

(for banks)

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 Q2 2003:14 August 2003
(date of submittal)

SELECTED FINANCIAL DATA (current year)	PLN'000		EUR'000	
	Incremental from 1 Jan 2003 to 30 Jun 2003	Incremental from 1 Jan 2002 to 30 Jun 2002	Incremental from 1 Jan 2003 to 30 Jun 2003	Incremental from 1 Jan 2002 to 30 Jun 2002
I. Interest income	582 268	853 782	135 066	230 590
II. Commission income	169 560	139 103	39 332	37 569
III. Profit (loss) on banking activity	432 787	453 677	100 391	122 529
IV. Operating profit (loss)	114 376	(51 153)	26 531	(13 815)
V. Gross profit (loss) before tax	100 045	(58 924)	23 207	(15 914)
VI. Net profit (loss)	55 175	(99 654)	12 799	(26 915)
VII. Net cash from operating activities	1 124 767	(802 089)	260 906	(216 629)
VIII. Net cash from investing activities	3 928	(401 585)	911	(108 460)
IX. Net cash from financing activities	680 853	786 061	157 934	212 300
X. Total net cash flows	1 809 548	(417 613)	419 751	(112 789)
XI. Total assets	28 920 636	28 347 641	6 488 812	7 070 824
XII. Amounts due to Central Bank	862	127 176	193	31 722
XIII. Liabilities to the financial sector	6 646 756	7 890 447	1 491 307	1 968 134
XIV. Liabilities to the non-financial and public sector	10 602 236	10 372 351	2 378 783	2 587 202
XV. Equity	1 643 698	1 884 655	368 790	470 094
XVI. Share capital	91 882	91 882	20 615	22 918
XVII. Number of shares	22 970 500	22 970 500	22 970 500	22 970 500
XVIII. Book value per share (in PLN/EUR)	71.56	82.05	16.05	20.47
XIX. Diluted book value per share (in PLN/EUR)	-	-	-	-
XX. Solvency ratio	9.54	11.69	9.54	11.69
XXI. Profit (loss) per ordinary share (in PLN/EUR)	2.40	(4.34)	0.56	(1.17)
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 30 Jun 2003	As at 31 Mar 2002	As at 30 Jun 2002	As at 31 Mar 2002
	end of previous quarter (current year)	end of previous quarter (current year)	end of previous quarter (previous year)	end of previous quarter (previous year)
Assets				
I. Cash and balances with the Central Bank	640 187	497 489	524 497	493 534
II. Debt securities eligible for rediscounting at the Central Bank	101 302	104 684	75 133	23 168
III. Amounts due from the financial sector	3 953 256	4 029 037	2 227 255	3 330 197
1. Short-term	3 052 185	3 212 054	1 363 968	2 248 582
a) Current	2 173 567	2 114 013	667 528	1 992 956
b) Other short-term	878 618	1 098 041	696 440	255 626
2. Long-term	901 071	816 983	863 287	1 081 615
IV. Amounts due from the non-financial sector	13 348 749	13 065 569	12 555 928	11 794 704
1. Short-term	8 119 474	7 727 856	7 434 284	6 332 832
a) Current	2 013 389	1 712 100	1 774 019	1 863 635
b) Other short-term	6 106 085	6 015 756	5 660 265	4 469 197
2. Long-term	5 229 275	5 337 713	5 121 644	5 461 872
V. Amounts due from the public sector	48 434	51 651	1 021 634	1 019 233
1. Short-term	38 628	40 093	1 012 440	1 006 485
a) Current receivables	6 274	7 462	6 112	3 275
b) Other short-term	32 354	32 631	1 006 328	1 003 210
2. Long-term	9 806	11 558	9 194	12 748
VI. Amounts due in respect of purchase of securities with a buy-back clause	115 014	17 289	140 967	-
VII. Debt securities	4 652 129	4 940 079	5 575 225	4 745 603
VIII. Amounts due from subordinated valued using equity method	17 490	17 981	16 362	19
1. Subsidiaries	6 157	1 707	15 410	19
2. Correlatives	-	-	-	-
3. Affiliates	11 333	16 274	952	-
IX. Stocks or shares in subsidiaries valued using equity method	106 346	89 322	198 721	218 537
X. Stocks or shares in correlatives valued using equity method	-	-	-	-
XI. Stocks or shares in affiliates valued using equity method	26 686	25 823	44 326	24 099
XII. Stocks or shares in other companies	25 290	13 856	28 198	36 987
XIII. Other securities and financial assets	2 856 317	2 980 118	3 312 180	2 973 640
XIV. Intangible assets, including:	294 574	300 009	218 868	213 442
- goodwill of company	97 207	100 357	65 446	68 099
XV. Goodwill of subordinates	473 325	480 903	130 250	116 058
XVI. Tangible fixed assets	903 773	902 086	969 835	959 657
XVII. Other assets	364 126	351 904	318 794	446 110
1. Assets acquired - for sale	4 113	6 286	27 568	27 832
2. Inventories	65 047	52 177	6 392	12 311
3. Other	294 966	293 441	284 834	405 967
XVIII. Prepayments	993 638	1 012 858	989 468	798 248
1. Deferred income tax	907 410	929 566	919 817	703 489
2. Other prepayments	86 228	83 292	69 651	94 759
Total assets	28 920 636	28 880 658	28 347 641	27 193 236
Liabilities				
I. Amounts due to Central Bank	862	1 685	127 176	122 881
II. Amounts due to the financial sector	6 646 756	7 196 864	7 890 447	9 093 934
1. Short-term	3 663 662	5 233 384	5 307 413	5 643 500
a) Current	615 166	1 100 790	1 214 342	2 435 356
b) Other short-term	3 048 496	4 132 594	4 093 071	3 208 144
2. Long-term	2 983 094	1 963 480	2 583 034	3 450 434
III. Amounts due to the non-financial sector	10 524 297	9 825 821	10 174 617	10 319 194
1. Short-term	9 514 416	8 788 936	8 826 362	8 984 936
a) Current, including:	5 743 189	4 751 804	4 091 518	3 629 615
- saving deposits	1 948 367	1 791 073	1 114 065	909 927
b) Other short-term, including:	3 771 227	4 037 132	4 734 844	5 355 321
- saving deposits	426 681	346 020	4 189	163 462
2. Long-term, including:	1 009 881	1 036 885	1 348 255	1 334 258
- saving deposits	216 034	225 131	486 130	316 549
IV. Amounts due to the public sector	77 939	83 516	197 734	276 960
1. Short-term	75 336	80 918	195 047	271 443
a) Current	43 247	36 586	62 558	20 948
b) Other short-term	32 089	44 332	132 489	250 495
2. Long-term	2 603	2 598	2 687	5 517

V. Liabilities in respect of sale of securities with a buy-back clause	2 664 674	2 865 545	1 475 001	-
VI. Liabilities due to issue of debt securities	2 280 944	2 195 994	1 522 092	1 337 041
1. Short-term	482 011	518 827	30 622	60 002
2. Long-term	1 798 933	1 677 167	1 491 470	1 277 039
VII. Other liabilities due to the financial instruments	2 228 737	2 162 503	2 387 569	1 663 855
VIII. Amounts due to the subordinated priced using equity method	11 832	17 400	6 489	2 907
1. Subsidiaries	11 497	16 566	6 052	2 907
2. Correlatives	-	-	-	-
3. Affiliates	335	834	437	-
IX. Special funds and other liabilities	349 749	439 409	645 008	301 810
X. Accruals, deferred income and suspended income	263 168	258 902	231 155	200 450
1. Accruals	39 400	46 636	45 810	29 103
2. Goodwill (negative figure)	-	-	-	3 314
3. Other deferred and suspended income	223 768	212 266	185 345	168 033
XI. Goodwill of subordinated companies (negative figure)	789	916	1 140	1 260
XII. Provisions	945 870	951 595	895 456	743 132
1. Defferd income tax provision	803 299	806 740	854 998	670 794
2. Other	142 571	144 855	40 458	72 338
a) short-term	4 878	16 648	19 590	19 492
b) long-term	137 693	128 207	20 868	52 846
XIII. Subordinated liabilities	1 154 141	1 140 888	759 589	756 002
XIV. Minority interests	127 180	123 603	149 513	145 841
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	656 365	655 243	652 427	651 792
XIX. Revaluation reserve	7 134	5 754	9 868	8 063
XX. Other reserves	745 618	1 357 339	1 352 395	1 248 697
XXI. Foreign exchange gains/losses on the translation of subordinated companies	604	(1 487)	472	1 958
1. gains	8 706	6 778	3 604	6 376
2. losses	(8 102)	(8 265)	(3 132)	(4 418)
XXII. Retained earnings (Accumulated losses)	86 920	(522 010)	(122 735)	232 022
XXIII. Net profit (loss)	55 175	33 841	(99 654)	(6 445)
T o t a l l i a b i l i t i e s	28 920 636	28 880 658	28 347 641	27 193 236
Capital adequacy ratio	9.54	9.77	11.69	14.39
Book value	1 643 698	1 616 017	1 884 655	2 227 969
Number of shares	22 970 500	22 970 500	22 970 500	22 970 500
Book value per share (in PLN)	71.56	70.35	82.05	96.99
Diluted number of shares	-	-	-	-
Diluted book value per share (in PLN)	-	-	-	-

CONSOLIDATED OFF-BALANCE-SHEET ITEMS	As at 30 Jun 2003	As at 31 Mar 2003	As at 30 Jun 2002	As at 31 Mar 2002
	end of this quarter (current year)	end of previous quarter (current year)	end of this quarter (previous year)	end of previous quarter (previous year)
I. Contingent liabilities extended and received	7 900 017	6 172 102	6 062 268	6 245 074
1. Liabilities extended	7 132 819	5 401 375	5 370 564	5 519 389
a) financial	4 399 364	4 079 603	3 984 242	4 225 175
b) guarantee	2 733 455	1 321 772	1 386 322	1 294 214
2. Liabilities received	767 198	770 727	691 704	725 685
a) financial	246 470	361 928	227 052	172 463
b) guarantee	520 728	408 799	464 652	553 222
II. Liabilities related to realised purchase/sale transactions	178 082 758	164 272 576	196 053 442	176 411 493
III. Other (due to)	376 003	323 211	166 851	-
- factoring receivables	287 090	323 211	166 851	-
- factoring liabilities	88 913	-	-	-
- option to acquire shares	-	-	-	-
Total off-balance-sheet items	186 358 778	170 767 889	202 282 561	182 656 567

CONSOLIDATED PROFIT AND LOSS ACCOUNT	Q2 (current year)	Q1-2 cumulative	Q2 (previous year)	Q1-2 cumulative
	from 1 Apr 2003 to 30 Jun 2003	from 1 Jan 2003 to 30 Jun 2003	from 1 Apr 2002 to 30 Jun 2002	from 1 Jan 2002 to 30 Jun 2002
I. Interest income	288 345	582 268	404 796	853 782
II. Interest expense	195 359	424 313	319 116	674 433
III. Net interest income (I-II)	92 986	157 955	85 680	179 349
IV. Commission income	91 086	169 560	60 011	139 103
V. Commission expenses	22 536	45 223	12 770	29 921
VI. Net commission income (IV-V)	68 550	124 337	47 241	109 182
VII. Net income of goods sold	-	-	12 627	19 777
VIII. Sold goods expenses	-	-	(1 850)	588
IX. Cost of sale	-	-	-	-
X. Profit on sale (VII-VIII-IX)	-	-	14 477	19 189
XI. Income from shares, other securities and financial instruments with variable yield				
	2 928	2 958	5 546	7 797
1. From subsidiaries	-	-	1 791	4 042
2. From correlatives	-	-	-	-
3. From affiliates	-	-	3 267	3 267
4. From others	2 928	2 958	488	488
XII. Profit (loss) on financial transaction	72 570	78 789	81 486	(35 140)
XIII. Profit (loss) on foreign exchange result	24 799	68 748	61 374	173 300
XIV. Profit (loss) on banking activity	261 833	432 787	295 804	453 677
XV. Other operating income	40 415	79 401	38 369	97 900
XVI. Other operating expenses	3 550	18 337	26 551	82 378
XVII. Overhead costs of the bank	167 323	306 103	166 780	326 257
XVIII. Depreciation and amortisation of tangible and intangible fixed assets	38 993	77 522	35 558	71 849
XIX. Provisions and write-downs	85 020	135 984	288 945	327 980
1. for specific reserves and to general banking risk	89 769	134 741	287 292	326 327
2. for revaluation of financial assets	(4 749)	1 243	1 653	1 653
XX. Release of provisions and reversal of write-downs	53 902	140 134	120 093	205 734
1. Release of specific reserves and general banking	61 843	139 213	119 647	205 288
2. Revaluation of financial assets	(7 941)	921	446	446
XXI. Net provisions and write-downs (XIX-XX)	31 118	(4 150)	168 852	122 246
XXII. Operating profit (loss)	61 264	114 376	(63 568)	(51 153)
XXIII. Profit (loss) on extraordinary items	(79)	44	667	1 061
1. gains	(188)	96	996	1 696
2. losses	(109)	52	329	635
XXIV. Deduction of subordinated goodwill	7 577	15 206	223	9 072
XXV. Deduction of subordinated goodwill (negative amount)	127	831	120	240
XXVI. Profit (loss) before tax	53 735	100 045	(63 004)	(58 924)
XXVII. Corporate income tax	24 838	38 203	(36 335)	(23 689)
1. current part	5 926	9 125	2 519	5 243
2. postponed part				
	18 912	29 078	(38 854)	(28 932)
XXVIII. Other obligatory profit appropriations (loss increases)	-	-	-	-
XXIX. Net gain (loss) on share in subordinated valued using equity method	(2 089)	(2 805)	(60 720)	(61 331)
XXX. (Profit) loss of minority	(5 474)	(3 862)	(5 820)	(3 088)
XXXI. Net profit (loss)	21 334	55 175	(93 209)	(99 654)
Net profit (loss) (for 12 months)	(226 087)		(33 747)	
Weighted average number of ordinary shares	22 970 500		22 970 500	
Net profit (loss) per 1 ordinary share [PLN]	(9.84)		(1.47)	
Weighted average number of ordinary shares	-		-	
Diluted net profit (loss) per 1 ordinary share [PLN]	-		-	

MOVEMENTS IN CONSOLIDATED EQUITY	Q2 (current year)	Q1-2 cumulative	Q2 (previous year)	Q1-2 cumulative
	from 1 Apr 2003 to 30 Jun 2003	from 1 Jan 2003 to 30 Jun 2003	from 1 Apr 2002 to 30 Jun 2002	from 1 Jan 2002 to 30 Jun 2002
I. Equity as at the beginning of the year (OB)	1 616 017	1 581 306	2 227 969	2 201 625
a) changes to accounting policy	-	-	(13 956)	18 973
b) adjustment of key miscalculation	-	-	-	-
I.a. Equity as at the beginning of the year (OB) after reconciliation to comparative data	1 616 017	1 581 306	2 214 013	2 220 598
1. Share capital as at the beginning of the year	91 882	91 882	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 period	91 882	91 882	91 882	91 882
2. Payments for share capital at the beginning of the period	-	-	-	-
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 period	-	-	-	-
3. Own shares as at the beginning of the period	(4 545)	-	-	-
a) increase (due to):	-	(4 545)	-	-
b) decrease (due to):	(4 545)	(4 545)	-	-
3.1 Own shares at the end of the period	-	-	-	-
4. Supplementary capital as at the beginning of the period	655 243	659 013	651 792	622 559
4.1. Movements in the supplementary capital	1 122	(2 648)	635	29 868
a) increase (due to):	4 766	4 881	634	31 145
- issue of shares above nominal value	-	-	-	-
- allocation of the profit (statutory)	4 765	4 765	400	400
- allocation of the profit (above minimal value up to statutory)	-	-	-	-
- exclusion from consolidation following disposal of a company	-	-	-	30 511
- fixed assets' disposal	-	-	-	-
- reclassification from reserve capital	-	-	234	234
- other	1	116	-	-
b) decrease (due to):	3 644	7 529	(1)	1 277
- loss coverage	3 534	3 534	-	-
- correction of agio due to change of consolidation method	-	-	-	750
- termination of capital in case of payment to shareholders	-	-	(1)	527
- exclusion from consolidation following disposal of a company	2	3 887	-	-
- foreign exchange gains/losses	108	108	-	-
- other	-	-	-	-
4.2. Supplementary capital as at the end of the period	656 365	656 365	652 427	652 427
5. Revaluation reserve as at the beginning of the period	5 754	(8 643)	8 063	8 063
5.1. Movements in revaluation reserve	1 380	15 777	1 805	1 805
a) increase (due to)	14 416	41 538	3 015	3 015
- foreign exchange gains/losses	6 256	11 566	2 800	2 800
- deferred income tax	3 247	3 723	-	-
- revaluation of securities	3 436	17 206	-	-
- exclusion from consolidation following disposal of a company	1 269	2 361	-	-
- exclusion from consolidation following disposal of a company	-	6 463	-	-
- valuation of participation unit	-	-	215	215
- other	208	219	-	-
b) decrease (due to)	13 036	25 761	1 210	1 210
- disposal of fixed assets	-	-	-	-
- deferred income tax	3 571	5 675	-	-
- foreign exchange gains/losses	2 208	2 209	-	-
- exclusion from consolidation following disposal of a company	-	754	-	-
- revaluation of fixed assets	1 273	3 400	1 210	1 210
- revaluation of securities for disposal	5 984	13 723	-	-
5.2. Revaluation reserve as at the end of the period	7 134	7 134	9 868	9 868

6. General banking risk reserve as at the beginning of the period	558 000	558 000	453 000	453 000
6.1. Movements in general banking risk reserve	-	-	105 000	105 000
a) increase (due to)	-	-	105 000	105 000
- appropriation of retained earnings	-	-	105 000	105 000
b) decrease (due to)	-	-	-	-
-				
6.2. General banking risk reserve as at the end of the year	558 000	558 000	558 000	558 000
7. Other supplementary capitals as at the beginning of the year	799 339	800 267	795 697	795 541
7.1. Changes in other supplementary capitals	(611 721)	(612 649)	(1 302)	(1 146)
a) increase (due to):	12	1 068	148	304
- deduction of profit for supplementary capital	-	-	148	148
- inclusion for consolidation	-	-	-	156
- capital decrease reserve	-	-	-	-
- dividend payment	12	1 068	-	-
- other	-	-	-	-
b) decrease (due to)	611 733	613 717	1 450	1 450
- reclassification to reserve capital	-	-	234	234
- dividend payment by way of advance	1 068	1 068	-	-
- exclusion from consolidation following disposal of a company	-	-	1 216	1 216
- exclusion from consolidation following disposal of a company	-	1 984	-	-
- loss coverage	607 993	607 993	-	-
- other	2 672	2 672	-	-
7.2. Other supplementary capital as at the end of the year	187 618	187 618	794 395	794 395
8. Foreign exchange gains/losses on the translation of subordinated companies	604	604	472	472
9. Retained earnings (accumulated losses) as at the beginning of the period	(522 010)	(518 862)	232 022	234 530
9.1. Retained earnings as at beginning of the period	95 671	98 819	244 227	238 677
a) changes to accounting policy	-	-	(23 897)	10 477
b) adjustment of key miscalculation	-	-	-	-
9.2. Retained earnings as at the beginning of the year after reconciliation to comparative data	95 671	98 819	220 330	249 154
9.3. Change in retained earnings	(2 597)	(5 745)	(337 125)	(365 949)
a) increase (due to):	3 520	3 520	(128)	1 559
- allocation of retained earnings	-	-	-	-
- inclusion the company to consolidation	-	-	(128)	1 559
- stake increased through a subholding	-	-	-	-
- foreign exchange gains/losses	3 026	3 026	-	-
- other	494	494	-	-
b) decrease (due to):	6 117	9 265	336 997	367 508
- exclusion from consolidation in connection of selling the company	-	-	-	30 511
- deduction of profit for general banking risk reserve	-	-	105 000	105 000
- profit allocation to supplementary capital	12	1 068	148	148
- profit allocation to reserve capital	4 765	4 765	400	400
- profit allocation to shareholder dividend	2 309	2 309	229 974	229 974
- transfer to the Social Fund	6	6	1 475	1 475
- foreign exchange gains/losses	(2 092)	-	-	-
- other	1 117	1 117	-	-
9.4. Retained earnings as at the end of the year	93 074	93 074	(116 795)	(116 795)
9.5. Accumulated losses at the beginning of the year	(617 681)	(617 681)	(12 205)	(4 147)
a) changes to accounting policies	-	-	10 866	8 496
b) adjustment of key miscalculation	-	-	-	-
9.6. Accumulated losses as at the beginning of the period after reconciliation to comparative data	(617 681)	(617 681)	(1 339)	4 349
9.7. Change in accumulated losses	611 527	611 527	(4 601)	(10 289)
a) increase (due to):	-	-	(4 601)	(10 289)
- loss to be covered brought forward from previous years	-	-	-	-
- inclusion the company to consolidation	-	-	(4 601)	(10 289)
b) decrease (due to):	(611 527)	(611 527)	-	-
- coverage from reserves	(3 534)	(3 534)	-	-
- coverage from supplementary capital	(607 993)	(607 993)	-	-
9.8. Accumulated losses as at the end of year	(6 154)	(6 154)	(5 940)	(5 940)
9.9. Retained earnings (accumulated losses) as at the end of year	86 920	86 920	(122 735)	(122 735)
10. Net profit/loss	55 175	55 175	(99 654)	(99 654)
a) net loss	55 175	55 175	-	-
b) net profit	-	-	(99 654)	(99 654)
II. Equity as at the end of the year (CB)	1 643 698	1 643 698	1 884 655	1 884 655
III. Equity including proposed profit distribution (coverage of loss)				

CONSOLIDATED CASH FLOW STATEMENT	Q2 (current year)	Q1-2 cumulative	Q2 (previous year)	Q1-2 cumulative
	from 1 Apr 2003 to 30 Jun 2003	from 1 Jan 2003 to 30 Jun 2003	from 1 Apr 2002 to 30 Jun 2002	from 1 Jan 2002 to 30 Jun 2002
A. Net cash flows from operating activities - indirect method	(29 221)	1 124 767	(114 801)	(802 089)
I. Net profit (loss)	21 334	55 175	(93 209)	(99 654)
II. Total adjustments for:	(50 555)	1 069 592	(21 592)	(702 435)
1. Profit (loss) of minority shareholders	2 250	3 862	356	3 088
2. Participation in profit (loss) of subordinated companies valued with equity method	2 089	2 805	60 720	61 331
3. Depreciation, including:	46 443	91 897	26 829	71 849
- appropriations of goodwill of subordinates and goodwill of subordinates (negative amount)	21 300	14 375	103	8 832
4. Foreign exchange gains/losses	9 865	98 236	18 502	70 512
5. Interest and dividends	22 604	52 139	(2 709)	10 618
6. (Profit) loss on investments	5 420	4 098	19 353	39 381
7. Change in provisions	20 790	(12 108)	(627 268)	135 271
8. Change in reserves	-	-	-	-
9. Change in debt securities	408 261	451 035	184 797	(188 182)
10. Change in receivables from the financial sector	642 999	610 791	781 922	(170 158)
11. Change in receivables from the non-financial and public sector	(286 319)	(1 412 730)	718 329	(1 783 732)
12. Change in amounts due in respect of purchase of securities with a buy-back clause	(97 725)	182 599	(94 993)	(84 419)
13. Change in stocks or shares and securities and other financial instruments	204 712	258 039	115 808	(28 453)
14. Change in liabilities to financial institutions	(1 118 391)	(1 068 104)	(1 997 916)	(1 174 333)
15. Change in liabilities to non-financial and public sector	561 961	136 926	(598 115)	230 795
16. Change in liabilities due to sold securities with a buy-back clause	(200 871)	722 359	202 881	202 881
17. Change in liabilities due to securities	(254 677)	396 439	185 051	1 519 077
18. Change in other liabilities	(43 521)	536 078	521 389	1 060 543
19. Change in prepayments	12 053	(7 787)	455 623	(162 250)
20. Change in deferred and qualified income	11 502	23 018	7 849	(516 254)
21. Other	-	-	-	-
III. Net cash flows from operating activities (I - II) - indirect method	(29 221)	1 124 767	(114 801)	(802 089)
B. Net cash flows from investment operations (I-II)	(19 678)	3 928	(130 009)	(401 585)
I. Incomes	50 543	110 000	288 104	492 539
1. Sale of stocks or shares in subsidiaries	-	313	73 518	73 520
2. Sale of stocks or shares in correlatives	-	-	-	-
3. Sale of stocks or shares in affiliates	5 137	5 137	-	-
4. Sale of other stocks or shares, securities and financial instruments	42 955	101 526	209 841	408 718
5. Sale of intangible and tangible fixed assets	756	1 329	1 323	1 943
6. Sale of investment in real estate and intangible assets	-	-	-	-
7. Other investment incomes	1 695	1 695	3 422	8 358
II. Expenses	70 221	106 072	418 113	894 124
1. Purchase of stocks or shares in subsidiaries	3 119	6 503	57 751	161 831
2. Purchase of stocks or shares in correlatives	-	-	-	-
3. Purchase of shares in affiliated	-	-	415	5 712
4. Purchase of other stocks or shares, securities and financial instruments	24 355	29 022	31 963	370 094
5. Purchase of intangible and tangible fixed assets	15 062	29 498	27 906	42 743
6. Investment in real estate and intangible assets	27 685	41 049	300 078	313 744
7. Other investments' expenses	-	-	-	-
III. Net cash flows from investment operations (I-II)	(19 678)	3 928	(130 009)	(401 585)
C. Net cash flows from financing activities (I-II)	547 241	680 853	87 056	786 061
I. Incomes	1 678 714	1 854 430	248 852	973 586
1. Long term loans received from other banks	1 450 993	1 503 371	79 610	79 610
2. Long term loans received from financial sector, excluding banks	8 430	8 430	-	-
3. Issue of debt securities	222 698	342 629	164 224	164 224
4. Change in subordinated liabilities in plus	(3 407)	-	5 018	729 752
5. Net cash from shares' issue and payment to capital	-	-	-	-
6. Other	-	-	-	-
II. Expenses	1 131 473	1 173 577	161 796	187 525
1. Long term loans repaid to other banks	1 115 198	1 115 198	69 802	69 802
2. Long term loans repaid to financial sector, excluding banks	(8 024)	-	50 307	57 773
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	-	-	3 655	3 655
8. Dividends and other participation in profit payments for minority	-	-	-	-
9. Payments for allocation of the profit (different from payments to owners)	-	-	-	-
10. Acquisition of own shares	-	4 545	-	-
11. Other financial expenses	24 299	53 834	38 032	56 295
12. Other expenses	-	-	-	-
III. Net cash flows from financing activities (I-II)	547 241	680 853	87 056	786 061
D. Total net cash flows (A+/-B+/-C)	498 342	1 809 548	(157 754)	(417 613)
E. Net change in cash	498 342	1 809 548	(157 754)	(417 613)
- including change in cash due to foreign exchange gains/losses	1 742	17 783	(11 387)	(14 502)
F. Cash at the beginning of the period	2 729 469	1 418 263	1 588 715	1 848 574
G. Cash at the end of the period (F+/- D)	3 227 811	3 227 811	1 430 961	1 430 961

QUARTERLY SHORTENED FINANCIAL STATEMENT

BALANCE SHEET [PLN'000]	As at 30 Jun 2003	As at 31 Mar 2003	As at 30 Jun 2002	As at 31 Mar 2002
	end of this quarter (current year)	end of previous quarter (current year)	end of this quarter (previous year)	end of previous quarter (previous year)
A s s e t s				
I. Cash and balances with the Central Bank	639 878	497 351	518 400	487 579
II. Debt securities eligible for refinancing at Central Bank	101 302	75 632	75 133	23 168
III. Amounts due from the financial sector	4 343 155	4 432 526	3 326 282	3 674 948
1. Current	2 170 583	2 132 478	710 816	1 972 984
2. Term	2 172 572	2 300 048	2 615 466	1 701 964
IV. Amounts due from from the non-financial sector	9 472 497	9 311 655	9 942 154	9 314 656
1. Current	1 730 407	1 712 100	1 768 443	1 538 914
2. Term	7 742 090	7 599 555	8 173 711	7 775 742
V. Amounts due from the public sector	48 434	51 651	1 020 174	1 017 251
1. Current	6 274	7 462	6 112	3 275
2. Term	42 160	44 189	1 014 062	1 013 976
VII. Amounts due in respect of purchase of securities with a resale clause	100 844	3 119	56 548	-
VII Debt securities	4 965 723	4 919 569	4 889 912	5 009 521
VIII. Stocks or shares in subsidiaries	881 528	863 716	502 829	779 366
IX Stocks or shares in correlatives	-	-	-	-
X. Stocks or shares in affiliates	22 443	22 637	52 012	31 434
XI. Stocks or shares in other companies	23 966	13 371	15 565	20 874
XII. Other securities and financial assets	2 805 178	2 959 801	3 165 261	2 604 983
XIII. Intangible assets, including:	246 664	253 224	207 612	202 051
- goodwill	60 510	63 181	65 446	68 099
XIV. Tangible fixed assets	876 180	873 662	873 402	854 749
XV. Other assets	180 028	283 600	366 846	496 379
1. Assets acquired through debt recovery - for sale	105	2 809	22 982	22 887
2. Other	179 923	280 791	343 864	473 492
XVI. Prepayments	853 329	870 474	870 179	668 710
1. Deferred income tax	832 761	856 129	852 607	622 266
2. Other prepayments	20 568	14 345	17 572	46 444
T o t a l a s s e t s	25 561 149	25 431 988	25 882 309	25 185 669
	-	-	-	-
Liabilities				
I. Amounts due to Central Bank	862	1 685	127 176	122 881
II. Liabilities to the financial sector	6 077 853	6 588 450	7 653 644	8 984 575
1. Current	692 438	936 007	1 066 535	2 296 387
2. Term	5 385 415	5 652 443	6 587 109	6 688 188
III. Liabilities to the non-financial sector	10 208 146	9 420 276	9 879 467	9 846 122
1. Saving deposits	2 539 758	2 362 224	1 603 334	1 389 924
a) Current	1 948 367	1 791 073	1 113 015	909 913
b) Term	591 391	571 151	490 319	480 011
2. Other	7 668 388	7 058 052	8 276 133	8 456 198
a) Current	3 661 208	2 965 209	2 896 421	2 497 667
b) Term	4 007 180	4 092 843	5 379 712	5 958 531
IV. Liabilities to the public institutions	77 939	83 469	197 330	272 470
1. Current liabilities	43 247	36 586	62 371	18 664
2. Term liabilities	34 692	46 883	134 959	253 806
V. Liabilities due to sold securities with a buy-back clause	2 664 674	2 865 545	1 475 001	-
VI. Liabilities due to issue of debt securities	225 907	177 916	-	-
1. Short-term	222 827	174 882	-	-
2. Long-term	3 080	3 034	-	-
VII. Other liabilities due to financial instruments	2 167 735	2 117 950	2 354 721	1 655 594
VIII. Special funds and other liabilities	262 026	349 665	521 408	246 718
IX. Accruals, deferred income and qualified income	235 224	224 560	189 308	164 287

1. Costs prepayments	23 513	22 936	23 590	8 900
2. Goodwill (negative figure)	-	-	-	-
3. Other deferred and qualified income	211 711	201 624	165 718	155 387
X. Reserves	879 858	882 209	849 070	677 159
1. Income tax reserves	752 300	754 122	828 226	624 345
2. Other reserves	127 558	128 087	20 844	52 814
a) short-term	-	-	-	-
b) long-term	127 558	128 087	20 844	52 814
XI. Subordinated liabilities	1 114 591	1 101 792	724 000	724 000
XII. Share capital	91 882	91 882	91 882	91 882
XIII. Payment for share capital (negative figure)	-	-	-	-
XIV. Own shares (negative figure)	-	(4 545)	-	-
XV. Supplementary capital	748 739	748 738	748 738	748 738
XVI. Revaluation capital	6 788	5 632	9 559	7 969
XVII. Other reserve capital	744 922	1 352 915	1 352 915	1 247 915
XVIII. Net Retained earnings (Accumulated losses)	-	(607 993)	(191 576)	369 109
XIX. Net profit (loss)	54 003	31 842	(100 334)	26 250
Total liabilities	25 561 149	25 431 988	25 882 309	25 185 669
Capital adequacy ratio	9.54	9.77	11.69	14.39
Book value	1 646 334	1 618 471	1 911 184	2 491 863
Number of shares	22 970 500	22 970 500	22 970 500	22 970 500
Book value per share (in PLN)	71.67	70.46	83.20	108.48
Diluted number of shares	-	-	-	-
Diluted book value per share (in PLN)	-	-	-	-

OFF-BALANCE-SHEET ITEMS	As at 30 Jun 2003	As at 31 Mar 2003	As at 30 Jun 2002	As at 31 Mar 2002
	end of this quarter (current year)	end of previous quarter (current year)	end of this quarter (previous year)	end of previous quarter (previous year)
I. Off-balance-sheet liabilities extended and received				
	7 295 369	6 948 486	7 029 302	7 125 352
1. Liabilities extended	6 818 504	6 449 060	6 488 699	6 485 463
a) financing	4 132 631	3 682 503	3 741 556	3 979 883
b) guarantees	2 685 873	2 766 557	2 747 143	2 505 580
2. Liabilities received	476 865	499 426	540 603	639 889
a) financing	102 760	147 071	133 911	120 481
b) guarantees	374 105	352 355	406 692	519 408
II. Liabilities related to realised purchase/sale transactions	177 875 871	164 093 823	195 892 492	176 495 947
-	-	-	-	-
-	-	-	-	-
Total off-balance-sheet items	185 171 240	171 042 309	202 921 794	183 621 299

PROFIT AND LOSS ACCOUNT	Q2 (current year)	Q1-2 cumulative	Q2 (previous year)	Q1-2 cumulative
	from 1 Apr 2003 to 30 Jun 2003	From 1 Jan 2003 to 30 Jun 2003	from 1 Apr 2002 to 31 Mar 2002	From 1 Jan 2002 to 30 Jun 2002
I. Interest income	225 841	461 152	377 927	781 954
II. Interest expense	163 641	363 070	312 405	641 245
III. Net interest income (I-II)	62 200	98 082	65 522	140 709
IV. Commission income	68 157	127 468	53 873	108 563
V. Commission expense	17 716	36 481	9 037	23 417
VI. Net commission income (IV-V)	50 441	90 987	44 836	85 146
VII. Profit (loss) stocks or shares, other securities and financial instruments of variable income	6 582	6 582	17 518	23 884
1. From subsidiaries	2 571	2 571	16 370	17 348
2. From correlatives	-	-	-	-
3. From affiliates	-	-	1 125	6 513
4. From others	4 011	4 011	23	23
VIII. Profit on financial operations	67 632	69 035	3 866	(73 012)
IX. Exchange gains/losses	33 736	88 287	81 304	194 707
X. Profit (loss) on banking operations	220 591	352 973	213 046	371 434
XI. Other operating income	16 157	32 245	8 990	15 650
XII. Other operating expenses	3 345	10 543	22 159	23 980
XIII. Overheads	116 502	206 707	109 099	221 056
XIV. Depreciation of tangible and intangible fixed assets	34 160	68 185	30 414	61 736
XV. Provisions and write-downs	69 831	111 337	271 764	291 123
1. for specific provisions and to general banking risk	69 635	111 141	271 764	291 123
2. revaluation of financial assets	196	196	-	-
XVI. Reversal of provisions and revaluation	46 816	122 986	148 267	184 146
1. Release of provisions and general banking risk reserve	46 816	122 986	148 267	184 146
2. Revaluation of financial assets	-	-	-	-
XVII. Difference in provisions and revaluation appropriations and reversal (XV-XVI)	23 015	(11 649)	123 497	106 977
XVIII. Operating profit (loss)	59 726	111 432	(63 133)	(26 665)
XIX. Profit (loss) on extraordinary items	19	32	40	52
1. Extraordinary gains	63	76	41	139
2. Extraordinary losses	44	44	1	87
XX. Gross profit (loss) before tax	59 745	111 464	(63 093)	(26 613)
XXI. Income tax	21 222	32 511	(36 333)	(26 103)
1. Current part	-	-	-	-
2. Postponed part	21 222	32 511	(36 333)	(26 103)
XXII Other obligatory deductions of profit (increase of loss)	-	-	-	-
XXIII. Participation in net profit (loss) of subordinated to equity method valuation	(16 362)	(24 950)	(99 824)	(99 824)
XXIV. Net profit (loss)	22 161	54 003	(126 584)	(100 334)
Net profit (loss) (for 12 months)	(224 884)		59 949	
Weighted average number of ordinary shares	22 970 500		22 970 500	
Net profit (loss) per 1 ordinary share [PLN]	(9.79)		2.61	
Weighted average diluted number of ordinary shares	-		-	
Diluted net profit (loss) per 1 ordinary share [PLN]	-		-	

MOVEMENTS IN EQUITY	Q2 (current year)	Q1-2 cumulative	Q2 (previous year)	Q1-2 cumulative
	from 1 Apr 2003 to 30 Jun 2003	from 1 Jan 2003 to 30 Jun 2003	from 1 Apr 2002 to 30 Jun 2002	from 1 Jan 2002 to 30 Jun 2002
I. Equity as at the beginning of the year (OB)	1 618 471	1 582 497	2 491 863	2 432 684
a) changes to accounting policies	-	-	(224 505)	(191 576)
b) adjustment of key miscalculation	-	-	-	-
I.a. Equity as at the beginning of the year (OB) after reconciliation to comparative data	1 618 471	1 582 497	2 267 358	2 241 108
1. Share capital as at the beginning of the period	91 882	91 882	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 period	91 882	91 882	91 882	91 882
2. Payments for share capital at the beginning of the period	-	-	-	-
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 period	-	-	-	-
3. Own shares at the beginning of the period	(4 545)	-	-	-
a) increase (due to):	-	(4 545)	-	-
- purchase	-	(4 545)	-	-
b) decrease (due to):	(4 545)	(4 545)	-	-
- give out to shareholders due to merge	(4 545)	(4 545)	-	-
3.1 Own shares at the end of the period	-	-	-	-
4. Supplementary capital as at the beginning of the period	748 738	748 738	748 738	748 738
4.1. Movements in the supplementary capital	1	1	-	-
a) increase (due to):	1	1	-	-
- 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 period	748 739	748 739	748 738	748 738
5. Revaluation capital as at the beginning of the period	5 632	(3 045)	7 969	7 969
5.1. Movements in revaluation reserve	1 156	9 833	1 590	1 590
a) increase (due to)	14 192	34 840	2 800	2 800
- foreign exchanges gains/losses	6 256	11 566	2 800	2 800
- deferred income tax	3 247	3 723	-	-
- revaluation of tangible assets	1 253	2 345	-	-
- revaluation of securities for sale	3 436	17 206	-	-
b) decrease (due to)	13 036	25 007	1 210	1 210
- revaluation of tangible assets	1 273	3 400	1 210	1 210
- revaluation of securities for sale	5 984	13 723	-	-
- deferred income tax	3 571	5 675	-	-
- foreign exchanges gains/losses	2 208	2 209	-	-

5.2. Revaluation reserve as at the end of the period	6 788	6 788	9 559	9 559
6. General banking risk reserve as at the beginning of the period	558 000	558 000	453 000	453 000
6.1. Movements in general banking risk reserve	-	-	105 000	105 000
a) increase (due to)	-	-	105 000	105 000
- appropriation of retained earnings	-	-	105 000	105 000
	-	-	-	-
b) decrease (due to)	-	-	-	-
	-	-	-	-
	-	-	-	-
6.2. General banking risk reserve as at the end of the period	558 000	558 000	558 000	558 000
7. Other reserves as at the beginning of the period	794 915	794 915	794 915	794 915
7.1. Movements in other reserves	(607 993)	(607 993)	-	-
a) increase (due to):	-	-	-	-
- profit allocation to supplementary capital	-	-	-	-
- appropriation of profit	-	-	-	-
b) decrease (due to)	607 993	607 993	-	-
- loss coverage	607 993	607 993	-	-
- other	-	-	-	-
	-	-	-	-
7.2. Other reserves as at the end of the period	186 922	186 922	794 915	794 915
8. Retained earnings (accumulated losses) as at the end of the period	(607 993)	(607 993)	369 109	336 180
8.1 Profit from previous years as at the beginning of the period	-	-	369 109	336 180
a) changes to accounting policy	-	-	(224 505)	(191 576)
b) adjustment of key miscalculation	-	-	-	-
8.2 Retained earnings as at the beginning of the year	-	-	144 604	144 604
8.3. Changes in retained earnings	-	-	(336 180)	(336 180)
a) increase (due to):	-	-	-	-
- allocation of retained earnings	-	-	-	-
	-	-	-	-
b) decrease (due to):	-	-	336 180	336 180
- deduction to supplementary capital	-	-	-	-
- deduction to general banking risk reserve	-	-	105 000	105 000
- transfer to the Social Fund	-	-	1 475	1 475
- profit allocation to shareholder dividend	-	-	229 705	229 705
8.4 Retained earnings as at the end of the period	-	-	(191 576)	(191 576)
8.5 Accumulated losses as at the beginning of the period	(607 993)	(607 993)	-	-
a) changes to accounting policy	-	-	-	-
b) adjustment of key miscalculation	-	-	-	-
8.6. Accumulated losses as at the beginning of the period	(607 993)	(607 993)	-	-
8.7 Movements of loss from previous years	607 993	607 993	-	-
a) increase (due to):	-	-	-	-
- profit allocation from previous years for coverage	-	-	-	-
-	-	-	-	-
b) decrease (due to):	(607 993)	(607 993)	-	-
- coverage from reserve capital	(607 993)	(607 993)	-	-
-	-	-	-	-
8.8 Accumulated losses as at the end of the period	-	-	-	-
8.9 Retained earnings (accumulated losses) as at the end of the year	-	-	(191 576)	(191 576)
9. Net profit (loss)	54 003	54 003	(100 334)	(100 334)
a) net profit	54 003	54 003	-	-
b) net loss	-	-	100 334	100 334
II. Equity as at the end of the year (CB)	1 646 334	1 646 334	1 911 184	1 911 184
III Equity including proposed profit distribution (coverage of loss)				

CASH FLOW STATEMENT	Q2 (current year)	Q1-2 cumulative	Q2 (previous year)	Q1-2 cumulative
	from 1 Apr 2003 to 30 Jun 2003	From 1 Jan 2003 to 30 Jun 2003	from 1 Apr 2002 to 30 Jun 2002	From 1 Jan 2002 to 30 Jun 2002
I. Net profit (loss)	22 161	54 003	(126 584)	(100 334)
II. Total adjustments for:	349 748	1 614 140	95 465	(765 439)
1. Participation in profit (loss) of subordinated companies priced with equity method	16 362	24 950	99 824	99 824
2. Depreciation	34 160	68 185	30 414	61 736
3. Foreign exchange gains/losses	12 629	95 004	18 502	70 512
4. Interest and dividends	(2 687)	26 848	(21 085)	(7 758)
5. (Profit) loss on investments	5 426	4 098	24 638	35 335
6. Change in reserves	23 262	(40 247)	(556 951)	112 697
7. Change in debt securities	(67 864)	298 752	314 059	(86 977)
8. Change in receivables from the financial sector	475 706	526 931	928 681	(153 415)
9. Change in receivables from the non-financial and public sector	(129 753)	(188 168)	(479 521)	(980 557)
10. Change in amounts due in respect of purchase of securities with a resale clause	(97 725)	182 887	-	-
11. Change in stocks or shares and securities and other financial instruments	271 127	277 170	20 098	(1 991)
12. Change in liabilities to the financial sector	(737 460)	(881 589)	(866 873)	(249 491)
13. Change in liabilities to the non-financial and public sector	704 744	80 818	(299 467)	211 409
14. Change in liabilities due to sold securities with a buy-back clause	(200 871)	722 359	202 881	202 881
15. Change in liabilities due to securities	47 993	197 621	-	-
16. Change in other liabilities	(43 815)	158 997	143 872	577 537
17. Change in prepayments	28 427	24 493	528 659	(153 140)
18. Change in deferred and qualified income	10 087	35 031	7 734	(504 041)
19. Other	-	-	-	-
III. Net cash flows from operating activities (I +/- II) - indirect method	371 909	1 668 143	(31 119)	(865 773)
B. Net cash flows from investment operations (I-II)	(26 295)	19 872	11 102	(103 645)
I. Incomes	26 790	111 937	134 359	288 143
1. Sale of stocks or shares in subsidiaries	-	313	71 018	71 018
2. Sale of stocks or shares in correlatives	-	-	-	-
3. Sale of stocks or shares in affiliates	5 137	5 137	-	-
4. Sale of other stocks or shares, securities and other financial assets	17 027	101 526	59 560	208 288
5. Sale of intangible and tangible fixed assets	410	745	959	1 079
6. Sale of investment in real estate and intangible assets	-	-	-	-
7. Other incomes	4 216	4 216	2 822	7 758
II. Expenses	53 085	92 065	123 257	391 788
1. Purchase of stocks or shares in subsidiaries	3 119	6 503	40 297	144 377
2. Purchase of stocks or shares in correlatives	-	-	-	-
3. Purchase of shares in affiliated	(593)	9 222	415	5 712
4. Purchase of other stocks or shares, securities and financial instruments	15 930	20 597	27 226	161 963
5. Purchase of intangible and tangible fixed assets	6 922	14 695	25 325	36 156
6. Investment in real estate and intangible assets	27 707	41 048	29 994	43 580
7. Other investments' expenses	-	-	-	-
III. Net cash flows from investment operations (I-II)	(26 295)	19 872	11 102	(103 645)
C. Net cash flows from financing activities	123 326	136 600	(88 090)	610 181
I. Incomes	1 130 588	1 185 966	-	724 000
1. Long term loans received from other banks	1 122 158	1 174 536	-	-
2. Long term loans received from financial sector, excluding banks	8 430	8 430	724 000	724 000
3. Issue of debt securities	-	3 000	-	-
4. Change in subordinated liabilities in plus	-	-	(724 000)	-
5. Net cash from shares' issue and payment to capital	-	-	-	-
6. Other incomes	-	-	-	-
II. Expenses	1 007 262	1 049 366	88 090	113 819
1. Long term loans repaid to other banks	1 002 825	1 002 825	18 238	18 238
2. Long term loans repaid to financial sector, excluding banks	2 908	10 932	50 307	57 773
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 (different than payments to owners)	-	-	-	-
9. Acquisition of own shares	-	4 545	-	-
10. Other financial expenses	1 529	31 064	19 545	37 808
III. Net cash flows from financing activities (I-II)	123 326	136 600	(88 090)	610 181
D. Total net cash flows (A+B+C)	468 940	1 824 615	(108 107)	(359 237)
E. Net change in cash	468 940	1 824 615	(108 107)	(359 237)
- including change in cash due to foreign exchange	1 742	17 783	(11 387)	(14 502)
F. Cash at the beginning of the period	2 728 251	1 372 576	1 473 222	1 724 352
G. Cash at the end of the period (F+ D)	3 197 191	3 197 191	1 365 115	1 365 115

**COMMENTARY
TO THE CONSOLIDATED QUARTERLY REPORT
Q2 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, as amended).

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 following changes of the accounting principles were introduced in 2003:

- commissions received or paid greater than PLN 500 thousand are recognised over time throughout the lifetime of the transaction;
- as of January 2003, the Bank sets up provisions for employee benefits based on actuarial valuation under IAS 19.

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 30 June 2003 quoted by the National Bank of Poland (NBP), i.e., 4.4570 PLN to 1 EUR;
- income statement items for the six 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 six months of 2003, i.e., 4.3110 PLN to 1 EUR;
- income statement items for Q2 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 Q2 2003, i.e., 4.3745 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.

The structure of the Group did not change compared to that presented in the Q1 2003 report. The Q1 2003 commentary includes a detailed discussion of changes in the structure of the Group compared to that presented in 2002 reports.

As at 30 June 2003, BRE Bank held Elektrim SA shares representing 20.3% of the share capital and votes. As the Bank executed an agreement to sell the entire held package of shares and, under the agreement, some shares were sold on 22 July 2003, 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. However, a valuation of forward contracts for the sale of the shares was performed; its result added PLN 20,381 thousand to the result on financial transactions.

Comparability of Financial Data

The data presented in the report (other than differences due to changes in the structure of the Group in 2003) are comparable. However, for practical reasons, no adjustments were made in the presentation of the balance sheet as at 31 March 2002 which would recognise debt securities under 'repo' transactions in the assets or such that would recognise liabilities under sold securities with a buy-back clause in the liabilities.

Pursuant to the recommendations of NBP, the valuation of derivatives previously presented under "Other assets" is presented in this Report under "Other securities and other financial assets." Likewise, pursuant to the recommendations of NBP, in the income statement, the result on the sale of subsidiaries previously presented under "Result on financial transactions" is now presented under "Income from stocks and shares, other securities and other variable income financial assets." Respective adjustments were made in the data for all periods presented in the Report.

Factors and Events that Materially Affected the Profitability of the Group Q2 2003

The Group reported a net profit of PLN 55,175 thousand and the holding company (BRE Bank SA) a net profit of PLN 54,003 thousand at the end of Q2 2003. The net profit grew by PLN 21,334 thousand and PLN 22,161 thousand, respectively, in Q2 2003 (i.e., 37% and ca. 30% less than in Q1). The operating results generated in the context of still unfavourable macroeconomic conditions are a consequence of a range of measures aimed to improve the financial standing and the assets of the Bank and Group companies. The result generated at the end of Q2 is stronger than in Q2 2002 when both the Group and its holding company reported losses.

The main factors which affected the results of Q2 include:

- **Net interest income:** The net interest income of the holding company grew by a significant 73% at the holding company in Q2. This took place in the context of decreasing interest income and interest costs; the fast drop in interest costs (down 17.9%) accompanied by a decrease of interest income by only 4% was crucial to this result. The consolidated net interest income (including interest income and costs of companies net of mutual transactions) was up 43.1% Q/Q; the net interest income of the companies (net of mutual transactions) was up 12.4% in Q2. The companies whose results helped the Group's results most effectively include BRE Leasing (PLN 36,368 thousand) and Rheinhyp-BRE Bank Hipoteczny (PLN 13,670 thousand). BRE International Finance paid investors considerable interest (PLN 20,766 thousand) as an interest cost to the Group.
- **Net commission income:** This line of the Group's revenue also grew Q/Q (up 22.9%). BRE Bank reported increased commission income on loans (front-up fees), payment card services and other banking transactions (e.g., bank transfers). Among Group companies considerable commission income was earned by Intermarket (PLN 10,144 thousand), Transfinance (PLN 6,987 thousand), BRE Bank Securities (PLN 6,646 thousand).
- **Result on financial transactions:** The result grew significantly in Q2, both in consolidated terms and at the holding company – up PLN 72,570 thousand and up PLN 67,632 thousand, respectively, compared to a growth by PLN 6,219 thousand and PLN 1,403 thousand in Q1. This was due to stronger valuation of derivatives, released provisions for impairment of sold Telbank stocks (over PLN 44 million) and growing value of stocks marked for trading. The result on financial transactions was helped by the above mentioned valuation of the forward contract for the sale of Elektrim SA stocks at PLN 20,381 thousand.
- **Other operating income:** This line grew considerably in consolidated terms compared to the income earned by the holding company due to the income of the Skarbiec Asset Management Holding (ca. PLN 20 million), mainly due to asset management operations of the Holding's subsidiaries and the income of PTE Skarbiec Emerytura (ca. PLN 16 million).
- **Operating costs of the Group:** The consolidated costs grew by 20.6%, mainly due to higher costs of the holding company (up 29.2% Q/Q). Personnel costs remained largely unchanged while other operating costs grew. The Bank still incurs great costs of the development and expansion of the retail banking infrastructure and the promotion of retail banking services. The increase in the costs of Group subsidiaries was much lower in Q2 (up 4.6%).
- **Net provisions and revaluation:** As the financial standing of some borrowers deteriorated, additional provisions for loans had to be set up by the Bank and other companies which report such debt. The greatest net growth was reported at BRE Bank

in provisions for doubtful loans. Provisions for loans of BRE Leasing and Rheinhyp-BRE Bank Hipoteczny also grew. Provisions released were smaller in Q2 compared to Q1.

The Q2 income statement by BRE Bank SA's business line is presented in the table in page 10.

The income tax of the Group was PLN 38,203 thousand at the end of Q2 2003, including PLN 9,125 thousand of current income tax and PLN 29,078 thousand of deferred income tax. The holding company reported no current income tax as it recognised the tax loss incurred in 2002. The Bank's deferred tax liability was PLN 32,511 thousand.

The volumes and structure of the consolidated and stand-alone balance sheets did not change significantly in Q2 2003. The main change is the decrease in the reserve capital of the Bank due to the coverage of the loss of previous years at PLN 607,993 thousand, including a loss of 2002 at PLN 379,221 thousand and the uncovered loss of previous years due to the application of accounting rules changed in 2002 to the result of previous years (PLN 228,772 thousand).

The downward trend of the loan portfolio prevailing in 2002 was reversed. Loans gradually grow in 2003. The growth was 2.2% in the Group and 1.7% in the holding company. The higher growth rate of the Group's portfolio was mainly due to the increase in the portfolio of Rheinhyp-BRE Bank Hipoteczny (up 20.5%).

BRE Bank's client deposits are also on the increase (up 8.4% in Q2). Corporate deposits enjoyed the fastest growth (up 15.2%) while mBank's client deposits had already reached a high figure (PLN 2.2 billion) and grew less dynamically (up 5.8% in Q2). The growth in Multibank client deposits was almost 23%. Private banking clients are now more prone to invest in securities, hence their deposits did not grow.

The solvency ratio of BRE Bank was 9.54% as at the end of Q2 2003.

The value of off-balance sheet liabilities related to purchase/sale transactions stated at PLN 178.1 billion in the accounts as at 30 June 2003 is almost fully related to the holding company. It is partly "overstated" (by PLN 56.4 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 121.5 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 27.6 billion;
- b) Forward Rate Agreements (FRA) – PLN 42.2 billion;
- c) Interest Rate Swaps (IRS) interest paid – PLN 28.7 billion;
- d) FX options – PLN 18.3 billion;
- e) Other – PLN 4.7 billion (interest rate options: PLN 1.7 billion, other instruments: PLN 3.0 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 Q2 2003, amounts written off by the Group as specific provisions for loans and guarantees and the revaluation of financial assets amounted to PLN 135,984 thousand, including PLN 134,741 thousand written off as specific provisions and PLN 1,243 thousand written off as revaluation of financial assets. Provisions released by the Group in Q2 2003 were PLN 140,134 thousand, including specific provisions for loans and guarantees PLN 139,213 thousand and revaluation of financial assets PLN 921 thousand.

At BRE Bank SA in Q2 2003, total write-offs for provisions amounted to PLN 111,337 thousand, including PLN 111,141 thousand written off as specific provisions and PLN 196 thousand written off as revaluation of financial assets. Provisions released were PLN 122,986 thousand, fully related to loans and guarantees.

Major Events of Q2 2003

- 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 – 25 June 2003, 2,075 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.
- In connection with the merger of BRE Bank SA and Bank Częstochowa SA, BRE Bank SA allocated through the National Depository for Securities 50,214 BRE Bank SA shares to the shareholders of Bank Częstochowa SA in return for the shares of Bank Częstochowa SA. The allocated shares represent 0.22% of the share capital and votes.
- The General Meeting of Shareholders of BRE Bank SA adopted a resolution to cover the loss of the Bank at PLN 379,221 thousand fully with the Bank's reserve capital by 30 May 2003. The General Meeting also adopted a resolution not to pay dividend for 2002.
- On 15 May 2003, the court registered an increase of the capital of the company Centrum Rozliczeń i Informacji CERI Sp. z o.o. with its registered office in Aleksandrów Łódzki

("CERI"), a subsidiary of BRE Bank SA, from PLN 50,000 to PLN 12,066,000. The Bank took up shares representing 99.99% of the increased share capital and votes of CERI. The said shares were acquired by the Bank for PLN 12,015,000. This is a long-term investment of the Bank.

- In the implementation of the issue programme of certificates of deposit and/or bonds (described by the Bank in its report dated 12 August 2002), as of 1 April 2003 BRE Bank made several issues of certificates of deposit taken up by a contractor of the Bank for PLN 172,995,387.30.
- In transactions closed between 20 and 26 May 2003, BRE Bank SA sold 167,765 shares of Bankowe Przedsiębiorstwo Telekomunikacyjne Telbank SA with a nominal value of PLN 200 per share. The shares sold in the transactions represent 25.52% of the share capital and votes of the company. The shares were bought by Telekomunikacja Energetyczna Tel-Energo SA. Following the transactions, BRE Bank SA holds no shares of BPT Telbank SA. BRE Bank SA earned a total profit of PLN 15.4 million on these transactions.
- On 24 June 2003, BRE Bank SA and an international consortium of banks signed an agreement whereby BRE Bank SA received a three-year loan of EUR 250,000,000 to refinance a mid-term loan falling due on 29 June 2003 and to cover general financial needs of BRE Bank. The loan bears interest at EURIBOR plus 0.40% p.a. The amount of the loan is greater than 10% of the equity of BRE Bank SA.
- After BRE Bank SA called on the company International Trading and Investment Holdings SA ("ITI") to place two sale orders for 533,349 shares of OPTIMUS SA (in two packages), since these transactions were closed, BRE Bank SA was relieved from the obligation to buy the shares from ITI. The Bank expects that the remaining 163,256 shares of OPTIMUS SA (i.e., the remainder of the second package) will be bought by 24 August 2003.
- On 27 June 2003, BRE Bank signed the following agreements:
 - with OPTIMUS SA, an affiliate – an agreement providing for the sale to BRE Bank of shares of OPTIMUS IC SA representing 16.0% of the share capital and votes; the transaction is worth PLN 7,843,200;
 - with TELE-TECH Investment Sp. z o.o. ("TTI"), an affiliate – an agreement providing for TTI to purchase, on its own behalf but for the Bank, shares of OPTIMUS IC SA representing 17.17% of the share capital and votes from OPTIMUS SA. The transaction is worth PLN 8,416,734. At the same time, TTI agreed to transfer the said shares to BRE Bank SA or an entity indicated by the Bank immediately upon the Bank's receipt of respective approvals, i.e., a permit of the Ministry of the Interior and Administration required under regulations governing the acquisition of land by foreigners, and a decision of the Chairman of the Office for the Protection of Competition and Consumers approving the concentration.
- On 30 June 2003, BRE Bank SA and ITI Holdings SA ("ITI") signed an agreement concerning refinancing of long-term debt of ITI owed to BRE Bank SA under bonds with a total nominal value of US\$ 84,450,000 (PLN 325,343,625 according to the rate of

exchange of 1 July 2003). As a result of the transaction, an affiliate of BRE Bank SA will become the owner of 10% of shares of TVN Sp. z o.o. The said transaction will be financed with existing ITI bonds with a nominal value of US\$ 42,500,000 (ITI will hold a four-year call option on 10% of shares of TVN).

In addition, BRE Bank SA will convert bonds with a nominal value of US\$ 41,950,000 into:

- short-term bonds issued by a subsidiary of ITI, guaranteed by ITI;
- long-term bonds issued by a subsidiary of ITI, secured with shares of TVN and guaranteed by ITI.

ITI and its subsidiary will issue for BRE Bank SA and other investors short-term bonds with a total value of US\$ 17,000,000 and long-term bonds with a total value of US\$ 50,000,000 secured with 8.75% of shares of TVN Sp. z o.o.

All conditions precedent of the transaction should be fulfilled by the end of September 2003.

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

- On 3 – 30 July 2003, 1,429 certificates of deposit and/or bonds issued by BRE Bank SA were cancelled.
- On 21 July 2003, the company BRE Finance France with a share capital of EUR 225,000 was registered in Levallois-Perret, France. The Bank took up shares representing 99.97% of the share capital and votes. This is a long-term investment of the Bank.
- As of 25 June 2003, the Bank made several issues of certificates of deposit taken up by a contractor of the Bank for PLN 185,998,917.

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

	Bank's Management Board	Supervisory Board
Number of shares held as at 31 March 2003	174,003	77,617
Number of shares acquired in Q2	0	0
Number of shares sold in Q2	0	0
Number of shares held as at 30 June 2003	113,335*)	77,617
Number of options held as at 31 March 2003	181,000	0
Number of options acquired in Q2	0	0
Number of options sold in Q2	0	0
Number of options held as at 30 June 2003	133,000*)	0

*) The change in the number of shares and options held by the Members of the Bank's Management Board is due to the change on the Management Board in Q2 2003.

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

The total value of the Bank's receivables or liabilities disputed in proceedings before a court, an arbitration body or a public administration authority is less than 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 420,287 thousand.

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

In Q2 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

Other than the day-to-day operations of the Bank and the companies of the Group, no events that might significantly affect the results of the quarter are expected to occur in Q3 2002.

Income Statement by Business Line

PLN'000

	Corporate Banking	Investment Banking	Strategic Investments	Proprietary Investments	Private Banking & Retail Banking	Other	Total BRE Bank
1. Result on banking operations, incl. provisions	142,151	121,826	(30,013)	107,140	23,126	393	364,623
2. Operating costs and depreciation	49,663	16,729	1,377	3,670	74,620	128,833	274,892
3. Gross profit (loss)	92,290	105,488	(31,347)	105,870	(51,055)	(109,814)	111,433
4. Share in the profit/loss of subsidiaries and affiliates subject to equity accounting valuation	0	0	(16,675)	(8,275)	0	0	(24,950)
5. Net profit (loss)	67,371	77,007	(39,558)	69,010	(37,270)	(82,557)	54,003