BRE BANK SA

IFRS Consolidated Financial Statements of BRE Bank SA Group for three Quarters 2005

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Consolidated Profit and Loss Account

Consolidated Profit and Loss Account from 1 January 2005 to 30 September 2005 and from 1 January 2004 to 30 September 2004

	Note	III Quarter (curent year) from 01-07-2005 to 30-09-2005	III Quarters cumulative (current year) from 01-01-2005 to 30-09-2005	III Quarter (previous year) from 01-07-2004 to 30-09-2004	III Quarters cumulative (previous year) from 01-01-2004 to 30-09-2004
Interest income		386 318	1 178 253	349 231	993 809
Interest expense		(235 907)	(700 642)	(230 238)	(648 883)
Net interest income	5	**150 411**	**477 611**	**118 993**	**344 926**
Fee and commission income		141 143	395 190	125 735	379 981
Fee and commission expense		(27 479)	(84 062)	(25 021)	(83 257)
Net fee and commission income	6	**113 664**	**311 128**	**100 714**	**296 724**
Dividend income	7	106	21 846	316	4 690
Net trading income, including:	8	67 307	174 197	65 366	175 872
Foreign exchange result		75 620	163 663	53 722	183 265
Other trading income		(8 313)	10 534	11 644	(7 393)
Gains less losses from investment securities	9	171	12 049	(11 058)	17 470
Other operating income	10	24 551	64 515	27 476	346 337
Impairment losses on loans and advances	11	(40 468)	(51 103)	(6 355)	(91 821)
Overhead costs	12	(187 469)	(589 992)	(184 719)	(526 249)
Amortization		(30 121)	(95 892)	(33 158)	(103 755)
Other operating expenses	13	(21 254)	(50 629)	(12 721)	(287 849)
Operating profit		**76 898**	**273 730**	**64 854**	**176 345**
Share of profit of associates		(90)	(260)	(437)	(468)
Profit before income tax		**76 808**	**273 470**	**64 417**	**175 877**
Income tax expense		(16 880)	(60 755)	(13 602)	(41 553)
Net profit (loss) including minority interest, of which:		59 928	212 715	50 815	134 324
Net profit (loss) attributable to minority interest		4 028	12 277	3 794	20 423
Net profit (loss)		**55 900**	**200 438**	**47 021**	**113 901**
Net profit (loss) (for 12 months) attributable to the Company's equity holders	14	**(207 480)**		**45 354**	
Weighted average number of ordinary shares	14	**28 725 491**		**24 406 156**	
Earnings per 1 ordinary share (in PLN per share)	14	**(7,22)**		**1,86**	
Weighted average number of ordinary shares for diluted earnings	14	**28 815 296**		**24 421 732**	
Diluted earnings per 1 ordinary share (in PLN per share)	14	**(7,20)**		**1,86**	

Consolidated Balance Sheet

Consolidated Balance Sheet as at 30 September 2005, 31 December 2004 and 30 September 2004

	Note	30.09.2005	31.12.2004	30.09.2004
ASSETS				
Cash and balances with Central Bank		1 028 913	734 691	474 143
Debt securities eligible for rediscounting at the Central Bank		36 368	52 832	56 264
Loans and advances to banks		6 940 692	6 990 051	5 421 086
Trading securities	15	2 574 943	2 373 008	2 322 898
Derivative financial instruments		1 506 364	1 796 824	1 279 960
Other financial instruments at fair value through profit or loss	15	74 660	0	0
Loans and advances to customers	16	15 987 883	14 330 384	16 277 011
Investment securities	17	894 801	580 108	721 782
- Available for sale		864 125	564 785	711 048
- Held to maturity		30 676	15 323	10 734
Pledged assets	15	1 695 033	1 781 725	1 890 260
Investments in associated undertakings		2 358	2 225	2 768
Intangible assets		679 374	664 770	932 765
Tangible fixed assets		509 057	522 987	594 807
Deferred income tax assets		524 401	778 621	658 941
Other assets		608 532	573 570	555 163
Total assets		**33 063 379**	**31 181 796**	**31 187 848**
EQUITY AND LIABILITIES				
Amounts due to the Central Bank		-	-	-
Amounts due to other banks		5 427 918	5 562 129	5 701 338
Other deposits		-	-	-
Derivative financial instruments and other trading liabilities		1 517 424	1 620 708	1 257 685
Amounts due to customers	18	18 953 718	16 897 889	15 736 941
Debt securities in issue		2 758 888	3 103 327	4 044 561
Other borrowed funds		1 381 769	1 020 144	1 096 112
Other liabilities		510 281	334 461	459 684
Current income tax liabilities		6 250	1 444	2 424
Provisions for deferred income tax		382 734	688 593	563 648
Provisions		94 113	45 700	29 771
Total liabilities		**31 033 095**	**29 274 395**	**28 892 164**
Equity				
Capital and reserves attributable to the Company's equity holders		**1 968 841**	**1 844 745**	**2 236 387**
Share capital		115 233	114 853	114 853
Supplementary capital		1 145 557	1 192 304	1 187 425
Retained earnings		(47 926)	65 988	51 703
Net profit (loss)		200 438	(294 017)	113 901
Other capital and reserves		555 539	765 617	768 505
Minority interest		61 443	62 656	59 297
Total equity		**2 030 284**	**1 907 401**	**2 295 684**
Total equity and liabilities		**33 063 379**	**31 181 796**	**31 187 848**
Capital adequacy ratio		**10,34**	**10,03**	**10,85**
Book value		**1 968 841**	**1 844 745**	**2 236 387**
Number of shares		**28 808 238**	**28 713 125**	**28 713 125**
Book value per share (in PLN)		**68,34**	**64,25**	**77,89**
Diluted number of shares		**28 898 043**	**28 750 436**	**28 728 701**
Diluted book value per share (in PLN)		**68,13**	**64,16**	**77,85**

Statements of changes in consolidated equity

Changes in equity from 1 January 2005 to 30 September 2005

	Share capital	Supplementary capital	Other capital	Retained earnings	Minority interest	Total
	Equity atributable to the Company's equity holders					
Equity as at 1 January 2005	**114 853**	**1 192 304**	**765 617**	**(228 029)**	**62 656**	**1 907 401**
- reclassification to book value through profit and loss account	-	-	-	-	-	-
- changes to accounting policies	-	-	-	(86 879)	(2 809)	(89 688)
- adjustment of errors	-	-	-	-	-	-
Adjusted equity as at 1 January 2005	**114 853**	**1 192 304**	**765 617**	**(314 908)**	**59 847**	**1 817 713**
Net change in investments available for sale, net of tax	-	-	535	-	-	535
Net change in cash flow hedges, net of tax	-	-	2 133	-	2 132	4 265
Currency translation differences	-	-	(3 491)	-	(2 125)	(5 616)
Net profit not recognised in the profit & loss account	**-**	**-**	**(823)**	**-**	**7**	**(816)**
Net profit (loss)	**-**	**-**	**-**	**200 438**	**12 277**	**212 715**
Total profit recognised in current year	**-**	**-**	**(823)**	**200 438**	**12 284**	**211 899**
Dividends paid	-	-	-	-	(1 987)	(1 987)
Transfer to General Banking Risk Fund	-	-	-	-	-	-
Transfer to supplementary capital	-	-	-	-	-	-
Transfer to reserve capital	-	10 006	-	(10 006)	-	-
Loss coverage with reserve capital	-	-	(208 276)	208 276	-	-
Loss coverage with supplementary capital	-	(69 842)	-	69 842	-	-
Issue of shares	380	-	-	-	-	380
Redemption of shares	-	-	-	-	-	-
Purchase/sale of own shares	-	-	-	-	-	-
Agio	-	8 765	-	-	-	8 765
Issue expenses	-	-	-	-	-	-
Additional shareholder payments	-	-	-	-	(8 996)	(8 996)
Sale of fixed assets	-	-	-	-	-	-
Change in the scope of consolidation	-	-	-	-	-	-
Increase of share in consolidated company	-	-	-	-	-	-
Other changes	-	-	-	(1 130)	295	(835)
Stock option program for employees	-	4 324	(979)	-	-	3 345
- value of services provided by the employees	-	-	-	-	-	-
- settlement of exercised options	-	4 324	(979)	-	-	3 345
Equity as at 30 September 2005	**115 233**	**1 145 557**	**555 539**	**152 512**	**61 443**	**2 030 284**

Changes in equity from 1 January 2004 to 31 December 2004

	Equity atributable to the Company's equity holders					
	Share capital	**Supplementary capital**	**Other capital**	**Retained earnings**	**Minority interest**	**Total**
Equity as at 1 January 2004	**91 882**	**657 157**	**751 418**	**62 024**	**111 594**	**1 674 075**
- reclassification to book value through profit and loss account	-	-	-	-	-	-
- changes to accounting policies	-	-	-			-
- adjustment of errors	-	-	-	-	-	-
Adjusted equity as at 1 January 2004	**91 882**	**657 157**	**751 418**	**62 024**	**111 594**	**1 674 075**
Net change in investments available for sale, net of tax	-	-	8 209	-	-	8 209
Net change in cash flow hedges, net of tax	-	-	5 626	-	5 626	11 252
Currency translation differences	-	-	(2 539)	-	(6 410)	(8 949)
Net profit not recognised in income statement	**-**	**-**	**11 296**	**-**	**(784)**	**10 512**
Net profit (loss)	**-**	**-**	**-**	**(294 017)**	**20 636**	**(273 381)**
Total profit recognised in current year	**-**	**-**	**11 296**	**(294 017)**	**19 852**	**(262 869)**
Dividends paid	-	-	-	-	(1 854)	(1 854)
Transfer to General Banking Risk Fund	-	-	1 595	(1 595)	-	-
Transfer to supplementary capital	-	-	2 025	(2 025)		-
Transfer to reserve capital	-	3 414	-	(3 414)		-
Loss coverage with reserve capital	-	-	(702)	702		-
Loss coverage with supplementary capital	-	-	-	-	-	-
Issue of shares	22 971	-	-	-	-	22 971
Redemption of shares	-	-	-	-	-	-
Purchase/sale of own shares	-	-	-	-	-	-
Agio	-	528 321	-	-	-	528 321
Issue expenses	-	(1 477)	-	-	-	(1 477)
Additional shareholder payments	-	-	-	-	-	-
Sale of fixed assets	-	7 979	(7 979)	-	-	-
Change in the scope of consolidation	-	(3 090)	-	4 685	(69 778)	(68 183)
Increase of share in consolidated company	-	-	-	-	-	-
Other changes	-		(722)	5 611	2 842	7 731
Stock option program for employees	-	-	8 686	-	-	8 686
- value of services provided by the employees	-	-	8 686	-	-	8 686
- settlement of exercised options	-	-	-	-	-	-
Equity as at 31 December 2004	**114 853**	**1 192 304**	**765 617**	**(228 029)**	**62 656**	**1 907 401**

Changes in equity from 1 January 2004 to 30 Septemebr 2004

	Equity atributable to the Company's equity holders				Minority interest	Total
	Share capital	Supplementary capital	Other capital	Retained earnings		
Equity as at 1 January 2004	**91 882**	**657 157**	**751 418**	**62 024**	**111 594**	**1 674 075**
- reclassification to book value through profit and loss account	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-
- adjustment of errors	-	-	-	-	-	-
Adjusted equity as at 1 January 2004	**91 882**	**657 157**	**751 418**	**62 024**	**111 594**	**1 674 075**
Net change in available investments for sale, net of tax	-	-	10 050	-	-	10 050
Net change in cash flow hedges, net of tax	-	-	4 394	-	4 394	8 788
Currency translation differences	-	-	(5 005)	-	(3 452)	(8 457)
Net profit not recognised in income statement	**-**	**-**	**9 439**	**-**	**942**	**10 381**
Net profit (loss)	**-**	**-**	**-**	**113 901**	**20 423**	**134 324**
Total profit recognised in current year	**-**	**-**	**9 439**	**113 901**	**21 365**	**144 705**
Dividends paid	-	-	-	-	(1 693)	(1 693)
Transfer to General Banking Risk Fund	-	-	1 595	(1 595)	-	-
Transfer to supplementary capital	-	-	2 025	(2 025)	-	-
Transfer to reserve capital	-	3 429	-	(3 429)	-	-
Loss coverage with reserve capital	-	-	(702)	702	-	-
Loss coverage with supplementary capital	-	-	-	-	-	-
Issue of shares	22 971	-	-	-	-	22 971
Redemption of shares	-	-	-	-	-	-
Purchase/sale of own shares	-	-	-	-	-	-
Agio	-	526 845	-	-	-	526 845
Issue expenses	-	-	-	-	-	-
Additional shareholder payments	-	-	-	-	-	-
Sale of fixed assets	-	-	-	-	-	-
Change in the scope of consolidation	-	-	-	-	(69 712)	(69 712)
Increase of share in consolidated company	-	-	-	-	-	-
Other changes	-	(6)	(1 785)	(3 974)	(2 257)	(8 022)
Stock options program for employees	-	-	6 515	-	-	6 515
- value of services provided by the employees	-	-	6 515	-	-	6 515
- settlement of exercised options	-	-	-	-	-	-
Equity as at 30 September 2004	**114 853**	**1 187 425**	**768 505**	**165 604**	**59 297**	**2 295 684**

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement from 1 January 2005 to 30 September 2005 and from 1 January 2004 to 30 September 2004

	from 01-01-2005 to 30-09-2005	from 01-01-2004 to 30-09-2004
A. Cash flow from operating activities - indirect method	**(577 054)**	**(1 908 823)**
Profit before income tax	**273 470**	**175 877**
Adjustments:	***(850 524)***	***(2 084 700)***
Income taxes paid (negative amount)	(56 837)	(14 827)
Amortisation	95 892	103 755
Foreign exchange gains (losses)	(100 618)	(86 884)
Gains (losses) on investing activities	(86)	(42 439)
Impairment of financial assets	612	25 227
Dividends received	(21 151)	(4 690)
Interest paid	502 937	544 861
Change in loans and advances to banks	(457 547)	(1 916 160)
Change in trading securities	(372 190)	(1 155 347)
Change in derivative financial instruments	290 460	414 879
Change in other financial instruments at fair value	(74 673)	-
Change in loans and advances to customers	(1 659 254)	74 054
Change in investment securities	(314 693)	(43 476)
Change in other assets	12 233	(740 610)
Change in amounts due to other banks	(24 876)	(90 428)
Change in other deposits	-	-
Change in financial instruments and other trading liabilities	(103 284)	(372 120)
Change in amounts due to customers	1 635 704	624 979
Change in debt securities in issue	(343 330)	443 683
Change in provisions	(4 723)	(3 903)
Change in other liabilities	144 900	154 746
Net cash from operating activities	**(577 054)**	**(1 908 823)**
B.Cash flows from investing activities	**(71 604)**	**101 291**
Investing activity inflows	**74 919**	**357 397**
Disposal of shares in associates	-	-
Disposal of shares in subsidiaries, net of cash disposed	14 230	264 819
Proceeds from sale of intangible assets and tangible fixed assets	3 197	92 578
Other investing inflows	57 492	-
Investing activity outflows	**146 523**	**256 106**
Acquisition of associates	-	-
Acquisition of subsidiaries, net of cash acquired	11 123	145 527
Purchase of intangible assets and tangible fixed assets	81 491	96 484
Other investing outflows	53 909	14 095
Net cash used in investing activities	**(71 604)**	**101 291**
C. Cash flows from financing activities	**263 962**	**553 500**
Financing activity inflows	**2 587 859**	**1 140 052**
Proceeds from loans and advances from other banks	757 558	427 626
Proceeds from other loans and advances	131 631	-
Issue of debt securities	1 279 371	162 610
Increase of subordinated liabilities	405 830	-

Issue of ordinary shares	13 469	549 816
Sale of own shares	-	-
Other financing inflows	-	-
Financing activity outflows	**2 323 897**	**586 552**
Repayments of loans and advances from other banks	869 410	416 530
Repayments of other loans and advances	-	-
Redemption of debt securities	1 268 820	57 485
Decrease of subordinated liabilities	-	-
Other financial liabilities	18 905	-
Dividends and other payments to shareholders	-	-
Other than payments to shareholders expenditures due to appropriation of profit	-	-
Purchase of own shares	-	-
Other financing outflows	166 762	112 537
Net cash from financing activities	**263 962**	**553 500**
Net increase / decrease in cash and cash equivalents (A+B+C)	**(384 696)**	**(1 254 032)**
Cash and cash equivalents at the beginning of the reporting period	**10 047 287**	**8 103 497**
Cash and cash equivalents at the end of the reporting period	**9 662 591**	**6 849 465**

Consolidated Off-Balance-Sheet Items

Off-Balance-Sheet Items as at 30 September 2005, 31 December 2004 and 30 September 2004

	30.09.2005	31.12.2004	30.09.2004
Contingent liabilities granted and received	**9 227 116**	**10 801 668**	**9 606 527**
Liabilities granted	***8 124 577***	***10 365 621***	***9 144 652***
- financing	6 485 793	6 186 717	5 280 153
- guarantees	1 638 784	4 178 904	3 864 499
Liabilities received	***1 102 539***	***436 047***	***461 875***
- financing	613 522	37 070	39 660
- guarantees	489 017	398 977	422 215
Liabilities arising from purchase/sale operations	**430 842 182**	**223 452 709**	**216 722 941**
Other liabilities	**1 079 803**	**1 133 670**	**1 088 281**
- factoring receivables	651 302	688 057	526 047
- factoring liabilities	126 707	131 477	169 541
- other	301 794	314 136	392 693
Total off-balance sheet items	**441 149 101**	**235 388 047**	**227 417 749**

BRE Bank SA Stand Alone Financial Statements

1. Profit and Loss Account

Profit and Loss Account from 1 January 2005 to 30 September 2005 and from 1 January 2004 to 30 September 2004

	III Quarter (curent year) from 01-07-2005 to 30-09-2005	III Quarters cumulative (current year) from 01-01-2005 to 30-09-2005	III Quarter (previous year) from 01-07-2004 to 30-09-2004	III Quarters cumulative (previous year) from 01-01-2004 to 30-09-2004
Interest income	316 794	1 007 243	267 019	751 744
Interest expense	(194 119)	(608 753)	(177 276)	(515 121)
Net interest income	**122 675**	**398 490**	**89 743**	**236 623**
Fee and commission income	85 976	240 843	80 011	235 621
Fee and commission expense	(23 861)	(67 254)	(19 915)	(68 874)
Net fee and commission income	**62 115**	**173 589**	**60 096**	**166 747**
Dividend income	(22)	36 853	209	22 739
Net trading income	64 831	169 191	58 023	152 281
Gains less losses from investment securities	(1)	1 907	(17 449)	8 681
Other operating income	18 520	32 710	19 381	316 007
Impairment losses from investment securities	(30 001)	(25 152)	2 545	(69 057)
Overhead costs	(139 996)	(451 833)	(135 053)	(372 538)
Amortization	(29 703)	(86 657)	(29 565)	(89 658)
Other operating expenses	(15 488)	(31 144)	(14 841)	(269 421)
Operating profit	**52 930**	**217 954**	**33 089**	**102 404**
Profit before income tax	**52 930**	**217 954**	**33 089**	**102 404**
Income tax expense	(11 109)	(41 896)	(7 030)	(13 724)
Net profit (loss)	**41 821**	**176 058**	**26 059**	**88 680**
Net profit (loss) (for 12 months)	**(229 504)**		**18 606**	
Weighted average number of ordinary shares	**28 725 491**		**24 406 156**	
Earnings per 1 ordinary share (in PLN per share)	**(7,99)**		**0,76**	
Weighted average number of ordinary shares for diluted earnings	**28 815 296**		**24 421 732**	
Diluted earnings per 1 ordinary share (in PLN per share)	**(7,96)**		**0,76**	

2. Balance Sheet

Balance Sheet as at 30 September 2005, 31 December 2004 and 30 September 2004

	30.09.2005	31.12.2004	30.09.2004
ASSETS			
Cash and balances with Central Bank	1 028 833	734 608	471 936
Debt securities eligible for rediscounting at the Central Bank	36 368	52 832	56 264
Loans and advances to banks	6 978 219	6 839 644	5 697 851
Trading securities	2 507 071	2 390 684	2 346 027
Derivative financial instruments	1 506 364	1 796 824	1 272 883
Other financial instruments at fair value through profit or loss	74 660	-	-
Loans and advances to customers	13 449 991	11 704 573	11 789 743
Investment securities	773 941	473 363	555 863
- Available for sale	773 941	473 363	555 863
- Held to maturity	-	-	-
Pledged assets	1 695 033	1 781 725	1 890 260
Investments in subsidiaries	647 471	671 743	1 081 243
Investments in associated undertakings	826	826	978
Intangible assets	364 502	350 148	406 916
Tangible fixed assets	476 856	477 051	537 719
Deferred income tax assets	473 488	734 421	622 986
Other assets	186 354	434 599	403 844
Total assets	**30 199 977**	**28 443 041**	**27 134 513**
EQUITY AND LIABILITIES			
Amounts due to the Central Bank	-	-	-
Amounts due to other banks	3 499 975	3 457 310	3 534 324
Other deposits	-	-	-
Derivative financial instruments and other trading liabilities	1 515 438	1 613 462	1 268 433
Amounts due to customers	21 128 431	19 300 059	17 598 852
Debt securities in issue	91 191	407 792	618 951
Other borrowed funds	1 381 769	1 020 144	1 096 112
Other liabilities	241 680	143 865	268 265
Current income tax liabilities	1 298	-	1 294
Provisions for deferred income tax	366 925	672 580	537 869
Provisions	69 388	25 528	10 860
Total liabilities	**28 296 095**	**26 640 740**	**24 934 960**
Equity	**1 903 882**	**1 802 301**	**2 199 553**
Share capital	115 233	114 853	114 853
Supplementary capital	1 296 641	1 283 552	1 275 583
Retained earnings	(257 000)	(44 779)	(47 902)
Net profit (loss)	176 058	(316 882)	88 680
Other capital and reserves	572 950	765 557	768 339
Total equity	**1 903 882**	**1 802 301**	**2 199 553**
Total equity and liabilities	**30 199 977**	**28 443 041**	**27 134 513**
Capital adequacy ratio	**12,37**	**11,76**	**12,94**
Book value	**1 903 882**	**1 802 301**	**2 199 553**
Number of shares	**28 808 238**	**28 713 125**	**28 713 125**
Book value per share (in PLN)	**66,09**	**62,77**	**76,60**
Diluted number of shares	**28 898 043**	**28 750 436**	**28 728 701**
Diluted book value per share (in PLN)	**65,88**	**62,69**	**76,56**

3. Statements of changes in equity

Changes in equity from 1 January 2005 to 30 September 2005 (in PLN 000's)

	Equity				
	Share capital	**Supplementary capital**	**Other capital**	**Retained earnings**	**Total**
Equity as at 1 January 2005	**114 853**	**1 283 552**	**765 557**	**(361 661)**	**1 802 301**
- reclassification to book value through profit and loss account	-	-	-	-	-
- changes to accounting policies	-	-	-	(84 070)	(84 070)
- adjustment of errors	-	-	-	-	-
Adjusted equity as at 1 January 2005	**114 853**	**1 283 552**	**765 557**	**(445 731)**	**1 718 231**
Net change in investments available for sale, net of tax	-	-	(616)	-	(616)
Net change in cash flow hedges, net of tax	-	-	-	-	-
Currency translation differences	-	-	(2 255)	-	(2 255)
Net profit not recognised in income statement	**-**	**-**	**(2 871)**	**-**	**(2 871)**
Net profit (loss)	**-**	**-**	**-**	**176 058**	**176 058**
Total profit recognised in current year	**-**	**-**	**(2 871)**	**176 058**	**173 187**
Dividends paid	-	-	-	-	-
Transfer to General Banking Risk Fund	-	-	-	-	-
Transfer to supplementary capital	-	-	-	-	-
Transfer to reserve capital	-	-	-	-	-
Loss coverage with reserve capital	-	-	(188 757)	188 757	-
Loss coverage with supplementary capital	-	-	-	-	-
Issue of shares	380	-	-	-	380
Redemption of shares	-	-	-	-	-
Purchase/sale of own shares	-	-	-	-	-
Agio	-	8 765	-	-	8 765
Issue expenses	-	-	-	-	-
Additional shareholder payments	-	-	-	-	-
Sale of fixed assets	-	-	-	-	-
Change in the scope of consolidation	-	-	-	-	-
Increase of share in consolidated company	-	-	-	-	-
Other changes	-	-	-	(26)	(26)
Stock option program for employees	-	4 324	(979)	-	3 345
- value of services provided by the employees	-	-	(979)	-	(979)
- settlement of exercised options	-	4 324	-	-	4 324
Equity as at 30 września 2005	**115 233**	**1 296 641**	**572 950**	**(80 942)**	**1 903 882**

Changes in equity from 1 January 2004 to 31 December 2004 (in PLN 000's)

	Equity				Total
	Share capital	Supplementary capital	Other capital	Retained earnings	
Equity as at 1 January 2004	**91 882**	**748 739**	**757 092**	**(44 635)**	**1 553 078**
- reclassification to book value through profit and loss account	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-
- adjustment of errors	-	-	-	-	-
Adjusted equity as at 1 January 2004	**91 882**	**748 739**	**757 092**	**(44 635)**	**1 553 078**
Net change in investments available for sale, net of tax	-	-	7 842	-	7 842
Net change in cash flow hedges, net of tax	-	-	-	-	-
Currency translation differences	-	-	(1 929)	-	(1 929)
Net profit not recognised in income statement	**-**	**-**	**5 913**	**-**	**5 913**
Net profit (loss)	**-**	**-**	**-**	**(316 882)**	**(316 882)**
Total profit recognised in current year	**-**	**-**	**5 913**	**(316 882)**	**(310 969)**
Dividends paid	-	-	-	-	-
Transfer to General Banking Risk Fund	-	-	-	-	-
Transfer to supplementary capital	-	-	1 836	(1 836)	-
Transfer to reserve capital	-	-	-	-	-
Loss coverage with reserve capital	-	-	-	-	-
Loss coverage with supplementary capital	-	-	-	-	-
Issue of shares	22 971	-	-	-	22 971
Redemption of shares	-		-	-	-
Purchase/sale of own shares	-	-	-	-	-
Agio	-	528 321	-	-	528 321
Issue expenses	-	(1 477)	-	-	(1 477)
Additional shareholder payments	-	-	-	-	-
Sale of fixed assets	-	7 969	-	-	7 969
Change in the scope of consolidation	-	-	-	-	-
Increase of share in consolidated company	-	-	-	-	-
Other changes	-	-	(7 970)	1 692	(6 278)
Stock option program for employees	-	-	8 686	-	8 686
- value of services provided by the employees	-	-	8 686	-	8 686
- settlement of exercised options	-	-	-	-	-
Equity as at 31 December 2004	**114 853**	**1 283 552**	**765 557**	**(361 661)**	**1 802 301**

Changes in equity from 1 January 2004 to 30 September 2004 (in PLN 000's)

	Equity				Total
	Share capital	**Supplementary capital**	**Other capital**	**Retained earnings**	
Equity as at 1 January 2004	**91 882**	**748 739**	**757 092**	**(44 635)**	**1 553 078**
- reclassification to book value through profit and loss account	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-
- adjustment of errors	-	-	-	-	-
Adjusted equity as at 1 January 2004	**91 882**	**748 739**	**757 092**	**(44 635)**	**1 553 078**
Net change in investments available for sale, net of tax	-	-	7 492	-	7 492
Net change in cash flow hedges, net of tax	-	-	-	-	-
Currency translation differences	-	-	(4 596)	-	(4 596)
Net profit not recognised in income statement	**-**	**-**	**2 896**	**-**	**2 896**
Net profit (loss)	**-**	**-**	**-**	**88 680**	**88 680**
Total profit recognised in current year	**-**	**-**	**2 896**	**88 680**	**91 576**
Dividends paid	-	-	-	-	-
Transfer to General Banking Risk Fund	-	-	-	-	-
Transfer to supplementary capital	-	-	1 836	(1 836)	-
Transfer to reserve capital	-	-	-	-	-
Loss coverage with reserve capital	-	-	-	-	-
Loss coverage with supplementary capital	-	-	-	-	-
Issue of shares	22 971	-	-	-	22 971
Redemption of shares	-	-	-	-	-
Purchase/sale of own shares	-	-	-	-	-
Agio	-	526 844	-	-	526 844
Issue expenses	-	-	-	-	-
Additional shareholder payments	-	-	-	-	-
Sale of fixed assets	-	-	-	-	-
Change in the scope of consolidation	-	-	-	-	-
Increase of share in consolidated company	-	-	-	-	-
Other changes	-	-	-	(1 431)	(1 431)
Stock option program for employees	-	-	6 515	-	6 515
- value of services provided by the employees	-	-	6 515	-	6 515
- settlement of exercised options	-	-	-	-	-
Equity as at 30 September 2004	**114 853**	**1 275 583**	**768 339**	**40 778**	**2 199 553**

4. Cash Flow Statement

Cash Flow Statement from 1 January 2005 to 30 September 2005 and from 1 January 2004 to 30 September 2004

	od 01-01-2005 do 30-09-2005	od 01-01-2004 do 30-09-2004
A. Cash flow from operating activities - indirect method	**(788 342)**	**(1 785 636)**
Profit before income tax	**217 954**	**102 404**
Adjustments:	***(1 006 296)***	***(1 888 040)***
Income taxes paid (negative amount)	(39 587)	(12 652)
Amortisation	86 657	89 658
Foreign exchange gains (losses)	(100 425)	(83 927)
Gains (losses) on investing activities	-	(42 421)
Impairment of financial assets	612	25 227
Dividends received	(36 341)	(22 387)
Interest paid	481 374	494 537
Change in loans and advances to banks	(606 931)	(1 968 123)
Change in trading securities	(358 766)	(1 068 281)
Change in derivative financial instruments	290 460	428 623
Change in other financial instruments at fair value	(74 660)	-
Change in loans and advances to customers	(1 730 078)	444 401
Change in investment securities	(264 337)	(120 058)
Change in other assets	289 060	(535 360)
Change in amounts due to other banks	103 136	81 207
Change in other deposits	-	-
Change in financial instruments and other trading liabilities	(98 024)	(340 778)
Change in amounts due to customers	1 313 809	255 785
Change in debt securities in issue	(316 365)	365 127
Change in provisions	(9 276)	(2 963)
Change in other liabilities	63 386	124 345
Net cash from operating activities	**(788 342)**	**(1 785 636)**
B.Cash flows from investing activities	**(81 444)**	**129 054**
Investing activity inflows	**52 842**	**370 068**
Disposal of shares in associates	-	-
Disposal of shares in subsidiaries, net of cash disposed	14 230	-
Proceeds from sale of intangible assets and tangible fixed assets	2 271	263 218
Other investing inflows	36 341	106 850
Investing activity outflows	**134 286**	**241 014**
Acquisition of associates	-	-
Acquisition of subsidiaries, net of cash acquired	11 123	145 527
Purchase of intangible assets and tangible fixed assets	69 254	81 392
Other investing outflows	53 909	14 095
Net cash used in investing activities	**(81 444)**	**129 054**
C. Cash flows from financing activities	**437 672**	**396 106**
Financing activity inflows	**540 274**	**729 230**
Proceeds from loans and advances from other banks	-	90 888
Proceeds from other loans and advances	120 975	-
Issue of debt securities	-	88 526
Increase of subordinated liabilities	405 830	-

Issue of ordinary shares	13 469	549 816
Sale of own shares	-	-
Other financing inflows	-	-
Financing activity outflows	**102 602**	**333 124**
Repayments of loans and advances from other banks	2 517	49 831
Repayments of other loans and advances	26 791	221 080
Redemption of debt securities	-	-
Decrease of subordinated liabilities	-	-
Other financial liabilities	-	-
Dividends and other payments to shareholders	-	-
Other than payments to shareholders expenditures due to appropriation of profit	-	-
Purchase of own shares	-	-
Other financing outflows	73 294	62 213
Net cash from financing activities	**437 672**	**396 106**
Net increase / decrease in cash and cash equivalents (A+B+C)	**(432 114)**	**(1 260 476)**
Cash and cash equivalents at the beginning of the reporting period	**9 990 138**	**8 006 016**
Cash and cash equivalents at the end of the reporting period	**9 558 024**	**6 745 540**

5. Off-Balance-Sheet Items

Off-Balance-Sheet Items as at 30 September 2005, 31 December 2004 and 30 September 2004

	30.09.2005	**31.12.2004**	**30.09.2004**
Contingent liabilities granted and received	**11 268 090**	**10 801 668**	**9 606 527**
Liabilities granted	***10 835 352***	***10 365 621***	***9 144 652***
- financing	6 695 199	6 186 717	5 280 153
- guarantees	4 140 153	4 178 904	3 864 499
Liabilities received	***432 738***	***436 047***	***461 875***
- financing	87 211	37 070	39 660
- guarantees	345 527	398 977	422 215
Liabilities arising from purchase/sale operations	**430 843 203**	**223 452 709**	**241 227 073**
Other liabilities	**301 794**	**314 136**	**392 693**
Total off-balance sheet items	**442 413 087**	**234 568 513**	**251 226 293**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Information concerning the Group of BRE Bank SA

The Capital Holding Group of the BRE Bank SA (Capital Holding Group") consists of entities of the following nature in relation to the BRE Bank SA (the "Bank"):

- Strategic and infrastructural – shares and equity interests in companies supporting the different particular business lines of the BRE Bank SA (investment banking business, corporate banking, retail banking, asset management), as well as shares and equity interests in companies providing financial infrastructure or handling spheres that are complementary to the statutory scope of business of the BRE Bank SA. The formation or acquisition of these companies was intended to expand the range of services offered to the clients of the Bank;
- Long term – investments with an assumed high rate of return and an investment horizon of not less than 2 years; they also comprise equity investments placed in companies listed on the Warsaw Stock Exchange SA with anticipated duration of not less than 6 months, as well as investments in investment funds (National Investment Funds [NFI] and foreign closed end funds);
- other – company shares and equity interests acquired in exchange for receivables, in transactions resulting from composition and work out agreements with creditors, with the intention to recover a part or all claims to loan receivables and insolvent companies under liquidation or receivership.

The parent entity of the Group is the BRE Bank SA, which is a joint stock company registered in Poland.

The head office of the Bank is located in Warsaw at No 18 Senatorska Street.

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

As a result of adaptation to the requirements of the International Financial Reporting Standards (IFRS) the composition of the subsidiary companies subject to the application of the full consolidation method was modified. Since January 1, 2005, the full consolidation method has been applied to all the subsidiaries of the parent company regardless of the nature of the business of any such subsidiary, other than the entities acquired with the exclusive purpose of their disposal within the next 12 months, the omission of which would be of material significance for the consolidated financial statements.

At the date of 30 September 2005 the BRE Bank's Capital Holding Group covered by the consolidated financial statement comprised the following companies:

BRE Bank SA – the parent entity

Bank Rozwoju Eksportu S.A. (Export Development Bank) was established by Resolution of the Council of Ministers No 99, dated 20 June 1986. The Bank was registered pursuant to the legally valid decision of the District Court for the Capital City of Warsaw, XVI Business – Registry Department on 23 December 1986 in the Business Register under the number RHB 14036. The IXth Extraordinary Shareholders' Meeting on March 4, 1999 adopted the

resolution changing the Bank's name to BRE Bank SA ("Bank"). The new firm name of the Bank was entered in the Business Register on 23 March 1999.
On July 11, 2001, the District Court in Warsaw issued the decision on the entry of the Bank in the National Court Registry (KRS) under the number KRS 0000025237.
According to the Polish Classification of Business Activities, the Bank has the number 6512A "Other banking business".

According to the Stock Exchange Quotation, the Bank is classified as pertaining to the macro-sector "Finance", sector "Banks".

According to the Bank's By-Laws, the scope of its business consists of providing banking services and consulting-advisory services in financial matters, as well as the conduct of business activities within the scope described in its By-Laws. The Bank operates within the scope of corporate, investment and retail banking throughout the whole country.

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

The Bank has the capacity to open and maintain accounts with Polish and foreign banks, as well as having the right to possess foreign exchange assets and to trade with them.

Investment Banking:

Dom Inwestycyjny BRE Banku SA – subsidiary company.
BRE Corporate Finance S.A. – subsidiary company.
BRE International Finance BV and BRE Finance France S.A. – subsidiary companies.
TV-Tech Investment – subsidiary entity, a special purpose vehicle company
Tele-Tech Investment Sp. z o.o. – associate entity, a special purpose vehicle company
Garbary Sp. z o.o. (former Milenium Centem Sp. z o.o.)

Corporate Banking:

BRE Leasing Sp. z o.o. – subsidiary company.
Intermarket Group – subsidiary entity
Magyar Factor Rt. – subsidiary company
Transfinance a.s. – subsidiary company
Polfactor S.A. – subsidiary company

Asset Management:

Powszechne Towarzystwo Emerytalne Skarbiec-Emerytura SA – subsidiary company.
Skarbiec Asset Management Holding S.A. (SAMH) – subsidiary company.

Other:

BRE Locum – subsidiary company
Centrum Rozliczeń i Informacji CERI Sp. z o.o. – subsidiary company

A detailed description of the business of the BRE Bank SA Group companies is presented in the Notes to the Consolidated Financial Statement for H1 2005 published on 30 September 2005.

2. Description of important accounting policies

The most important accounting policies applied to the drafting of the present consolidated financial report are presented below. These principles were applied consistently over all of the presented periods, unless indicated otherwise.

2.1. Accounting basis

These Consolidated Financial Statements of the BRE Bank Group were prepared in compliance with the International Financial Reporting Standards (IFRS), according to the historical cost method, with due regard for the principles of valuation of available for sale financial assets, assets and liabilities measured at fair value through the profit and loss account, as well as all derivative contracts.

The presented report for Q3 2005 fulfils the requirements of the International Accounting Standard (IAS) 34 concerning mid-year financial statements.

Until 31 December 2004 the consolidated financial statements of the BRE Bank Group have been prepared in compliance with the Accounting Act dated at 29 September 1994 ("The Act" – full text – Dz.U. 2002 No 76 pos. 694). The Accounting Act is different in some areas from International Financial Reporting Standards (IFRS) accepted by the European Union. The comparative data of the Group at 30 September 2004 have been presented to adjust to International Financial Reporting Standards accepted by the European Union. The balance sheet and profit and loss effect of transition from Polish Accounting Standards to International Financial Reporting Standards is presented in Note 19.

The drafting of a financial report in compliance with IFRS requires the application of specific accounting estimates. It also requires the Management to apply its own judgment when applying the accounting policies adopted by the Company. The issues in relation to which a greater degree of judgment is required, more complex issues, or such issues which involve a significant degree of application of estimates or judgments for the purpose of the consolidated financial report are disclosed in Note No 3.

Any changes in accounting policies applied were introduced in compliance with the transition provisions of the respective standards. All the standards adopted by the Group require retrospective application, with the exception of the waivers listed below, which are allowed under IFRS 1:

- IAS 16 *Property, Plant and Equipment* – transactions consisting of the exchange of fixed tangible assets, which are recognised prospectively at fair value;
- IAS 21 *The Effects of Changes in Foreign Exchange Rates* – goodwill and fair value adjustments concerning the valuation of foreign subsidiaries are recognised prospectively;
- IAS 39 *Financial Instruments: Recognition and Measurement* – changes concerning the derecognition of financial assets are applied prospectively;

- IFRS 2 *Share-based Payment* – the standard is applied retrospectively with respect to all equity instruments recognised in the accounts after the date of 7 November 2002, which are still recognised in the accounts as at 1 January 2004;
- IFRS 3 *Business Combinations* – applied prospectively after 1 January 2004.

IFRS 3 must be adopted at the same time as IAS 36 *Impairment of Assets* and IAS 38 *Intangible Assets*.

The adoption of the above specified standards did not affect the balance of retained profits/(losses) of previous years as at 1 January 2004.

2.2. Consolidation

Subsidiary entities:
Subsidiaries comprise any entities (including special purpose vehicles), with respect to which the Group has the capacity to direct their financial and operating policy, which is usually combined with the possession of the majority of total voting rights in their governing bodies. When assessing whether the Group actually controls the given entity, the existence and impact of potential voting rights, which may be realised or exchanged at the given time, are considered. Subsidiary entities are subject to full consolidation from the date of acquisition of control over them by the Group. Their consolidation is discontinued from the date when control is not exercised any longer. The take-over of subsidiary companies by the Group is accounted for by the acquisition method of accounting. The cost of acquisition is determined as the fair value of the assets transferred, of issued equity instruments, and of liabilities incurred or assumed at the date of the exchange, increased by the direct expenses attached to the acquisition. Identifiable acquired assets or liabilities and contingent liabilities taken over as part of a business combination are initially measured at fair value at the date of acquisition, regardless of the value of possible minority interests. Any excess of the cost of acquisition over the fair value of the share of the Group in the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is lower than the fair value of the net assets of the acquired subsidiary, the difference is accounted for directly through the profit and loss account (see Note 2.13).

Transactions, settlements and unrealised profits on transactions between companies belonging to the Group are eliminated. Unrealised losses are also eliminated, unless there is evidence indicating the impairment of the transferred asset under the considered transaction. The accounting policies applied by the subsidiaries have been changed wherever necessary in order to assure their consistency with the accounting policies applied by the Group.

Subsidiary entities are consolidated for the period starting from the date of the actual take over of control over them by the Capital Holding Group, whereas their consolidation is discontinued from the date of their disposal.

Associate Companies:
Associates comprise all such entities upon which the Group exerts significant influence, but does not exercise control over them, which is usually combined with the possession of between 20% and 50% of the total number of voting rights in the governing bodies. Investments in associate companies are recorded by the equity method of accounting and are initially recognised at cost. An investment of the Group in associate entities comprises

goodwill (reduced by possible accumulated impairment loss write-offs), determined at the date of acquisition (see Note 2.13).

The share of the Group in the profits (losses) of associated companies since the date of acquisition is accounted for through the profit and loss account, whereas its share in changes in other equity items since the date of acquisition – under other capital. The carrying amount of the investment is adjusted by the total changes of different items of capital after the date of their acquisition. When the share of the Group in the losses of an associate company becomes equal or greater than the share of the Group in that associate entity, possibly covering receivables other than secured claims, the Group discontinues the recognition of any further losses, unless it has assumed obligations or has settled payments on behalf of the respective associate entity.

Unrealised profits on transactions between the Group and its associate companies are eliminated in proportion to the Group's interest in the respective associate entity. Unrealised losses are also eliminated, unless the transaction involves evidence indicating the impairment of the transferred asset. The accounting policies applied by the associated entities have been adjusted, wherever necessary, to assure consistency with the accounting principles applied by the Group.

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

The consolidated financial statements of the Bank covers the following companies:

Company name	Share of voting rights (direct and indirect)	Consolidation method
Dom Inwestycyjny BRE Banku SA	100%	Full consolidation
BRE Leasing Sp. z o.o.	50.004%	Full consolidation
PTE - Skarbiec Emerytura SA	100%	Full consolidation
Skarbiec Asset Management Holding SA	100%	Full consolidation
BRE Corporate Finance SA	100%	Full consolidation
Polfactor SA	77.42%	Full consolidation
Tele-Tech Investment Sp. z o.o	24%	Full consolidation
BRE International Finance	100%	Full consolidation
Intermarket Bank AG	54.84%	Full consolidation
Transfinance a.s.	77.42%	Full consolidation
Magyar Factor Rt.	77.42%	Full consolidation
BRE Finance France SA	99.97%	Full consolidation
TV-TECH Investment 1 Sp. z o.o.	100%	Full consolidation
CERI Sp. z o.o.	100%	Full consolidation
BRE.locum	61.99%	Full consolidation
Garbary Sp. z o.o.	100%	Full consolidation

2.3. Interest income and interest expenses

All interest proceeds linked with financial instruments valued at amortised cost using the effective interest rate method are recognised in the profit and loss account.

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

At the time of recognition of an impairment loss on a financial asset or a group of similar financial assets, the proceeds on account of interest are measured according to the interest rate at which the future cash flows were discounted for the purpose of valuation of impairment.

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

Interest income, including interest on loans, is recognised in the profit and loss account, and on the other side in the balance sheet as receivables from banks or from other customers.

Interest on doubtful receivables is subject to analysis similar to credit receivables analysis and in the appropriate part are recognised as income in the profit and loss account.

Interest on doubtful receivables, not previously recognised in the profit and loss account, is recognised as income partly on the basis of probability of their recovery and partly on the cash accounting basis, and recognised at the time of their receipt (in the remaining part). Capitalised interest is recorded in exactly the same way.

Interest income also comprises capital gains on the sale of bonds, and interest flows from IRS and CIRS, presented on a net basis.

2.4. Commission and fee income

Income on account of fees and commissions is basically recognised on the accrual basis, at the time of performance of the respective services. Fees charged for the opening of credit concerning loans which will most probably be indeed used are deferred (together with the respective direct costs) and recognised as adjustments of the effective interest rate charge on the loan. Fees on account of syndicated loans are recognised as income at the time of closing of the process of organisation of the respective syndicate, if the Group has not retained any part of the credit risk on its own account or has retained a part with the same effective interest rate as other participants. Commissions and fees on account of negotiation or participation in the negotiation of a transaction on behalf of a third party, such as the acquisition of shares or other securities, or the acquisition or disposal of an enterprise, are recognised at the time of realisation of the respective transaction. Fees on account of portfolio management and fees for management, consulting and other services are recorded on the basis of the respective contracts for the provision of services, usually pro rata to time. Fees for the management of the assets of investment funds are recognised on a straight-line basis over the period of performance of the respective services. The same principle is applied in the case of management of client assets, financial planning and custody services, which are furnished without interruption over a longer period.

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

2.5. Segment reporting

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

2.6. Financial assets

The Group classifies its financial assets to the following categories: financial assets valued at fair value through the profit and loss account; loans and receivables; held to maturity investments; and available for sale financial assets. The classification of investments is decided by the Management at the time of their initial recognition.

<u>Financial assets valued at fair value through the profit and loss account</u>
This category comprises two subcategories: financial assets destined for trading and financial assets designated at their initial recognition as financial assets measured at fair value recorded through the profit and loss account. A financial asset is classified in this category if it was acquired, above all, for the purpose of short-term resale or if it was classified in this category by the companies belonging to the Group. Derivative instruments are also classified as "destined for trading", unless they were designated for hedging.

Disposals of debt securities destined for trading are accounted for according to the FIFO method, which implies that the securities are derecognised successively proceeding from the papers acquired most early.

<u>Loans and receivables</u>
Loans and receivables consist of financial assets, not classified as derivative instruments, with determined or possible to determine payments, not listed on an active market. They arise when the Group supplies monetary assets, goods or services directly to the debtor, without any intention to introduce its receivable to trading.

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

In the case of sale by the Group of a part of assets held to maturity, which cannot be deemed immaterial, the held to maturity portfolio is frozen, and therewith all the assets of this category are reclassified to the available for sale category.
According to the policy of the Group, financial assets classified in this category are not maintained.

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

Transactions consisting of buying and selling of financial assets valued at fair value through the profit and loss account, held to their maturity date, and available for sale are recognised at the date of transaction – the date on which the Group will assume the obligation to buy or sell the respective asset. Loans are recognised at the time of disbursement of cash to the respective debtor. Financial assets are initially recognised at their fair value increased by the transaction costs, with the exception of financial assets measured at fair value through the profit and loss account. Financial assets are excluded from the balance sheet if the rights to receive cash flows on that account have expired or have been transferred and the Group has indeed transferred basically the entire risk and all the benefits arising from their possession.

Available for sale financial assets and financial assets measured at fair value through the profit and loss account are valued at the balance sheet date according to fair value. Loans and receivables, as well as investments held to maturity are measured at adjusted cost of acquisition (amortised cost), applying the effective interest rate method. Profits and losses resulting from changes in the fair value of “financial assets measured at fair value through the profit and loss account” are recognised in the profit and loss account in the period in which they arise. Gains and losses on account of variations of the fair value of available for sale financial assets are carried directly through equity until the derecognition of the respective financial asset in the balance sheet or until its impairment – at such time the aggregate net gain or loss previously recognised in equity is now posted to the profit and loss account. However, interest accruing at the effective interest rate is recognised in the profit and loss account. Dividends from equity instruments available for sale are recognised in the profit and loss account at the time of establishment of the entitlement of the entity to receive the payment.

The fair value of investments in listed instruments is a reflection of their present market value. If the market for a given financial asset is not an active one (and also in the case of securities that are not listed), the Group determines the fair value by applying valuation techniques. These comprise recently conducted transactions concluded according to normal market principles, reference to other instruments, discounted cash flow analysis, as well as valuation models for options and other valuation methods generally applied by market participants. Bonds listed on the CETO market or on the inter-bank market are valued at fair value.

2.7. Offsetting financial instruments

Financial assets and financial liabilities are offset and carried in the balance sheet at their net amounts if the legally enforceable right exists to mutually compensate the recognised amounts together with the intention to settle them in the net amount or to simultaneously realise the respective asset and to settle the respective liability.

2.8. Impairment of financial assets

Assets measured at amortised cost
At each balance sheet date, the Group estimates whether objective evidence exists indicating the impairment of any given financial asset or of any group of financial assets. The impairment of a financial asset or a group of financial assets and losses incurred on that account are considered only if objective indications exist pointing to the impairment of value in consequence of an event or events which occurred after the initial recognition of the respective asset ("impairment loss causing event"), and also if such an event (or events) impact future cash flows attached to the respective financial asset or group of financial assets that may be reliably estimated. Objective indications pointing to the impairment of a financial asset or a group of financial assets may consist of information obtained by the Group concerning the following events causing impairment losses:

(i) significant financial difficulties of an issuer or debtor;
(ii) default under a contract, e.g. failure to pay or delayed payment of interest or of the principal amount of a liability;
(iii) concessions granted by the Group to a debtor caused by the economic or legal aspects of such debtor's financial difficulties, which would not have been taken into account under different circumstances;
(iv) probability of insolvency or other financial reorganisation of the debtor;
(v) disappearance of the active market for the respective financial asset caused by financial difficulties; or
(vi) noticeable data indicating a tangible decrease of estimated future cash flows attached to a group of financial assets since the time of their initial recognition, even if such reduction cannot yet be assigned to particular items of the respective group of financial assets, including:
– unfavourable change of the condition of debtors in terms of their ability to pay; or
– economic conditions in the country or on the local market causing the impairment of assets belonging to the respective group.

The Group first assesses whether objective indications exist for the impairment of particular materially significant financial assets, and whether such evidence exists individually or jointly with respect to the assets which are individually immaterial. If the Group determines that for the given financial asset assessed individually there are no objective indications of its impairment (regardless of whether that particular item is material or not), the given asset is included in a group of financial assets featuring similar credit risk characteristics, which is subsequently collectively assessed in terms of its possible impairment. Financial assets which have been demonstrated to be impaired on the basis of individual analysis (for the first time or for a successive time) are not taken into the account in the collective assessment of possible impairment.

If objective evidence exists pointing to the impairment of loans and receivables or held to maturity investments recognised at amortised cost, the impairment amount is calculated as the difference between the carrying value in the balance sheet of the respective asset and the present value of estimated future cash flows (excluding future losses on account of unrecovered loans which have not yet been incurred) discounted by the effective interest rate originally applied to the respective financial asset. The carrying value of the asset is reduced through the revaluation account, and the resulting impairment loss is charged to the profit and loss account. If a loan or held to maturity investment bears a variable interest rate, then the discount rate applied in order to determine the amount of impairment is the current effective interest rate established in accordance with the respective contract.

The calculation of the present value of estimated future cash flows with respect to a secured item of financial assets takes into account the cash flows resulting from the take-over of the pledged security reduced by the costs of its acquisition and the costs of its sale, regardless of whether such take-over is probable or not.

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

Future cash flows concerning groups of financial assets assessed collectively in terms of their possible impairment are estimated on the basis of cash flows resulting from the respective contracts and historical parameters of losses incurred on account of assets featuring similar risk characteristics.

Historical parameters of such losses are adjusted on the basis of data collected from current observations in order to take into account the impact of current market factors which did not arise at the time covered by the historical observations, and in order to exclude the effects of such circumstances which occurred in the historical period but which do not arise presently.

For the purpose of calculation of the amount to be provisioned against balance sheet exposures analysed collectively, the probability of default (PD) method has been applied. Such PD values should allow already arisen losses to be identified and should cover only the period in which the losses arising at the date of establishment of impairment should crystallise.

Irrecoverable loans are written off to provisions against impairment of loans. Before any loan is written off, it is necessary to conduct all the required procedures and to determine the amount of the loss. In the event of recovery of a previously written off amount, the value of the loan impairment loss charge in the profit and loss account is reduced accordingly.

If in a subsequent period the impairment loss amount is reduced owing to an event arising after the time of impairment (e.g., improvement of the debtor's credit rating), then the previously recorded impairment loss written off is reversed by a corresponding adjustment of the revaluation account. The amount of the recognised reversal is recorded in the profit and loss account.

Assets measured at fair value through the profit and loss account
At each balance sheet date the Group estimates whether objective evidence exists pointing to the impairment of any given financial asset or a group of financial assets. In the case of equity instruments classified as available for sale investments, when assessing whether any possible impairment has taken place, i.a., a significant or long-lasting decrease in the fair value of the security below its cost of acquisition is taken into account. If such kind of evidence concerning available for sale financial assets exists, the total loss – determined as the difference between the cost of acquisition and the current fair value, reduced by the impairment of the respective asset previously recognised in the profit and loss account – is derecognised from equity and recorded in the profit and loss account. Impairment losses concerning equity instruments recorded in the profit and loss account are not reversed through the profit and loss account, but through equity. If at a later time the fair value of a debt instrument classified as available for sale should increase, and such increase can be objectively attributed to an event arising after the recording of the impairment loss in the profit and loss account, then the respective impairment loss is reversed in the profit and loss account.

2.9. Cash and cash equivalents

Cash and cash equivalents comprise items with maturities of up to three months from the date of their acquisition, including: cash in hand and cash held at the Central Bank with unlimited availability for disposal, Treasury bills and other qualifying bills, credits and loans granted to other banks, receivables due from other banks, and short-term securities issued by the State Treasury.
Bills of exchange eligible for rediscounting with the Central Bank comprise PLN bills of exchange with maturities of up to three months.

2.10. Sell-buy-back contracts

Repo and reverse-repo transactions are defined as operations consisting of the sale or purchase of securities with an attached granted promise to buy them back or sell them back at an agreed time, at an agreed price.
Repos (securities sold with the attached conclusion of the respective repurchase contract) are reclassified in the financial statement as pledged assets if the entity receiving them possesses the contractual or customary right to their sale or repeated pledge as collateral security. The liability toward the counterparty is recognised as an item of liabilities toward other banks, deposits of other banks, other deposits or liabilities with respect to clients on account of deposits, depending on its nature. Reverse repos (securities purchased together with the promise of their subsequent resale) are recognised as credits and loans granted to other banks or other clients, depending on their nature.
When entering into repo and reverse repo transactions, the BRE Bank Group sells or buys securities with attached promises of repurchase or resale at an agreed date and at an agreed contractual price. Such transactions are presented in the balance sheet as financial assets held for trading or as investment financial assets, and also as liabilities in the case of "sell-buy-back" transactions and as receivables in the case of "buy-sell-back" transactions.
Securities borrowed by the Group are not recognised on the face of the financial statement. In this case, the buying or selling transactions are carried in the financial report, whereas the gains or losses on account of such transactions are recognised in the result (profit/loss) on

trading operations. The obligation to return the borrowed securities is recorded at fair value as a liability held for trading.

2.11. Derivative financial instruments and hedging accounting

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

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

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

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

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

<u>Fair value hedges</u>
Variations in the fair value of derivative instruments designated and qualifying as fair value hedges are recognised in the profit and loss account together with their corresponding changes of the fair value of the hedged item of assets or liabilities with respect to the risk against which the Group is hedging.

In the case when the hedge has ceased to fulfil the criteria of hedging accounting, the adjustment of the carrying value of the hedged item measured according to the effective interest rate is accounted for over the period remaining until the maturity date through the profit and loss account. The adjustment of the balance sheet value of the hedged equity instrument is recognised in the accumulated profit or loss until the time of disposal of such a security.

Cash flow hedges

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

The amounts recognised in equity are transferred to the profit and loss account and recognised as income or cost of the same period in which the hedged item will affect the profit and loss account (e.g., at the time of conclusion of the anticipated sale transaction which was the object of the hedge).

In the case when the hedging instrument has expired or has been sold, or when the hedge has ceased to fulfil the criteria of hedging accounting, any aggregate gains or losses recognised at such time in equity remain in equity until the time of recognition in the profit and loss account of the anticipated transaction. If the conclusion of the anticipated transaction is not deemed probable any longer, the aggregate gains or losses recorded in equity are immediately transferred to the profit and loss account.

Derivative instruments not fulfilling the criteria of hedging accounting

Some derivative instruments do not fulfil the criteria of hedging accounting. Changes of the fair value of derivative instruments that do not meet the criteria of hedging accounting are recognised in the profit and loss account of the current period.
The Bank possesses the following derivative instruments in its portfolio:

Market risk instruments:

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

Interest rate risk instruments:

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

Foreign exchange risk instruments:

a) Forward foreign exchange transactions, fx swap, fx forward
b) Foreign currency options

2.12. Loans and advances

Loans and advances are initially recognised at fair value reduced by the incurred transaction costs. After the initial recognition, loans and advances are recorded at adjusted cost of acquisition (amortised cost). Any differences between the amount received (reduced by transaction costs) and the redemption value are recognised in the profit and loss account over the period of duration of the respective agreements according to the effective interest rate method. Specific provisions against loans and advances are formed on the basis of the estimated impairment of the respective receivables in the amount of the difference between the anticipated present value of future cash flows connected with the repayment of the receivables or the acquisition of the collateral security and the carrying balance sheet amount shown in the books of accounts.

2.13. Intangible assets

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

Goodwill
Goodwill consists of the surplus of the cost of acquisition over the fair value of the Group's share of identifiable net assets of the acquired subsidiary/associated company at the date of acquisition. Goodwill arising on acquisition of subsidiaries is recognised as an item of intangible assets. Goodwill arising on acquisition of associate companies is recognised as investment in associate entities. Goodwill is not amortised, but it is tested annually to establish its possible impairment, and it is carried in the balance sheet at cost reduced by accumulated impairment loss write-offs. Profits and losses on the disposal of such entities take account of the goodwill carried in the balance sheet attached to the entity disposed of.

In order to conduct the test to establish possible impairment, goodwill is allocated to cash flow generating units. Each cash flow generating unit corresponds to the investments of the Group classified by basic reporting business segments.

Computer software
Purchased computer software licences are capitalised in the amount of costs incurred for the purchase and adaptation for use of specific computer software. The capitalised costs are written off over the estimated useful life of the software (2-5 years). Costs attached to the development or maintenance of computer software are expensed when incurred. Costs directly linked to the development of identifiable and unique proprietary computer programmes controlled by the Group, which are likely to generate economic benefits in excess of such costs expected to be gained over a period exceeding one year, are recognised as intangible assets. Direct costs comprise personnel expenses attached to the development of software and the corresponding part of the respective general overhead costs.
Capitalised costs attached to the development of software are amortised over the period of their estimated useful life.
Computer software directly connected with the functioning of specific information technology hardware is recognised under the item of "Tangible fixed assets".

2.14. Tangible fixed assets

Land and buildings consist mainly of branch outlets and offices. Tangible fixed assets are carried at historical cost reduced by depreciation. Historical cost takes into the account the expenses directly attached to the acquisition of the respective assets.

Subsequent outlays are included in the carrying value of the respective fixed asset on the face of the balance sheet or are recognised as a separate tangible asset (where appropriate) only where it is probable that the respective item will result in the inflow of economic benefits to the Group and the cost of the respective item may be reliably measured.
Any other expenses incurred on repairs and maintenance are expensed to the profit and loss account in the reporting period in which they were incurred.

Fixed assets designated for liquidation or decommissioning are measured at net book value or at net realisable value, depending on which value is lower: the difference arising on this account is recognised under the item of "Other operating profits/losses".

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

– Buildings and built up structures	25-40 years,
– Technical plant and machinery	8-17 years,
– Transport vehicles	5 years,
– Information technology hardware	3 years,
– Investments in third party (leased) fixed assets	10-40 years or the period of the lease contract, if it is shorter than 25 years
– Office equipment, furniture	5-7 years.

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

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

Gains and losses on account of the disposal of fixed assets are determined by comparing the proceeds from their sale against their carrying value in the balance sheet and they are recognised in the profit and loss account.

2.15. Deferred corporate income tax

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

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

Deferred income tax assets are recognised in the books of accounts at their realisable value. If the forecast amount of income determined for tax purposes does not allow the realisation of the asset on account of deferred income tax in full or in part, such an asset is recognised to the respective amount, accordingly. The above described principle also applies to tax losses recorded as part of the deferred tax asset.
The Bank presents the deferred tax assets and provisions separately in the balance sheet. Such assets and provisions may be netted against each other if the Bank possesses the legal rights allowing it to simultaneously account for them when calculating the amount of the tax liability.

The Bank discloses separately the amount of negative temporary differences (mainly on account of unrecognised tax losses or unutilised tax allowances) in connection with which the deferred tax asset was not recognised in the balance sheet, and also the amount of temporary differences attached to investments in subsidiary and associated companies for which no deferred tax provision has been formed.

The Bank does not include in the deferred tax calculation any liability or asset on account of temporary differences arising in connection with investment in subsidiary or associated companies unless, based on the available evidence, the realisation of such temporary differences is subject to control by the Group and it is probable that in the foreseeable future the respective differences will be reversed.

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

2.16. Assets taken over in exchange for debts

Assets taken over in exchange for debts are measured at fair value. The difference between the debt amount and the value of assets acquired that is lower than the amount of the debt is charged to a specific provision formed on such account or written off and charged to the revaluation of such assets owing to their impairment. In the case when the fair value of acquired assets is higher than the debt amount, the difference constitutes a liability toward the debtor.

2.17. Accruals and deferred income

Cost accruals are recorded if the respective expenses concern the months succeeding the month in which they were incurred. Any negative provision for deferred corporate income tax is also recorded under accruals. Costs and income of future periods are accounted for on the face of the balance sheet under the item of “Other assets”.

Deferred liabilities include costs of supplies delivered to the Company but not yet resulting in its payable liabilities. Income of future periods includes, i.a., received amounts of future benefits. Deferred liabilities of future periods and income attributable to future periods are carried in the balance sheet under the item of “Other liabilities”.

2.18. Leasing

BRE Bank SA Group as a Lessor

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

BRE Bank SA Group as a Lessee

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

2.19. Provisions

The value of provisions for contingent liabilities such as unutilised guarantees and (own) letters of credit, as well as for unutilised irreversible unconditionally granted credit limits, is measured in compliance with IAS 37 “Provisions, contingent liabilities and contingent assets”.

2.20. Jubelee and Retirement Benefits and Other Employee Benefits

Jubelee and Retirement Benefits

The Group forms provisions against future liabilities on account of retirement benefits and length-of-service bonuses ("jubilee bonus") determined on the basis of an estimation of liabilities of that type, using an actuarial model. All provisions formed are charged to the Profit and Loss Account.

Benefits Based on Shares

The Group runs a programme of employee remuneration based on and settled in shares. These benefits are accounted for in compliance with IFRS 2 *Share-based Payment*. The fair value of the work performed by employees in return for options granted increases the costs of the respective period, corresponding to equity. The total amount which needs to be expensed over the period when the outstanding rights of the employees for their options to become exercisable are vested is determined on the basis of the fair value of the granted options. In accordance with IFRS 2, that value does not change over the term of the programme, i.e., the initial fair value recognised at the date of granting of options is not subject to any changes over the term.

2.21. Equity

Equity consists of capital and funds created in compliance with the respective provisions of the law, i.e., the appropriate legislative acts, the Company by-laws, or a founding deed.

Share capital

a) Share Issue Costs

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

b) Dividends

Dividends for the given year, which have been declared after the Balance Sheet date, are shown under the liabilities on account of dividends payable under the item of "Other liabilities".

c) Own Shares

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

Share capital is presented at its nominal value, in accordance with the Bylaws and with the entry in the business register.

Supplementary capital

Supplementary capital is formed from deductions from profit or from the share premium obtained from the issue of shares reduced by the attached direct costs incurred with that issue.

Other capital and reserves

Other capital and reserves are formed from deductions from profits and are assigned to purposes specified in the by-laws or other provisions of the law. Other capital and reserves includes revaluation reserves arising on revaluation of fixed assets and of available for sale financial assets, the general banking risk fund, the fund assigned for the brokerage business, as well as other reserves. Revaluation reserves arising from revaluation of fixed assets conducted in previous years pursuant to separate specific regulations are transferred to supplementary capital at the time of decommissioning of the respective fixed asset (sale, donation, liquidation or recognition as a defect loss).

Hyperinflationary restatement of equity

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

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

The Management Board has carried out an analysis to estimate the value of such adjustment, which demonstrated that the disclosure of the adjustment will result in a growth of the share and supplementary capital and in a corresponding decrease in the retained profit by PLN 44,183,000, PLN 63,036,000, and PLN 107,219,000, respectively.

Because the effect of the restatement:

- Represents 5.45% of the owners' equity of the Group;
- Consists of re-allocation of funds between various items of the owners' equity, which has no effect on the equity as a whole;
- Has no effect on the presented financial data;

the Management Board of the Bank believes that such restatement will have no material effect on the accuracy and fairness of the presentation of the Bank's financial position as at, and for the period ended on, 30 September 2005.

2.22. Measurement of items expressed in foreign currency

Functional currency and presentation currency

The items contained in financial reports of particular entities of the Group are valued in the currency of the basic economic environment in which the given entity conducts its business activities (“functional currency”). The consolidated financial statement is drafted in PLN, which is the functional currency and the currency in which Company presents its accounts.

Transactions and balances

Transactions denominated in foreign currency are converted to the functional currency at the exchange rate in force at the transaction date. Foreign exchange gains and losses on such transactions as well as on balance sheet valuation of monetary assets and liabilities denominated in foreign currency are recognised in the profit and loss account.

Foreign exchange differences arising on account of non-monetary items, such as financial assets measured at fair value through the profit and loss account, are recognised under gains or losses arising in connection with changes of fair value. Foreign exchange differences on account of such non-monetary assets as equity instruments classified as available for sale financial assets are recognised under equity arising on revaluation at fair value.

Companies belonging to the Group

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

(i) assets and liabilities in each presented balance sheet are converted at the mid rate of exchange of the National Bank of Poland (NBP) in force at the balance sheet date;

(ii) revenues and expenses in each profit and loss account are converted at the mid rate of exchange of the NBP at the same balance sheet date; whereas

(iii) all resulting foreign exchange differences are recognised as a distinct item of equity.

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

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

Leasing

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

In the case of financial lease agreements, however, the foreign exchange differences arising from the valuation of leasing payments due as well as of liabilities denominated in foreign currency are recognised through the profit and loss account at the time of valuation. Future receivables on account of leasing payments denominated in foreign currency are not presented on the face of the financial reports, but off-balance sheet. If such foreign currency flows are recognised in keeping with their correspondence principle, the same principle of correspondence of revenues and costs is applied in the profit and loss account.

2.23. Custody services business

BRE Bank S.A. operates a custody business including domestic and foreign securities and services provided to investment and pension funds.

Dom Inwestycyjny BRE Banku S.A. operates a custody business in connection with the handling of securities accounts of the clients.

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

Other companies belonging to the Capital Holding Group do not conduct any custody business operations.

2.24. Comparative data

The comparative data have been adjusted so as to account for the changes in presentation introduced in the current financial year.

3. Major estimates and judgments made in connection with the application of accounting policy principles

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

Impairment of loans and advances

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

Fair value of derivative instruments

The fair value of financial instruments not listed on active markets is determined by applying valuation techniques. All the models are approved prior to being applied and they are also calibrated in order to assure that the obtained results indeed reflect the actual data and comparable market prices. As far as possible, the models applied resort exclusively to observable data, originating from an active market.

Impairment of available for sale equity instruments

Impairment is regarded to occur if over a period of at least three months the listed price of the given security continues to be lower than the cost of its acquisition, the transfer by the issuer within the period of one year of a loss not covered by its own equity capital, as well as the occurrence of other facts and circumstances providing indications of the impairment of value. Increase of value is regarded to occur if over a period of at least three months the listed price of a given security remains at a higher level than its most recent valuation as well the existence of other facts and circumstances indicating the increase of value. Improvement of value is established according to the value presented in the last day of the three-month period, but not any higher than the cost of acquisition.

Impairment of available for sale financial debt instruments

Impairment and increase in value of available for sale financial debt instruments is determined at the date of valuation, i.e. the balance sheet date, separately for each category of debt security. Impairment is recognised, if over a period of at least three months the listed price of the given security persists at a level lower than its cost of acquisition, if the issuer incurs a loss not covered by his equity capital over a period of one year or in the event of other circumstances indicating impairment. Value is deemed to have increased if over a period of at least three successive months the listed price of a security has been higher than its previous valuation or, if other circumstance indicating such an increase persist over such a period. An increase in value is determined according to the value recognised on the last day of the three month period, but it cannot be higher than the cost of acquisition.

4. Business segments

The classification by business segments is based on the internal organisational structure of the BRE Bank SA Capital Group. This implies that the business segments were distinguished by attributing to them the business activities conducted by operating units of BRE Bank SA and by the companies of its Capital Group.

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

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

2) Investment banking, including dealing in financial instruments, financing of a structural nature, leasing services for enterprises, consulting concerning mergers and acquisitions, as well as consulting services on corporate restructuring and the implementation of all forms of privatisation of enterprises, and offerings of securities admitted to public trading, acquisition and sale of securities in own name but on the account of clients, safekeeping of securities in custody, acquisition and sale of securities in own name and on proprietary account, management of portfolios of securities entrusted by clients.

The Bank is a money market participant both in transactions concluded on the inter-bank market and with non-bank clients. This line of business also comprises transactions in securities such as Treasury bills and bonds, monetary bills of the National Bank of Poland, investment-deposit and FX SWAP transactions. The Bank is also a participant of the securities market, focusing on operations consisting of buying and selling securities on the primary and secondary markets, as well as repo and reverse repo transactions on the inter-bank market. Moreover the Bank is engaged in sell buy back and buy sell back transactions on the inter-bank market and with Bank's clients. The Bank also offers financial instruments used in interest rate risk management, including forward rate agreements (FRA), interest rate swaps (IRS), interest rate options, as well as cross-currency interest rate swaps (CIRS).

The Bank manages issues of European purchase and sale warrants for stocks of WSE-listed companies and for various types of stock exchange indexes. Recently, the Bank has introduced a new product: investment deposit combining the benefits of time deposit and capital market investment.
Independently or in syndicates with other banks, the Bank enters into agreements concerning issues of debt securities (bonds, investment notes and certificates of deposit) and into agreements concerning financing of big scale projects in a form of loans.

Co-operation with local and international financial institutions (apart from transactions conducted through nostro and loro accounts) helps to raise loans on the international inter-bank market. Moreover, the Bank also has access to credit lines for the financing of imports and for refinancing of investment loans dedicated for small and medium-sized enterprises, drawn mainly from the funds of the European Investment Bank (EIB).

Investment banking includes the following companies: Dom Inwestycyjny BRE Banku SA, BRE Corporate Finance SA, BRE International Finance BV, BRE Finance France SA.

The Bank earns income from capital gains on its portfolio of proprietary investment including direct and indirect stakes (held via SPV – special-purpose vehicles) acquired with a view to high long-term yields. Apart from the specialised organisational unit of the Bank managing the long-term investment portfolio, the segment also comprises the activities of the companies Tele-Tech Investment Sp. z o.o. and TV-Tech Investment Sp. z o.o., whose core business is to invest in securities, to trade in debts, to manage controlled companies, and to provide consultancy. Proprietary investment also includes the results of the company Garbary Sp. z o.o.

3) Asset Management, including only the results of Skarbiec Asset Management Holding SA and PTE Skarbiec-Emerytura SA.

4) Corporate banking, including the keeping of current accounts, savings accounts and term deposits, FX products and derivative instruments, offering of investment products, credit cards and debit cards, business credit and consumer loans, mortgage loans, as well as finance and operating leasing of motor cars, machines, office equipment, leasing of real estate, as well as administration support of the leasing of the above indicated categories of fixed assets.

   The Bank's product offer in this business segment targets large firms, small and medium-sized enterprises, as well as local governments. A significant part of the activities in the corporate banking segment consists of services supporting foreign trade transactions. The Bank's offer addressed to businesses includes currency exchange, international transfers, cheques, collection of payments, short-term loans, as well as a whole range of financial tools, such as the purchasing of claims to receivables, forfeiting, letters of credit, bank guarantees, and others. Moreover, clients are offered financial instruments designed to hedge against foreign exchange risk exposure.

   Corporate banking includes the results of the following companies: BRE Leasing Sp. z o.o., Intermarket Factoring Bank AG, Polfactor SA, Transfinance a.s., and Magyar Factor Rt.

5) The remaining business of the Group includes results on transactions not classified as business areas and the results of the companies BRE Locum Sp. z o.o. and CERI Sp. z o.o.

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

   Funds are allocated to particular business segments, which results in funding cost transfers. Interest charged for these funds is based on the Group's cost capital and presented in operating income.

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

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

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

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

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

Business segment reporting on the activities of the BRE Bank Group
for the period from 01.01.2005 - 30.09.2005
(PLN'000)

	Retail Banking (including Private Banking)	Corporate Banking	Investment Banking	Asset Management	Other	Exclusions	Group
Net interest income	**148 719**	**227 389**	**129 928**	**(19 281)**	**(709)**	**(8 436)**	**477 611**
- sales to external clients	(41 511)	332 193	195 013	1 867	(1 516)	(8 436)	477 611
- sales to other segments	190 230	(104 804)	(65 085)	(21 148)	807	-	-
Net fee and commission income	**33 649**	**203 404**	**11 307**	**71 298**	**134**	**(8 664)**	**311 128**
- sales to external clients	34 250	192 393	21 717	71 298	134	(8 664)	311 128
- sales to other segments	(601)	11 011	(10 410)	-	-	-	-
Unallocated costs							-
Gross profit / (loss) of the segment	**18 312**	**146 805**	**117 146**	**(9 894)**	**1 329**	**(228)**	**273 470**
Profit / (loss) on operating acitivities							273 730
Contribution of profit / (loss) sharing in associated companies (before tax)	-	-	(6)	-	-	(254)	(260)
Gross profit (before tax)							273 470
Corporate income tax							(60 755)
Net profit (loss) including minority interest, of which:							212 715
Net profit (loss) attributable to minority interest							12 277
Net profit (after tax)							200 438
Asset of the segment	**4 049 583**	**12 221 309**	**18 632 756**	**774 995**	**1 181 266**	**(3 796 529)**	**33 063 379**
Unallocated assets							
Total assets							33 063 379
Segment's liabilities	**6 840 312**	**8 870 989**	**18 696 060**	**244 544**	**2 208 003**	**(3 796 529)**	**33 063 379**
Unallocated liabilities							
Total liabilities							33 063 379
Other items of the segment							
Expenditures incurred on fixed assets and intangible asstes	(42 858)	(54 293)	(17 253)	(2 424)	(4 269)	-	(121 097)
Amortisation/depreciation	(33 932)	(40 572)	(17 545)	(2 174)	(1 670)	-	(95 892)
Losses on credits and loans	(43 729)	(180 354)	(31 743)	-	-	-	(255 826)
Other cocts without cash outflows	-	(13)	(1 111 636)	(7)	(71)	(13 286)	(1 125 013)

Business segment reporting on the activities of the BRE Bank Group
for the period from 01.01.2004 - 30.09.2004
(PLN'000)

	Retail Banking (including Private Banking)	Corporate Banking	Investment Banking	Asset Management	Other	Exclusions	Group
Net interest income	**80 773**	**189 095**	**97 883**	**(17 212)**	**(2 460)**	**(3 154)**	**344 926**
- sales to external clients	(71 986)	338 656	86 511	725	(907)	-	352 999
- sales to other segments	152 759	(149 561)	11 372	(17 937)	(1 552)	(3 154)	(8 073)
Net fee and commission income	**20 515**	**204 400**	**9 521**	**72 958**	**900**	**(11 551)**	**296 743**
- sales to external clients	20 910	193 756	19 750	72 958	920	19	308 313
- sales to other segments	(395)	10 644	(10 229)	-	(20)	(11 570)	(11 570)
Unallocated costs							-
Gross profit / (loss) of the segment	**(26 171)**	**105 261**	**104 315**	**(11 697)**	**16 877**	**(12 707)**	**175 877**
Profit / (loss) on operating acitivities							176 345
Contribution of profit / (loss) sharing in	-	-	(26)	-	-	(442)	(468)
Gross profit (before tax)							175 877
Corporate income tax							(41 553)
Net profit (loss) including minority interest, of which:							134 324
Net profit (loss) attributable to minority interest							20 423
Net profit (after tax)							113 901
Asset of the segment	**2 621 902**	**13 464 638**	**16 728 793**	**1 009 777**	**1 435 624**	**(4 072 886)**	**31 187 848**
Unallocated assets							-
Total assets							31 187 848
Segment's liabilities	**5 609 361**	**10 029 174**	**16 595 008**	**242 495**	**2 784 696**	**(4 072 886)**	**31 187 848**
Unallocated liabilities							-
Total liabilities							31 187 848
Other items of the segment							
Expenditures incurred on fixed assets and intangible asstes							-
Amortisation/depreciation	(35 467)	(45 911)	(17 801)	(2 576)	(2 001)	-	(103 755)
Losses on credits and loans	(90 186)	(216 368)	(63 726)	-	-	-	(370 280)
Other cocts without cash outflows	-	(2 829)	(492 459)	-	-	-	(495 288)

5. Net interest income

	30-09-2005	30-09-2004
Interest income		
Cash and short-term investments	140 903	153 460
Investment securities	28 006	16 308
Loans and advances	825 523	707 560
Debt securities	168 212	101 614
Other	15 609	14 867
	1 178 253	**993 809**
Interest expense		
Arising from settlements with banks and customers	(544 276)	(519 012)
Arising from issue of debt securities	(76 028)	(69 881)
Other borrowed funds	(31 426)	(28 239)
Other	(48 912)	(31 751)
	(700 642)	**(648 883)**

6. Net fee and commission income

	30-09-2005	30-09-2004
Fee and commission income		
Credit related fees and commissions	68 698	88 942
Fees from brokerage activity	28 255	22 771
Fees from portfolio-management services and other management-related fees	59 744	64 706
Guaranties granted and trade finance commissions	25 787	24 814
Commissions from credit cards	53 002	34 634
Commissions from money transfers	44 992	37 541
Commissions from bank accounts	33 354	28 729
Other	81 358	77 844
	395 190	**379 981**
Fee and commission expense		
Brokerage fees	(7 526)	(7 054)
Credit cards related fees	(40 010)	(33 439)
Other fees	(36 526)	(42 764)
	(84 062)	**(83 257)**

7. Dividend income

	30-09-2005	30-09-2004
Trading securities	695	372
Securities available for sale	21 151	4 318
Dividend income, total	**21 846**	**4 690**

8. Net trading income

	30-09-2005	30-09-2004
Foreign exchange result	163 663	183 265
- foreign exchange differences from the translation (net)	318 045	229 970
- transaction gains less losses	(154 382)	(46 705)
Interest-bearing instruments	(3 173)	(19 517)
Equities	20 200	14 149
Market risk instruments	(6 493)	(2 025)
Total net trading income	**174 197**	**175 872**

9. Gains less losses from investment securities

	30-09-2005	30-09-2004
Sale / redemption of financial assets available for sale by issuer	11 422	30 573
Gains / (losses) from changes in fair value	1 239	12 124
Ipairment of available for sale equity instruments	(612)	-
Impairment of available for sale debt securities	-	(25 227)
Impairment of debt securities held to maturity	-	-
Total gains less losses from investment securities	**12 049**	**17 470**

10. Other operating income

	30-09-2005	30-09-2004
Sale or scrapping of tangible and intangible fixed assets and assets held for resale	15 545	277 533
Income from recovering uncollectible receivables	583	420
Income from compensation, penalties and fines received	1 487	1 961
Income due to release of provisions for future commitments	18 472	3 296
Donations received	277	1 800
Other	28 151	61 327
Total other operating income	**64 515**	**346 337**

11. Impairment losses on loans and advances

	30-09-2005	30-09-2004
Loans and advances to banks	-	-
Loans and advances to customers	(51 103)	(91 821)
Total impairment losses on loans and advances	**(51 103)**	**(91 821)**

12. Overhead costs

	30-09-2005	30-09-2004
Staff-related expenses (Note 12 A)	(295 856)	(248 615)
Material costs	(235 662)	(222 039)
Taxes and fees	(9 155)	(9 380)
Contributions and transfers to the Banking Guarantee Fund	(2 922)	(4 735)
Appropriation of profit to the Company Social Benefits Fund	(783)	(671)
Other	(45 614)	(40 809)
Total overhead costs	**(589 992)**	**(526 249)**

Staff-related expenses (12A)

	30-09-2005	30-09-2004
Wages and salaries	(239 013)	(187 130)
Social security expenses	(39 365)	(28 469)
Pension fund expenses	(540)	(1 062)
Salaries in form of share option program for employees	(3 345)	(6 515)
Other staff expenses	(13 593)	(25 439)
Staff-related expenses, total	**(295 856)**	**(248 615)**

13. Other operating expenses

	30-09-2005	30-09-2004
Costs of selling or scraping fixed assets, intangible assets and assets held for resale	(11 802)	(251 103)
Costs of provisions created in respect of permanent diminution in value of tangible and intangible assets	(835)	-
Costs of provisions created for other receivables (excluding loans and advances)	(10 082)	(1 313)
Costs borne due to receivables and liabilities written off and recognised as uncollectible	(1 686)	(47)
Compensation, penalties and fines paid	(12 857)	(250)
Donations made	(1 968)	(2 895)
Impairment losses on non-financial assets	-	-
Other, due to:	(11 399)	(32 241)
- provisions for future commitments	(501)	(20 510)
- other operating costs	(9 963)	(11 333)
- accessory expenses	(810)	(450)
- net extraordinary items	(125)	52
Total other operating expenses	**(50 629)**	**(287 849)**

14. Earnings per share

Earnings per share for 12 months

	30-09-2005	30-09-2004
Basic:		
Net profit (loss) per shareholder (for 12 months)	(207 480)	45 354
Weighted average number of ordinary shares	28 725 491	24 406 156
Net basic profit (loss) per share (in PLN per share)	(7,22)	1,86

Diluted:		
Net profit (loss) per shareholder (for 12 months)	(207 480)	45 354
Net profit (loss) applied for calculating of diluted earnings per share (in thousand PLN)	(207 480)	45 354
Weighted average number of ordinary shares in an issue	28 725 491	24 406 156
Adjustments for:		
- stock options for employees (in thousand PLN)	89 805	15 576
Weighted average number of ordinary shares for calculating of diluted earnings per share	28 815 296	24 421 732
Diluted earnings per share (in PLN per share)	(7,20)	1,86

Earnings per share for 9 months

	30-09-2005	30-09-2004
Basic:		
Net profit (loss) per shareholder (for 9 months)	200 438	113 901
Weighted average number of ordinary shares	28 729 612	24 884 708
Net basic profit (loss) per share (in PLN per share)	6,98	4,58
Diluted:		
Net profit (loss) per shareholder (for 9 months)	200 438	113 901
Net profit (loss) applied for calculating of diluted earnings per share (in thousand PLN)	200 438	113 901
Weighted average number of ordinary shares in an issue	28 729 612	24 884 708
Adjustments for:		
- stock options for employees (in thousand PLN)	99 140	24 560
Weighted average number of ordinary shares for calculating of diluted earnings per share	28 828 752	24 909 268
Diluted earnings per share (in PLN per share)	6,95	4,57

15. Trading securities, other financial instruments at fair value through profit or loss and pledged assets

	30.09.2005	31.12.2004	30.09.2004
Trading securities:			
Government bonds	898 535	1 163 355	2 747 081
Treasury bills	2 275 911	2 187 851	924 542
Other debt securities	1 034 980	758 517	499 934
Equity securities	37 821	13 510	9 847
listed	*37 808*	*10 933*	*9 833*
unlisted	*13*	*2 577*	*14*
Total trading securities	**4 247 247**	**4 136 743**	**4 181 404**
Financial assets at fair value through profit or loss (designated at initial recognition)	74 660	-	-
Total financial assets at fair value through profit or loss (including trading securities)	**4 321 907**	**4 136 743**	**4 181 404**

16. Loans and advances to customers

	30.09.2005	31.12.2004	30.09.2004
Loans and advances to individual customers	3 990 826	2 658 601	4 056 750
Loans and advances to corporate customers	9 714 167	9 664 381	9 799 861
Loans and advances to public sector	1 824 570	1 140 902	1 709 393
Receivables purchased	1 124 838	1 173 080	1 212 773
Realised guarantees and warranties	19 252	20 127	8 462
Other receivables	96 558	548 538	290 081
Total (gross) loans and advances to customers	**16 770 211**	**15 205 629**	**17 077 320**
Provision for loans and advances to customers (negative amount)	(782 328)	(875 245)	(800 309)
Total (net) loans and advancs to customers	**15 987 883**	**14 330 384**	**16 277 011**

17. Investment securities

	30.09.2005	31.12.2004	30.09.2004
Securities available for sale			
Debt securities at fair value	634 796	306 950	275 872
- listed	597 455	276 351	245 550
- unlisted	37 341	30 599	30 322
Equity securities at fair value	229 329	257 835	435 176
- listed	5 618	119 901	4 608
- unlisted	223 711	137 934	430 568
Total securities available for sale	**864 125**	**564 785**	**711 048**
Securities held to maturity			
Debt securities at amortized cost	30 676	15 323	10 734
- listed	-	-	-
- unlisted	30 676	15 323	10 734
Provisions for impairment	-	-	-
Total securities held to maturity	**30 676**	**15 323**	**10 734**
Total investment securities	**894 801**	**580 108**	**721 782**

18. Amounts due to customers

	30.09.2005	31.12.2004	30.09.2004
Corporate customers	11 471 356	10 345 715	9 508 063
Individual customers	7 280 636	6 418 558	5 932 472
Public sector customers	201 726	133 616	296 406
Amounts due to customers	**18 953 718**	**16 897 889**	**15 736 941**

19. Reconciliation of differences between the IFRS and Polish GAAP

The tables below present the impact of the application of IFRS standards upon the measurement of equity and net profit in the accounting periods presented in the report.

Reconciliation of differences between IFRS and Polish GAAP in the consolidated balance sheet at the date of 30 September 2004 and in the consolidated profit and loss account for the period from 1 January 2004 to 30 September 2004

Item	Note	Polish GAAP 30/09/2004	Adjustment	IFRS 30/09/2004
ASSETS				
Cash and balances with Central Bank	a	474 141	2	474 143
Debt securities eligible for rediscounting at the Central Bank		56 264		56 264
Loans and advances to banks	b	5 422 902	(1 816)	5 421 086
Trading securities	c	4 181 403	(1 858 505)	2 322 898
Derivative financial instruments		1 279 960		1 279 960
Other financial instruments at fair value through profit and loss account		-		-
Loans and advances to customers	d	17 320 434	(1 043 423)	16 277 011
Investment securities	e	793 019	(71 237)	721 782
Pledged assets	f	31 755	1 858 505	1 890 260
Investments in associated undertaking		2 768		2 768
Intangible assets	g	928 351	4 414	932 765
Tangible fixed assets	h	570 390	24 417	594 807
Deferred income tax assets	i	662 590	(3 649)	658 941
Other assets	j	766 250	(211 087)	555 163
Total assets		**32 490 227**	**(1 302 379)**	**31 187 848**
EQUITY AND LIABILITIES				
Amounts due to Central Bank		-		-
Amounts due to other banks	k	5 543 488	157 850	5 701 338
Other deposits		-		-
Derivative financial instruments and other trading liabilities		1 257 685		1 257 685
Amounts due to customers	l	16 869 890	(1 132 949)	15 736 941
Debt securities in issue		4 044 561		4 044 561
Other borrowed funds		1 096 112		1 096 112
Other liabilities	ł	663 931	(202 953)	460 978
Current income tax liabilities		1 130		1 130
Provision for deferred income tax	m	561 867	1 781	563 648
Provisions	n	134 993	(105 222)	29 771
Total liabilities		**30 173 657**	**(1 281 493)**	**28 892 164**
Equity				
Capital and reserves attributable to the Company's equity holders				
Share capital		114 853		114 853
Supplementary capital	ń	1 185 922	1 503	1 187 425
Retained earnings	o	80 386	(28 683)	51 703
Net profit/(loss)	ó	107 512	6 389	113 901
Other capital and reserves	p	756 789	11 716	768 505

Minority interests	q	71 108	(11 811)	59 297
Total equity		**2 316 570**	**(20 886)**	**2 295 684**
Total equity and liabilities		**32 490 227**	**(1 302 379)**	**31 187 848**
Interest income	r	984 675	9 134	993 809
Interest expenses	s	(639 404)	(9 479)	(648 883)
Net interest income		345 271	(345)	344 926
Fee and commission income	ś	315 088	64 893	379 981
Fee and commission expense	t	(85 333)	2 076	(83 257)
Net fee and commission income		229 755	66 969	296 724
Dividend income		4 690		4 690
Net trading income	u	185 845	(9 973)	175 872
Gains less losses from investment securities	v	1 597	15 873	17 470
Other operating income	w	395 733	(49 396)	346 337
Impairment losses on loans and advances		(91 821)		(91 821)
Overhead costs	x	(516 028)	(10 221)	(526 249)
Amortisation of intangible assets and depreciation of tangible fixed assets	y	(114 612)	10 857	(103 755)
Other operating expenses	z	(270 015)	(17 834)	(287 849)
Operating profit		170 415	5 930	176 345
Share of profit/(loss) of associates		(468)		(468)
Profit/(loss) before income tax		169 947	5 930	175 877
Income tax expense	ź	(41 489)	(64)	(41 553)
Net profit/(loss) excluding minority interest		128 458	5 866	134 324
Profit/(loss) attributable to minority interest	ż	20 946	(523)	20 423
Net profit/(loss)		107 512	6 389	113 901

* Change of the scope of consolidation as a result of BRE.locum and Garbary consolidation

(a)	*Cash and balances with Central Bank*	
(i)	Change of the scope of consolidation	2
	Total effect: increase in cash and balances with Central Bank	2
(b)	*Loans and advances to banks*	
(i)	Decrease in receivables under suspended interest	(1 816)
	Total effect: decrease in loans and advances to banks	(1 816)
(c)	*Trading securities*	
(i)	*Change of presentation of sell-buy-back transactions*	(1 858 505)
	Total impact: decrease of Trading securities	(1 858 505)
(d)	*Loans and advances to customers*	
(i)	Decrease in receivables under suspended interest	(231 001)
(ii)	Decrease in receivables under swap interest	(1 042 615)
(iii)	Change of the scope of consolidation	(59 453)
(iv)	Decrease in receivables under general risk provisions	(106 000)
(v)	Change of presentation of factoring portfolio	397 236
(vi)	Valuation policy for shares according historical cost	(1 590)
	Total effect: decrease in loans and advances to customers	(1 043 423)
(e)	*Investment securities*	

(i)	Historical cost valuation of entities previously subject to equity accounting valuation	(23 772)
(ii)	Change of the scope of consolidation	(47 465)
	Total effect: decrease in investment securities	(71 237)
(f)	*Pledged assets*	
(i)	Change of presentation of sell-buy-back transactions	1 858 505
	Total impact: increase of Pledged assets	1 858 505
(g)	*Intangible assets*	
(i)	Reversal of amortization of goodwill of PBR and Bank Częstochowa	8 175
(ii)	Reversal of amortization of goodwill of subsidiaries	21 719
(iii)	Change of the scope of consolidation	(153 581)
(iv)	Change of presentation of investments of intangibles	128 101
	Total effect: increase in intangible assets	4 414
(h)	*Tangible fixed assets*	
(i)	Change of depreciation policy for fixed assets valued at less than PLN 3,500	7 588
(ii)	Presentation adjustment: valuation of perpetual usufruct presented under other assets	(25 230)
(iii)	Change of the scope of consolidation	170 160
(iv)	Change of presentation of investments of intangibles	(128 101)
	Total effect: increase in tangible fixed assets	24 417
(i)	*Deferred income tax assets*	
(i)	Change of the scope of consolidation	(3 649)
	Total effect: decrease in deferred income tax assets	(3 649)
(j)	*Other assets*	
(i)	Change of presentation of perpetual usufruct and reconciliation settlement of acquisition cost of perpetual usufruct in time.	25 230
(ii)	Valuation of perpetual usufruct	1 973
(iii)	Change of the scope of consolidation	175 726
(iv)	Provision for damages from insurer	(16780)
(v)	Change of presentation of factoring portfolio	(397 236)
	Total effect: decrease in other assets	(211 087)
(k)	*Amounts due to other banks*	
(i)	Increase in swap interest liabilities	157 850
	Total effect: increase in amounts due to other banks	157 850
(l)	*Amounts due to customers*	
(i)	Decrease in swap interest liabilities	(1 200 465)
(ii)	Change of the scope of consolidation	67 516
	Total effect: decrease in amounts due to customers	(1 132 949)
(ł)	*Other liabilities*	
(i)	Decrease in receivables by suspended interest	(232 817)
(ii)	Change of the scope of consolidation	29 864
	Total effect: decrease in other liabilities	(202 953)
(m)	*Provision for deferred income tax*	
(i)	Change of depreciation policy for fixed assets with small initial value	1 370

(ii)	Change of the scope of consolidation	411
	Total effect: increase in provisions for deferred income tax	1 781
(n)	*Provisions*	
(i)	Decrease in receivables under general risk provisions	(106 000)
(ii)	Change of the scope of consolidation	778
	Total effect: decrease in provisions	(105 222)
(ń)	*Supplementary capital*	
(i)	Change of the scope of consolidation	1 503
	Total effect: increase in supplementary capital	1 503
(o)	*Retained earnings*	
(i)	Change of depreciation policy for fixed assets valued at less than PLN 3,500	6 124
(ii)	Valuation of perpetual usufruct acc. to IAS 39	2 212
(iii)	Change of valuation policy for shares stated according to equity accounting to historical cost valuation	(23 005)
(iv)	Recognition of management compensation (options) in retained earnings	(6 654)
(v)	Change of the scope of consolidation	(7 360)
	Total effect: decrease in retained earnings	(28 683)
(ó)	*Net profit/(loss)*	
(i)	Change of depreciation policy for fixed assets valued at less than PLN 3,500	94
(ii)	Valuation of perpetual usufruct acc. to IAS 39	(239)
(iii)	Change of valuation policy for shares stated according to equity accounting to historical cost valuation	(2 357)
(iv)	Provision for damages from insurer	(16 780)
(v)	Recognition of cost of remuneration (management stock options) in net profit/(loss)	(6 515)
(vi)	Reversal of amortization of goodwill of PBR and Bank Częstochowa	8 175
(vii)	Change of the scope of consolidation	2 292
(viii)	Change of depreciation policy for goodwill	21 719
	Total effect: increase in net profit/(loss)	6 389
(p)	*Other capital and reserves*	
(i)	Increase in own capital on issue of management stock options	13 169
(ii)	Change of valuation policy for shares stated according to equity accounting to historical cost valuation	(1 453)
	Total effect: increase in other capital and reserves	11 716
(q)	*Minority interest*	
(i)	Change of the scope of consolidation	(11 811)
	Total effect: decrease in minority interest	(11 811)
(r)	*Interest income*	
(i)	Change of the scope of consolidation	(839)
(ii)	Change of presentation of interest flows for derivative instruments. Presentation of net interest accrued on receivables and liabilities.	9 973
	Total effect: increase in interest income	9 134

(s)	*Interest expenses*	
(i)	Change of the scope of consolidation	(9 479)
	Total effect: increase in interest expense	(9 479)
(ś)	*Fee and commission income*	
(i)	Change of the scope of consolidation	64 893
	Total effect: increase in income from fees and commissions	64 893
(t)	*Fee and commission expense*	
(i)	Change of the scope of consolidation	2 076
	Total effect: decrease in expense from fees and commissions	2 076
(u)	*Net trading income*	
(i)	Change of presentation of interest flows for derivative instruments. Presentation of net interest accrued on receivables and liabilities.	(9 973)
	Total effect: decrease in net trading income	(9 973)
(v)	*Gains less losses from investment securities*	
(i)	Change of valuation policy for shares stated according to equity accounting to historical cost valuation	(7 567)
(ii)	Change of the scope of consolidation	23 440
	Total effect: increase in gains less losses on investment securities	15 873
(w)	*Other operating income*	
(i)	Change of the scope of consolidation	(54 606)
(ii)	Change of valuation policy for shares stated according to equity accounting to historical cost valuation	5 210
	Total effect: decrease in other operating income	(49 396)
(x)	*Overhead costs*	
(i)	Reconciliation of cost of perpetual usufruct in time	(239)
(ii)	Recognition of cost of remuneration (management stock options)	(6 615)
(iii)	Change of the scope of consolidation	(3 467)
	Total effect: increase in overhead costs	(10 221)
(y)	*Amortisation of intangible assets and depreciation of tangible fixed assets*	
(i)	Change of depreciation policy for fixed assets valued at less than PLN 3,500	166
(ii)	Reversal of amortization of goodwill of PBR and Bank Częstochowa	8 175
(iii)	Change of the scope of consolidation	2 516
	Total effect: decrease in amortization of intangible assets and depreciation of tangible fixed assets	10 857
(z)	*Other operating expenses*	
(i)	Change of the scope of consolidation	(22 773)
(ii)	Provision for damages from insurer	(16 780)
(iii)	Change of depreciation policy for goodwill	21 719
	Total effect: increase in other operating expenses	(17 834)
(ź)	*Income tax expense*	

(i)	Change of depreciation policy for fixed assets valued at less than PLN 3,500	(72)
(ii)	Change of the scope of consolidation	8
	Total effect: increase in income tax expense	(64)

(ż)	*Minority interest*	
(i)	Change of the scope of consolidation	(523)
	Total effect: decrease in profit of minority shareholders	(523)

Reconciliation of differences between IFRS and Polish GAAP standards in the individual company balance sheet at the date of 30 September 2004 and in the individual company profit and loss account for the period from 1 January 2004 to 30 September 2004

Item	Note	Polish GAAP 30.09.2004	Adjustment	IFRS 30.09.2004
ASSETS				
Cash and balances with Central Bank		471 936		471 936
Debt securities eligible for rediscounting at the Central Bank		56 264		56 264
Loans and advances to banks	a	5 699 667	(1 816)	5 697 851
Trading securities	b	4 204 532	(1 858 505)	2 346 027
Derivative financial instruments		1 272 883		1 272 883
Other financial instruments at fair value through profit and loss account		-		-
Loans and advances to customers	c	13 170 949	(1 381 206)	11 789 743
Investment securities		555 863		555 863
Pledged assets	d	31 755	1 858 505	1 890 260
Investments in subsidiaries	e	1 120 126	(38 883)	1 081 243
Investments in associated undertaking	f	577	401	978
Intangible assets	g	270 640	136 276	406 916
Tangible fixed assets	h	683 842	(146 123)	537 719
Deferred income tax assets		622 986		622 986
Other assets	i	393 611	10 233	403 844
Total assets		**28 555 631**	**(1 421 118)**	**27 134 513**
EQUITY AND LIABILITIES				
Amounts due to Central Bank		-		-
Amounts due to other banks	j	3 376 474	157 850	3 534 324
Other deposits		-		-
Derivative financial instruments and other trading liabilities		1 268 433		1 268 433
Amounts due to customers	k	18 799 317	(1 200 465)	17 598 852
Debt securities in issue		618 951		618 951
Other borrowed funds		1 096 112		1 096 112
Other liabilities	l	501 082	(232 817)	268 265
Current income tax liabilities		1 294		1 294
Provision for deferred income tax	ł	536 499	1 370	537 869

Provisions	m	116 860	(106 000)	10 860
Total liabilities		**26 315 022**	**(1 380 062)**	**24 934 960**
Equity				
Capital and reserves attributable to the Company's equity holders				
Share capital		114 853		114 853
Supplementary capital		1 275 583		1 275 583
Retained earnings	n	(8 333)	(39 569)	(47 902)
Net profit (loss)	ń	103 336	(14 656)	88 680
Other capital and reserves	o	755 170	13 169	768 339
Minority interest		-		-
Total equity		**2 240 609**	**(41 056)**	**2 199 553**
Total equity and liabilities		**28 555 631**	**(1 421 118)**	**27 134 513**
Interest income	p	741 771	9 973	751 744
Interest expense		(515 121)		(515 121)
Net interest income		226 650	9 973	236 623
Fee and commission income		235 621		235 621
Fee and commission expense		(68 874)		(68 874)
Net fee and commission income		166 747		166 747
Dividend income		22 739		22 739
Net trading income	q	162 254	(9 973)	152 281
Gains less losses from investment securities	r	13 492	(4 811)	8 681
Other operating income	s	310 797	5 210	316 007
Impairment losses on loans and advances		(69 057)		(69 057)
Overhead costs	t	(365 784)	(6 754)	(372 538)
Amortisation of intangible assets and depreciation of tangible fixed assets	u	(98 209)	8 551	(89 658)
Other operating expenses	w	(252 641)	(16 780)	(269 421)
Operating profit		116 989	(14 584)	102 404
Profit before income tax		116 989	(14 584)	102 404
Income tax expense	z	(13 652)	(72)	(13 724)
Net profit (loss)		103 336	(14 656)	88 680

(a)	*Loans and advances to banks*	
(i)	Decrease of receivables under suspended interest	(1 816)
	Total impact: decrease of Loans and advances to banks	(1 816)
(b)	*Trading securities*	
(i)	Change of presentation of sell-buy-back transactions	(1 858 505)
	Total impact: decrease of Trading securities	(1 858 505)
(c)	*Loans and advances to customers*	
(i)	Decrease of receivables under suspended interest	(231 001)
(ii)	Decrease of receivables under swap interest	(1 042 615)
(iii)	Decrease of receivables under general risk reserve	(106 000)

(iv)	Historical cost valuation of shares in subsidiaries and associates	(1 590)
	Total impact: decrease of Loans and advances to customers	(1 381 206)
(d)	*Pledged assets*	
(i)	Change of presentation of sell-buy-back transactions	1 858 505
	Total impact: increase of Pledged assets	1 858 505
(e)	*Investments in subsidiaries*	
(i)	Historical cost valuation of subsidiaries previously subject to equity accounting valuation	(38 883)
	Total impact: decrease of Investments in subsidiaries	(38 883)
(f)	*Investments in associates*	
(i)	Historical cost valuation of affiliates previously subject to equity accounting valuation	401
	Total impact: increase of Investments in associates	401
(g)	*Intangible assets*	
(i)	Reversal of amortisation of goodwill of PBR and Bank Częstochowa	8 175
(ii)	Change of presentation of investments to intangibles	128 101
	Total impact: increase of intangibles	136 276
(h)	*Tangible fixed assets*	
(i)	Change of depreciation policy for tangible fixed assets of low initial value	7 208
(ii)	Presentation adjustment: valuation of perpetual usufruct item under Other assets	(25 230)
(iii)	Change of presentation of investments to intangibles	(128 101)
	Total impact: decrease of Tangible fixed assets	(146 123)
(i)	*Other assets*	
(i)	Presentation adjustment: valuation of perpetual usufruct under other assets and accounting for acquisition cost of perpetual usufruct in time.	25 230
(ii)	Adjustment for decrease in value of perpetual usufruct rights due to the change in related acquisition-cost accounting method.	1 973
(iii)	Historical cost valuation of subsidiaries and associates	(190)
(iv)	Provision for insurance claims	(16 780)

	Total impact: increase of Other assets	10 233
(j)	*Amounts due to other banks*	
(i)	Increase of receivables under swap interest	157 850
	Total impact: increase of Amounts due to other banks	157 850
(k)	*Amounts due to customers*	
(i)	Decrease of liabilities under swap interest	(1 200 465)
	Total impact: decrease of Amounts due to customers	(1 200 465)
(l)	*Other liabilities*	
(i)	Receivables decreased by suspended interest	(232 817)
	Total impact: decrease of Other liabilities	(232 8170
(ł)	*Provisions for deferred income tax*	
(i)	Change of depreciation policy of tangible fixed assets with a low initial value	1 370
	Total impact: increase of Provisions for deferred income tax	1 370
(m)	*Provisions*	
(i)	Decrease of receivables under general risk reserve	(106 000)
	Total impact: decrease of Provisions	(106 000)
(n)	*Retained earnings*	
(i)	Change of depreciation policy of fixed assets with a low initial value	5 534
(ii)	Adjustment for valuation of perpetual usufruct rights due to accounting for acquisition cost of perpetual usufruct rights in time.	2 212
(iii)	Historical cost valuation of subsidiaries and associates	(40 661)
(iv)	Recognition of the cost of remuneration under management stock options	(6 654)
	Total impact: decrease of Retained earnings	(39 569)
(ń)	*Net profit (loss)*	
(i)	Change of depreciation policy of fixed assets with a low initial value	304
(ii)	Adjustment for valuation of perpetual usufruct rights due to accounting for acquisition cost of perpetual usufruct rights in time.	(239)
(iii)	Historical cost valuation of subsidiaries and associates	399

(iv)	Reversal of amortisation of goodwill of PBR and Bank Częstochowa	8 175
(v)	Provision for insurance claims	(16 780)
(vi)	Recognition of the cost of remuneration under management stock options	(6 515)
	Total impact: decrease of Net profit (loss)	(14 656)
(o)	Other capital and reserves	
(i)	Increase of equity on the issue of management stock options	13 169
	Total impact: increase of Other capital and reserves	13 169
(p)	*Interest income*	
(i)	Change of presentation of interest flows from derivative instruments.	9 973
	Total impact: increase of Interest income	9 973
(q)	*Net trading income*	
(i)	Change of presentation of interest flows from derivative instruments.	(9 973)
	Total impact: decrease of Net trading income	(9 973)
(r)	*Gains less losses from investment securities*	
(i)	Change of valuation policy of shares stated according to equity accounting to historical cost valuation	(4 811)
	Total impact: decrease of Gains less losses from investment securities	(4 811)
(s)	*Other operating income*	
(i)	Historical cost valuation of subsidiaries and associates	5 210
	Total impact: increase of Other operating income	5 210
(t)	*Overhead costs*	
(i)	Accounting for the acquisition cost of perpetual usufruct over time	(239)
(ii)	Recognition of the cost of remuneration under management stock options	(6 515)
	Total impact: increase of Overhead costs	(6 754)
(u)	*Amortisation of intangible assets and depreciation of tangible fixed assets*	
(i)	Change of depreciation policy for tangible fixed assets with low initial value	376
(ii)	Reversal of amortisation of goodwill of PBR and Bank Częstochowa	8 175
	Total impact: decrease of Amortisation of intangible assets and depreciation of tangible fixed assets	8 551

(w)	*Other operating expenses*	
(i)	Provision for insurance claims	(16 780)
	Total impact: increase of Other operating expenses	(16 780)
(z)	*Income tax expense*	
(i)	Tax effect of the change of depreciation policy for tangible fixed assets with low initial value	(72)
	Total impact: increase of Income tax expense	(72)

SELECTED EXPLANATORY INFORMATION

1. Compliance with International Financial Reporting Standards [IFRS]

The presented Q3 2005 Report fulfils the requirements of the International Accounting Standard (IAS) 34 concerning interim financial reporting.

2. Consistency of accounting principles and calculation methods applied to the drafting of the quarterly report and the last annual financial report

A detailed description of changes in the accounting policy principles of the Group applied since 1 January 2005, as well as a description of the nature and impact of such changes upon the equity funds of the Group and its net financial performance (profit/(loss) after tax) in connection with the first time adoption of the International Financial Reporting Standards are presented under items 2 and 5 of the Notes to the Consolidated Financial Statements.
The accounting policies adopted by the Group as of 1 January 2005 were applied retrospectively (with the exceptions described under item 2.1 of the Notes to the Consolidated Financial Statements) to all the periods presented in the financial statement, i.e. the balance sheet as at 30 September 2004 and 31 December 2004.
The previously published financial statements for the Bank and the Group, including financial statements for the year 2004, were prepared in accordance with the Polish Accounting Standards.

3. Seasonal or cyclical nature of the business

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

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

▪ On 7 July 2005, BRE Bank SA and an institutional client entered into a PLN 450,000,000 loan agreement. The loan was granted for 12 months of the date of the agreement. It bears interest at WIBOR T/N plus the Bank's margin.

• On 19 July 2005, acting in the framework of banking syndicates, BRE Bank SA and its client entered into two loan agreements concerning:
  – A 15-year investment loan where the part of the loan extended by the Bank is EUR 40,000,000.00 (PLN 164,392,000.00 according to the mid exchange rate of the National Bank of Poland on 19 July 2005);
  – A 2.5-year revolving loan where the part of the loan extended by the Bank is PLN 35,000,000.00

  The loans bear interest at EURIBOR 6M plus the Bank's margin. The documentation of the said loan agreements provides that the clients shall fulfil the standard conditions precedent, including the provision of collateral.

• On 21 September 2005, BRE Bank SA and its institutional client entered into five loan agreements amounting to PLN 1,360,000,000.

BRE Bank SA granted five revolving loans in the following amounts:

- PLN 200,000,000
- PLN 240,000,000
- PLN 280,000,000
- PLN 300,000,000
- PLN 340,000,000.

Loan agreements are for 12 months beginning from the date of signing the agreement. Loan in terest is based on WIBOR T/N plus Bank margin. The value of each of the agreement mentioned before exceeds 10% of Bank own capital.

- On 27 September 2005 the court registered capital increase in SPV Portfel 1 Sp. z o.o. ("Company"). On the registration date Bank acquired 190,392 shares in Company with a nominal value of PLN 50 each. The acquired shares represent 99.96% of the share capital of the Company and are equal to 99.96% of all votes at the General Meeting.

Monetary asset at PLN 9,519,600 contributed by BRE Bank in respect of acquisition of mentioned above shares was deducted from Bank's receivables to the Company of PLN 9,519,600. The value of shares in the books of BRE Bank amounts PLN 0.

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

In Q3 2005 there were no significant changes in estimate values of items presented in the previous financial periods.

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

In Q3 2005 BRE Bank executed the redemption of 25 certificates of deposit with a nominal value of PLN 25 000 thousand. In addition, in the 3rd quarter of the year 2005, the company BRE Leasing issued short-term bonds totalling PLN 179,900 thousand. In the same period, the Company carried out the redemption of short-term bonds to the amount of PLN 176,900 thousand.

7. Dividends paid (in total or as a value per one share), broken down by ordinary shares and other shares

The General Meeting of Shareholders of BRE Bank SA on 22 March 2005 adopted the resolution not to pay any dividend for the year 2004.

8. Income and profit by business segment

Income and profit by business segment within the Group are presented under item 4 of the Notes to the Consolidated Financial Statements.

9. Significant events after the end of the quarter, which were not reflected in the financial statement

There were no significant events after the end of 3rd quarter 2005.

10. The effect of changes in the structure of the entity in Q3, including business combinations, acquisitions or disposal of subsidiaries, and long-term investments, restructuring, and discontinuation of business activities

In Q3 2005 none of the above indicated events took place on any scale that would be material for the Group.

11. Changes in off-balance sheet liabilities

In Q3 2005 there were no changes in off-balance sheet liabilities of a credit nature, i.e., guarantees, letters of credit or unutilised loan amounts, other than resulting from current operating activities of the Group. There was no single case of granting of guarantees or any other contingent liability of any material value for the Group. A detailed list of off-balance sheet liabilities as at 30 September 2005, 31 December 2004 and 30 September 2004 is presented below.

Off-balance sheet items (PLN'000)

	30.09.2005	**31.12.2004**	**30.09.2004**
Contingent liabilities granted and received	**9 227 116**	**10 801 668**	**9 606 527**
Liabilities granted	***8 124 577***	***10 365 621***	***9 144 652***
- financing	6 485 793	6 186 717	5 280 153
- guarantees	1 638 784	4 178 904	3 864 499
Liabilities received	***1 102 539***	***436 047***	***461 875***
- financing	613 522	37 070	39 660
- guarantees	489 017	398 977	422 215
Liabilities arising from purchase/sale operations	**430 842 182**	**223 452 709**	**216 722 941**
Other liabilities	**1 079 803**	**1 133 670**	**1 088 281**
- factoring receivables	651 302	688 057	526 047
- factoring liabilities	126 707	131 477	169 541
- other	301 794	314 136	392 693
Total off-balance sheet items	**441 149 101**	**235 388 047**	**227 417 749**

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

The above indicated events did not occur in the Group.

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

In Q3 2005 no significant impairment loss write-offs were recorded in relation to any tangible fixed assets intangible assets, and other assets, nor were any reversals on such account recorded within the Group.

14. Reversals of provisions against restructuring costs

The above indicated events did not occur in the Group.

15. Acquisitions and disposals of tangible fixed asset items

In Q3 2005 there were no material transactions of acquisition or disposal of any tangible fixed assets.

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

The above indicated events did not occur in the Group.

17. Corrections of errors from previous reporting periods

In Q3 2005 there were no corrections of errors from previous reporting periods.

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

The above indicated events did not occur in the Group.

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

BRE Bank did not publish a performance forecast for 2005. The description of the business strategy and goals of the Bank published in current report no. 22/2005 is not a performance forecast in the sense of § 5.1.29 of the Regulation on current and periodic reports published by issuers of securities (Journal of Laws from 2005, No. 49, item 463).

20. Share capital

The total numer of ordinary shares as at 30 September 2005 was 28,808,238 shares with PLN 4 nominal value each. All issued shares were fully paid.

SHARE CAPITAL								
Series / issue	Share type	Type of privilege	Type of limitation	Numebr of shares	Series / issue value	Paid up	Registered on	Dividend right since
11-12-86	ordinary bearer	-	-	9 966 500	39 866 000	fully paid up in cash	23-12-86	01-01-89
11-12-86	ordinary registered	-	-	33 500	134 000	fully paid up in cash	23-12-86	01-01-89
20-10-93	ordinary bearer	-	-	2 500 000	10 000 000	fully paid up in cash	04-03-94	01-01-94
18-10-94	ordinary bearer	-	-	2 000 000	8 000 000	fully paid up in cash	17-02-95	01-01-95
28-05-97	ordinary bearer	-	-	4 500 000	18 000 000	fully paid up in cash	10-10-97	10-10-97
27-05-98	ordinary bearer	-	-	3 800 000	15 200 000	fully paid up in cash	20-08-98	01-01-99
24-05-00	ordinary bearer	-	-	170 500	682 000	fully paid up in cash	15-09-00	01-01-01
21-04-04	ordinary bearer	-	-	5 742 625	22 970 500	fully paid up in cash	04-06-30	01-01-04
21-05-03	ordinary bearer	-	-	2 355	9 420	fully paid up in cash	05-07-05*	01-01-05
21-05-03	ordinary bearer	-	-	11 400	45 600	fully paid up in cash	27-07-05*	01-01-05
21-05-03	ordinary bearer	-	-	37 164	148 656	fully paid up in cash	11-08-05*	01-01-05
21-05-03	ordinary bearer	-	-	44 194	176 776	fully paid up in cash	09-09-05*	01-01-05
Total number of shares				28 808 238				
Total share capital					115 232 952			
Nominal value per share			4					

* date of registration of shares in National Securities Deposit (KDPW S.A.)

21. Material Share Packages

Commerzbank AG was a shareholder holding over 5% of the share capital and votes at the General Meeting. As at 30 September 2005 Commerzbank AG held 71.92% of the share capital and votes at the General Meeting of BRE Bank SA.
There was no change in the holding of material share packages of BRE Bank SA as of the publication of the previous quarterly report.

22. Change in Bank shares and options held by Managers and Supervisors

	Number of shares held as at 30 June 2005	Number of shares acquired in Q3	Number of shares sold in Q3	Number of shares held as at the date of publishing the report
Management Board				
1. Sławomir Lachowski	3 078	18 289	21 267	100
2. Rainer Ottenstein	-	3 119	3 119	-
				-
Supervisory Board				-
1. Krzysztof Szwarc	10 500		2 500	8 000
				-

	Number of options held as at 30 June 2005	Number of options acquired in Q3	Number of options sold in Q3	Number of opions held as at the date of publishing the report
Management Board				
1. Sławomir Lachowski	34 400	7 889	18 289	24 000
2. Jerzy Jóźkowiak	7 000	5 609	-	12 609
3. Bernd Loewen	-	5 609	-	5 609
4. Rainer Ottenstein	5 000	5 609	3 119	7 490
5. Wiesław Thor	21 000	5 609	-	26 609
6. Janusz Wojtas	-	5 609	-	5 609

23. Earnings per share (stand alone data)

Earnings per share for 12 months

	30-09-2005	30-09-2004
Basic:		
Net profit (loss) (for 12 months)	(229 504)	18 606
Weighted average number of ordinary shares	28 725 491	24 406 156
Net basic profit (loss) per share (in PLN per share)	(7,99)	0,76

Diluted:		
Net profit (loss) (for 12 months)	(229 504)	18 606
Net profit (loss) applied for calculating of diluted earnings per share (in thousand PLN)	(229 504)	18 606
Weighted average number of ordinary shares in an issue	28 725 491	24 406 156
Adjustments for:		
- stock options for employees (in thousand PLN)	89 805	15 576
Weighted average number of ordinary shares for calculating of diluted earnings per share	28 815 296	24 421 732
Diluted earnings per share (in PLN per share)	(7,96)	0,76

Earnings per share for 9 months

	30-09-2005	**30-09-2004**
Basic:		
Net profit (loss) (for 9 months)	176 058	88 680
Weighted average number of ordinary shares	28 729 612	24 884 708
Net basic profit (loss) per share (in PLN per share)	6,13	3,56
Diluted:		
Net profit (loss) (for 9 months)	176 058	88 680
Net profit (loss) applied for calculating of diluted earnings per share (in thousand PLN)	176 058	88 680
Weighted average number of ordinary shares in an issue	28 729 612	24 884 708
Adjustments for:		
- stock options for employees (in thousand PLN)	99 140	24 560
Weighted average number of ordinary shares for calculating of diluted earnings per share	28 828 752	24 909 268
Diluted earnings per share (in PLN per share)	6,11	3,56

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

At 30 September 2005, the BRE Bank Group was not involved in any proceedings before a court, arbitration body, or public administration authority concerning liabilities of the issuer or its subsidiaries whose value would be equal to or greater than 10% of the issuer's equity. The total value of claims concerning liabilities of the issuer or its subsidiaries in all proceedings before a court, an arbitration body or a public administration authority underway at 30 September 2005 was PLN 333,836 thousand, equal to 17.53 % of the issuer's equity. Below is a report on major proceedings concerning liabilities of the issuer or its subsidiaries.

1. In a case concerning claims filed on 30 August 1994 by ART-B Sp. z o.o. w likwidacji against BRE Bank SA, the Court of the first instance adopted a decision in favour of the Bank on 26 July 2004. Pursuant to the decision, the original claims for PLN 99.1 million plus statutory interest accrued as of 1991 were dismissed by the Court as in the course of the proceedings the claimant withdrew the claims and presented a new calculation of losses and a new factual basis of the claims. The claims for PLN 17.4 million raised in the course of the proceedings were dismissed due to limitation and

lack of sufficient evidence. On 4 July 2005, the Appeal Court in Warsaw dismissed the entire appeal of the claimant. Proceedings for the claims were also opened against BRE Bank SA in the Court of Jerusalem, Israel, and the value of the dispute is US$ 43.4 million (PLN 141.4 million according to the mid exchange rate of the National Bank of Poland on 30 September 2005). In these proceedings, BRE Bank SA assists the main defendant, Bank Leumi Le Israel. BRE Bank SA's liability is under recourse, and depends on whether the court grants ART-B's claims against Bank Leumi. Only then will the court consider Bank Leumi's claims against BRE Bank SA. The Israeli proceedings are still at the pre-trial stage (prior to the first hearing). Bank Leumi and ART-B have come to an agreement concerning arbitration. For reasons of procedure, BRE Bank SA has joined the process, which does not imply its acceptance of the claims or readiness to make a settlement. The probability of dismissal of the claims against BRE Bank SA by the court in Israel has increased considerably in connection with the decision of the Polish court in favour of BRE Bank SA.

On 4 July 2005 the Appeal Court in Warsaw, Sixth Civil Law Division, delivered its decision in the damages case brought by Art "B" Spółka z ograniczoną odpowiedzialnością Eksport - Import in Katowice, in liquidation, against BRE Bank SA.
The appeal proceedings were carried out following the claimant's appeal filed on 14 September 2004. The claimant appealed against the part of a court decision dismissing claims amounting to PLN 17,374,070.54.
The Appeal Court dismissed the entire appeal of Art "B" Spółka z ograniczoną odpowiedzialnością Eksport - Import in Katowice, in liquidation.

2. Lawsuit against BRE Bank by the Official Receiver of bankrupt Zakłady Mięsne POZMEAT SA.

The receiver of bankrupt Zakłady Mięsne POZMEAT with registered office in Poznań ("POZMEAT") brought the case against BRE Bank SA ("Bank") and Tele-Tech Investment Sp. z o.o. ("TTI") to court on 29 July 2005. A copy of the lawsuit was delivered on 16 August 2005. The value of the dispute amounted to PLN 100,000,000. The purpose was to cancel the agreements for sale of Pozmeat's shares in the share capital of Garbary Sp. to TTI and then to the Bank. The dispute focuses on determination of the value of the right to perpetual usufruct of land and related buildings, representing the only assets of Garbary Sp. z o.o. on the date of sale of Pozmeat's interest in Garbary Sp. z o.o. (19 July 2001). In the opinion of the Bank's legal counsellors in charge, there is a basis to assume that the accusation is illegitimate.

Lawsuit against Garbary Sp. z o.o. initiated by Bank BPH SA.

Bank BPH SA brought the case to court on 17 February 2005. A copy of the lawsuit was delivered on 7 September 2005. The value of the dispute was estimated at PLN 42,853,892.10. The purpose was to recognize actions related to the creation of Garbary Sp. z o.o. and the contribution in kind as ineffective. The dispute focuses on determination of the value of the right to perpetual usufruct of land and related buildings that Zakłady Mięsne POZMEAT with registered office in Poznań contributed in kind to Garbary Sp. z o.o. as payment for Pozmeat's share in the

PLN 100,000,000 share capital of Garbary. In the opinion of the Bank's legal counsellors in charge, there is a basis to assume that the accusation is illegitimate.

3. On 30 January 2001, Katarzyna and Leonard Praśniewski filed claims for compensation against Dom Inwestycyjny BRE Banku SA (DI BRE) before the District Court of Warsaw. The value of the dispute is PLN 13.9 million. In 2003, the court of the first instance granted the plaintiffs' claims of PLN 13.9 million from DI BRE. Following an appeal filed by DI BRE, the court of the second instance in its decision of 29 April 2004 changed the original decision and dismissed the claims. The plaintiffs filed cassation against the decision of the court of the second instance. On 15 April 2005, the Supreme Court revoked the decision of the Appeal Court in Warsaw and referred the case back to the Appeal Court. According to the Bank and its legal counsel, there are no factual or legal reasons to conclude that the plaintiffs incurred a loss caused by DI BRE. In addition, in view of the rationale presented orally by the Supreme Court, which defined the scope of the referral to the Appeal Court, the legal risk posed by the case is estimated at not more than PLN 4.5 million.

At 30 September 2005, the BRE Bank Group was not involved in any proceedings before a court, arbitration body, or public administration authority concerning receivables of the issuer or its subsidiaries whose value would be equal to or greater than 10% of the issuer's equity. The total value of claims concerning receivables of the issuer or its subsidiaries in all proceedings before a court, an arbitration body or a public administration authority underway at 30 September 2005 was PLN 307,315,829.63, equal to 16.15% of the issuer's equity. Below is a report on major proceedings concerning receivables of the issuer.

	CLIENT'S NAME	Disputed matter	Value of the dispute in PLN at 30.09.2005	Type of proceedings	Proceedings opened on
1.	Stocznia Szczecińska PORTA Holding SA w upadłości	Loan	53 709 871.39	Bankruptcy	2002-07-29
2.	Kama Foods SA	Loan	45 355 381.73	Bankruptcy	2003-06-05
3.	Big-Carton SA	Loan	41 275 396.57	Bankruptcy	2001-07-12

25. Transactions with related entities

In the 3rd quarter 2005 there were no transactions with related entities exceeding the equivalent of EUR 500,000, which would not consist of typical and routine transactions, concluded on market terms, and their nature, terms and conditions would not result from the current operating activities conducted by the Bank or its subsidiary. Transactions concluded with related entities as part of regular operating activities include loans, deposits and foreign currency transactions. The values of transactions with related entities, i.e. balance sheet item balances and related expenses and income as at 30 September 2005 are as follows:

Numerical data concerning transactions with affilaited entities (in thousand PLN) - 30 September 2005

No.	Company's name	Balance sheet		Income Statement				Off balance sheet		
		Receivables	Liabilities	Interest income	Interest cost	Commission income	Commission cost	Commitments granted	Commitments received	Purchase/Sale commitments
1	BRE Bank SA	696 250	2 685 984	22 941	57 410	1 617	1 954	2 836 976	0	1 021
2	BRE Corporate Finance SA	312	0	46	0	0	36	0	2 965	0
3	Dom Inwestycyjny BRE Bank SA	161 921	36 338	6 310	516	1 893	579	0	0	0
4	BRE International Finance B.V.	0	0	10 055	0	0	0	0	0	0
5	PTE Skarbiec Emerytura SA	2 932	0	121	0	0	0	0	0	0
6	Skarbiec Asset Management Holding SA	24 346	617	405	167	60	424	0	60 679	0
7	BRE Leasing Sp. z o.o.	12 793	317 123	716	1 386	0	27	0	9 526	1 021
8	Polfactor S.A.	2 776	155 464	0	6 706	0	251	0	239 995	0
9	Intermarket Bank AG	0	90 082	0	1 315	0	0	0	0	0
10	Centrum Rozliczeń i Informacji CERI	8 658	178	300	0	0	0	0	0	0
11	BRE Finance France	2 436 619	171	39 110	0	0	0	0	2 480 399	0
12	TV-Tech Investment 1 Sp. z .o.o.	798	0	78	0	0	0	0	0	0
13	Tele-Tech Investment Sp. z o.o.	1 352	56 373	4	2 327	0	0	0	5	0
14	Garbary Sp. z o.o.	1 818	2	64	0	0	0	0	0	0
15	BRE.locum Sp. z o.o.	2 875	36 826	154	2 098	0	275	0	43 000	0
16	ServicePoint Sp. z o.o.	319	0	1	0	0	1	0	0	0
17	FAMCO SA	2 518	0	10	0	0	1	0	0	0
18	BRELINVEST Sp. z o.o. Fly 1 Sp. komandytowa	9 998	0	25	0	0	0	0	0	0
19	BRELINVEST Sp. z o.o. Fly 2 Sp. komandytowa	1 525	0	0	0	0	0	0	0	0
20	AMBRESA Sp. z o.o. - BRELLA Sp. komandytowa	12 341	0	10	0	0	1	0	0	0
21	BRELIM Sp. z o.o.	43	0	0	0	0	0	0	0	0
22	BREL-MAR Sp. z o.o.	46	0	0	0	0	0	0	0	0
23	NOVITUS SA (dawniej Optimus IC SA)	220	0	0	0	0	19	0	407	0
24	AMBRESA Sp. z o.o.	1 316	0	1	0	0	0	0	0	0
25	eCard SA	214	2 922	0	0	0	2	0	0	0
26	Xtrade SA	0	154	0	0	0	1	0	0	0
27	EMFINANCE Sp. z o.o.	171	0	0	0	0	0	0	0	0
28	SPV Portfel 1 Sp. z o.o.	73	0	0	0	0	0	0	0	0
29	MKF Sp. z o.o.	0	0	0	0	1	0	0	0	0

Numerical data concerning transaction with parent company (in thousand PLN) - 30 September 2005

1	CommerzBank A.G	18 884	5 585 658	69	1 374	0	172	90 930	38 237	19 213 393

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

The Bank's exposure under extended guarantees in excess of 10% of the equity at 30 September 2005 relates to:
- four guarantees of the redemption of euronotes issued by order of BRE Finance France SA (issuer of euronotes), a 100%-owned subsidiary of BRE Bank SA. The first guarantee of EUR 200 million took effect in November 2003 and expires in November 2006. The second guarantee of EUR 225 million took effect in October 2004 and expires in 2007. The third guarantee of US$ 10 million took effect in December 2004 and expires in 2009. The fourth guarantee of EUR 200 million took effect in June 2005 and expires in 2008.

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

There is no such information.

28. 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 Q4 2005.