 2002, the receivables fell 15.6%.) Lending grew faster in the Group than in the holding company due to growth in the receivables of Rheinyp-BRE Bank Hipoteczny (up 16%) and BRE Leasing (up 7.6%) as well as the consolidation of Magyar Factor Rt for the first time (receivables of PLN 243.7 million).
- The Group's portfolio of debt securities fell over 4% (BRE Bank's portfolio down 7.4%) as the Bank reduced its portfolio of Treasury papers, now less profitable.
- The liabilities of the Group to clients and the public sector fell 3.8%, mainly due to falling deposits of BRE Bank's corporate clients (down 15.5% compared to Q4 2002). Retail deposits grew (total deposits of mBank and MultiBank up 20.7% in Q1 2003). Deposits of private banking clients fell 5.7% in Q1 2003 in favour of portfolio investment of private banking clients (up nearly 24% in Q1 2003).

The equity of the Group (including the retained profit/loss of previous years and this year's profit) was PLN 1,616,017 thousand. The effect of the accounting regulations amended as of 1 January 2002, the extended composition of the Group, and the loss of 2002 are disclosed under "Retained profit/loss." This item reduced the equity of the Group by PLN 522,010 thousand. The effect of the valuation of financial assets available for sale disclosed under the revaluation reserve adds to the equity of the Group.

The solvency ratio of BRE Bank was 9.77% as at the end of Q1 2003.

The value of off-balance sheet liabilities related to purchase/sale transactions stated at PLN 164.3 billion in the accounts as at 31 March 2003 is almost fully related to the holding company. It is partly “overstated” (by PLN 51.6 billion) as some items are not netted off, pursuant to the Instructions for Drafting Banks’ Reports in Conjunction with the Model Chart of Accounts issued by NBP’s General Inspectorate of Banking Supervision. This applies to foreign currencies and zlotys as well as interest to be received.

The netted value of off-balance sheet items, i.e., PLN 112.7 billion, represents the nominal value of derivative transactions and interest streams related to the following instruments:

- a) Spot and forward transactions (PLN and FX to be paid out) – PLN 25.4 billion;
- b) Forward Rate Agreements (FRA) – PLN 36.0 billion;
- c) Interest Rate Swaps (IRS) interest paid – PLN 26.1 billion;
- d) FX options – PLN 18.0 billion;
- e) Other – PLN 7.2 billion (interest rate options: PLN 3.3 billion, other: PLN 3.9 billion).

The market value of derivative transactions estimated on a current basis is set as at each balance sheet date and reported in the income statement and under relevant balance sheet items.

The risk related to those transactions is mainly measured as sensitivity to the volatility in their market value. The Bank performs a regular analysis of the behaviour of relevant portfolios (stress-testing) and uses the value-at-risk assessment methodology.

The Bank also complies with the norms of acceptable fx risk set by the Banking Supervision Commission as well as internal limits of open fx positions.

### ***Adjustments for Provisions***

In Q1 2003, amounts written off by the Group as specific provisions for loans and guarantees and the revaluation of financial assets amounted to PLN 50,964 thousand, including PLN 44,972 thousand written off as specific provisions and PLN 5,992 thousand written off as revaluation of financial assets. Provisions released by the Group in Q1 2003 included were PLN 86,232 thousand, including specific provisions for loans and guarantees PLN 77,370 thousand and revaluation of financial assets PLN 8,862 thousand.

At BRE Bank SA in Q1 2003, total write-offs for provisions amounted to PLN 41,506 thousand, in full related to provisions for loans and guarantees. Provisions released were PLN 76,170 thousand, also fully related to loans and guarantees.

### ***Major Events of Q1 2003***

- On 6 January 2003, BRE Bank SA received from Dom Inwestycyjny BRE Banku SA confirmation of registration which states that under an agreement dated 18 June 2002 Tri kang Holding B.V. returned to BRE Bank SA the legal title to 12,500,000 shares of International Trading and Investments Holdings SA Luxembourg (“ITI Holdings”) as the public offering of ITI Holdings shares did not materialise.
- On 10 January 2003, the share capital of Billbird SA with its registered office in Kraków, a subsidiary of BRE Bank SA, was increased. On the date of registration, the increased capital was acquired by BRE – Fundusz Kapitałowy Sp. z o.o. On 24 January 2003, shares of Billbird SA representing 14.19% of the share capital and votes of Billbird SA were transferred from BRE – Fundusz Kapitałowy Sp. z o.o. to BRE Bank SA. In addition, on 23 January 2003, BRE Bank SA sold shares of Billbird SA representing 6.95% of the share capital and votes of Billbird SA to Internet Investment Fund SA. Following these

transactions, BRE Bank SA holds 2,290,088 shares of Billbird SA representing 51% of the share capital and 51% of votes of Billbird SA.

- On 29 January 2003, BRE Bank SA acquired 200 registered ordinary shares (with a nominal value of HUF 1,000,000 per share) of Magyar Factor Rt. with its registered office in Budapest from Kereskedelmi és Hitelbank Rt. The shares represent 50% of the share capital and 50% of votes of Magyar Factor Rt. The cost of the shares was HUF 550,000,000 (the equivalent of PLN 9,380,250 at the mid exchange rate quoted by NBP on 29 January 2003). The transaction was financed with own funds of BRE Bank SA. Prior to the transaction, BRE Bank SA held no shares of Magyar Factor Rt.
- On 6 February 2003, 200 certificates of deposit issued by BRE Bank SA were cancelled.
- On 6 February 2003, BRE Bank SA executed two agreements with TCF Sp. z o.o. and Polsat Media SA concerning the sale of shares of Elektrim SA. The transactions under the agreements will be finalised in two tranches in June and September 2003. Following the transactions, BRE Bank SA will hold no shares of Elektrim SA. The average selling price of the shares is ca. PLN 7.50 per one share. BRE Bank SA and Polsat Media SA also executed an agreement concerning restructuring of a loan taken from BRE Bank SA by a natural person and secured with Elektrim SA shares.
- On 2 March 2003, BRE Bank SA and ITI Holdings SA signed a letter of intent concerning the refinancing of the long-term debt of ITI Holdings SA. The agreement provides for reduction of the debt of ITI Holdings SA through the conversion of bonds of ITI Holdings SA held by BRE Bank SA (total nominal value US\$ 84.5 million) into:
  - shares in TVN Sp. z o.o.;
  - 4 series of short-term and mid-term bonds maturing in 6, 12, 18, and 24 months;
  - secured four-year long-term bonds.

The transaction will reduce the investment in debt securities of the ITI Holdings SA Group and will involve equity investment in TVN Sp. z o.o.

All binding agreements with ITI Holdings SA concerning the refinancing will be signed by the end of June 2003.

- Pursuant to Art. 515.1-2 of the Code of Commercial Partnerships and Companies, in stock exchange transactions cleared on 5-12 March 2003, BRE Bank SA acquired 66,397 BRE Bank shares representing 0.29% of the share capital and votes to be distributed to the minority shareholders of Bank Częstochowa SA.
- In the implementation of the certificates of deposit and/or own bonds issue programme (see BRE Bank's current report dated 12 August 2002), since 5 November 2002, the Bank has made several issues of certificates of deposits acquired by a party of the Bank for PLN 211,382,112. The largest single transaction was the issue of certificates of deposits acquired by the party for PLN 32,977,333 on 31 January 2003.
- On 27 March 2003, the District Court for Central Łódź registered the company Centrum Rozliczeń i Informacji ("CERI") with its registered office in Aleksandrów Łódzki. On the date of the registration, the Bank acquired 50 shares in the company with the nominal value of PLN 1,000 per one share. The shares represent 100% of the share capital and votes of the company. The core business of CERI is to provide auxiliary banking services, including in particular settlements and database operation, for the Bank and third party companies.

### ***Major Events after the Balance Sheet Date Not Disclosed in the Balance Sheet or the Income Statement***

- On 8 April 2003, BRE Bank and Rheinhyp-BRE Bank Hipoteczny SA executed an agreement concerning the service underwriting of mortgage bonds issued by Rheinhyp-BRE Bank Hipoteczny SA admitted to public trading under the Decision of the Securities and Exchange Commission dated 25 February 2003. BRE Bank SA agreed to acquire the mortgage bonds for up to PLN 200,000,000. The issue scheduled for 10 April 2003 was successful (the subscription was greater than the size of the issue). The mortgage bonds mature on 10 April 2008.
- On 22 – 28 April 2003, 610 certificates of deposit issued by BRE Bank SA were cancelled.
- In proceedings before the International Arbitration Court at the Austrian Federal Chamber of Commerce in Vienna in a case filed by Deutsche Telekom MobilNet GmbH (DeTeMobil) against Elektrim SA and Kulczyk Holding SA, TUiR Warta SA, BRE Bank SA, Drugi Polski Fundusz Rozwoju – BRE Sp. z o.o. where DeTeMobil claimed that the acquisition of shares in Polska Telefonía Cyfrowa Sp. z o.o. by Elektrim SA from the other defendants was ineffective, the Court gave a judgement which rejected all claims of DeTeMobil challenging the effective acquisition of the PTC shares by Elektrim.

### ***Material Share Packages***

According to information obtained by the Bank's Management Board, Commerzbank AG was a shareholder holding over 5% of the share capital and votes at the General Meeting of Shareholders. Commerzbank AG holds 11,485,250 shares and the same number of votes at the General Meeting of Shareholders of BRE Bank SA.

The said shares represent 50% of the share capital and give 50% of all votes at the General Meeting of Shareholders of the Bank.

In addition, Commercial Union Otwarty Fundusz Emerytalny BPH CU WBK holds 1,163,566 BRE Bank SA shares representing 5.07% of the capital and votes.

### ***Change in Shares and Options Held by Managers and Supervisors***

	<b>Bank's Management Board</b>	<b>Supervisory Board</b>
Number of shares held as at 31.12.02	174,003	77,617
Number of shares acquired in Q1	0	0
Number of shares sold in Q1	0	0
<b>Number of shares held as at 31.03.03</b>	<b>174,003</b>	<b>77,617</b>
Number of options held as at 31.12.02	181,000	0
Number of options acquired in Q1	0	0
Number of options sold in Q1	0	0
<b>Number of options held as at 31.03.03</b>	<b>181,000</b>	<b>0</b>

Members of the Management Board acceded to the Management Stock Options Programme and executed agreements with BRE Bank SA whereby they are entitled to acquire a total of 181,000 BRE Bank stock options (for 181,000 BRE Bank shares of a new issue planned for 2003).

### ***Proceedings before a Court, Arbitration Body, or Public Administration Authority***

BRE Bank SA is not a party in any proceedings whose total amount would be in excess of 10% of the Bank's equity; as a creditor, the Bank takes part in bankruptcy, creditor

restructuring and bill-of-exchange proceedings whose total amount (including interest) is PLN 320,250 thousand.

***Transactions with Associated Entities Exceeding the Equivalent of EUR 500,000 Not in the Course of Regular Business Operations (Atypical)***

In Q1 2003, there were no transactions with associated entities in excess of the PLN equivalent of EUR 500,000, other than typical and regular transactions at market prices, whose nature or parameters would be unrelated to regular business operations of the Bank.

***Credit and Loan Guarantees, Other Guarantees Granted in Excess of 10% of the Equity***

The Bank's exposure in excess of 10% of the equity relates to two guarantees of the redemption of eurobonds issued by order of BRE International Finance B.V. (issuer of eurobonds), a 100%-owned subsidiary of BRE Bank SA, totalling EUR 325 million. The first guarantee of EUR 200 million took effect in June 2000 and its term is indefinite; the other guarantee of PLN 125 million expires in November 2004.

***Factors Affecting the Results in the Coming Quarter***

Shares of several companies in the BRE Bank portfolio are planned to be sold in the coming quarter, including the disposal of the first tranche of Elektrim SA shares and the shares of BPT Telbank SA and PolCard SA. The projected income from the transactions is ca. PLN 26 million.

PLN'000							
	Corporate Banking	Investment Banking	Strategic Investment	Proprietary Investment	Private Banking & Retail Banking	Other	Total BRE Bank
1. Result on banking operations, incl. provisions	77 464	55 231	(149)	40 122	10 847	(16 469)	167 046
2. Overhead costs and depreciation	22 390	8 373	737	1 148	30 253	61 329	124 230
3. Gross profit/loss	54 950	47 056	(881)	43 148	(20 939)	(71 615)	51 719
4. Share in the profit/loss of subsidiaries and affiliates subject to equity accounting valuation	0	0	(8 746)	158	0	0	(8 588)
5. Net profit/loss	40 113	34 351	(9 390)	31 656	(15 286)	(49 602)	31 842