BRE BANK SA

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

CONTENTS

(in PLN 000's)

Consolidated Profit and Loss Account

Consolidated Profit and Loss Account from 1 January 2005 to 31 December 2005 and from 1 January 2004 to 31 December 2004

	Note	IV Quarter (curent year) from 01-10-2005 to 31-12-2005	IV Quarters cumulative (current year) from 01-01-2005 to 31-12-2005	IV Quarter (previous year) from 01-10-2004 to 31-12-2004	IV Quarters cumulative (previous year) from 01-01-2004 to 31-12-2004
Interest income		361.752	1.540.005	354.864	1.348.673
Interest expense		(217.635)	(918.277)	(213.845)	(862.728)
Net interest income	5	**144.117**	**621.728**	**141.019**	**485.945**
Fee and commission income		153.131	548.321	144.347	524.328
Fee and commission expense		(65.546)	(149.608)	(59.397)	(142.654)
Net fee and commission income	6	**87.585**	**398.713**	**84.950**	**381.674**
Dividend income	7	25.187	47.033	2.486	7.176
Net trading income, including:	8	90.913	265.110	54.694	230.566
Foreign exchange result		48.519	212.182	36.100	219.365
Other trading income		42.394	52.928	18.594	11.201
Gains less losses from investment securities	9	31.096	43.145	(26.012)	(8.542)
Other operating income	10	66.557	131.072	47.897	394.234
Impairment losses on loans and advances	11	(27.738)	(78.841)	(32.754)	(124.575)
Overhead costs	12	(210.356)	(800.348)	(205.329)	(731.578)
Amortization and depreciation		(43.723)	(139.615)	(44.987)	(148.742)
Other operating expenses	13	(98.935)	(149.564)	(435.606)	(723.455)
Operating profit		**64.703**	**338.433**	**(413.642)**	**(237.297)**
Share of profit of associates		(209)	(469)	433	(35)
Profit before income tax		**64.494**	**337.964**	**(413.209)**	**(237.332)**
Income tax expense		(9.304)	(70.059)	5.503	(36.050)
Net profit (loss) including minority interest, of which:		55.190	267.905	(407.705)	(273.381)
Net profit (loss) attributable to minority interest		8.085	20.362	213	20.636
Net profit (loss)		**47.105**	**247.543**	**(407.918)**	**(294.017)**
Net profit (loss) attributable to the Company's equity holders	14	**247.543**		**(294.017)**	
Weighted average number of ordinary shares	14	**28.779.061**		**25.841.813**	
Earnings per 1 ordinary share (in PLN per share)	14	**8,60**		**(11,38)**	
Weighted average number of ordinary shares for diluted earnings	14	**28.877.223**		**25.879.124**	
Diluted earnings per 1 ordinary share (in PLN per share)	14	**8,57**		**(11,36)**	

(in PLN 000's)

Consolidated Balance Sheet

Consolidated Balance Sheet as at 31 December 2005 and 31 December 2004

	Note	31.12.2005	31.12.2004
ASSETS			
Cash and balances with Central Bank		1.778.457	734.691
Debt securities eligible for rediscounting at the Central Bank		37.464	52.832
Loans and advances to banks		4.668.474	6.990.051
Trading securities	15	5.011.960	2.373.008
Derivative financial instruments		1.255.232	1.796.824
Other financial instruments at fair value through profit or loss	15	-	0
Loans and advances to customers	16	15.463.514	14.330.384
Investment securities	17	1.124.832	580.108
- Available for sale		1.124.832	564.785
- Held to maturity		-	15.323
Pledged assets	15	1.516.212	1.781.725
Investments in associated undertakings		6.477	2.224
Intangible assets		406.380	664.770
Tangible fixed assets		558.535	522.987
Deferred income tax assets		449.463	778.621
Other assets		555.437	573.570
Assets held for sale	18	317.349	-
Total assets		**33.149.786**	**31.181.795**
EQUITY AND LIABILITIES			
Amounts due to the Central Bank		-	-
Amounts due to other banks		4.337.056	5.562.129
Other deposits		-	-
Derivative financial instruments and other trading liabilities		1.175.070	1.620.708
Amounts due to customers	19	20.443.406	16.897.889
Debt securities in issue		2.731.157	3.103.327
Other borrowed funds		1.362.528	1.020.144
Other liabilities		563.020	340.766
Current income tax liabilities		3.529	1.444
Provisions for deferred income tax		332.576	688.593
Provisions		86.135	39.394
Liabilities held for sale	20	6.839	-
Total liabilities		**31.041.316**	**29.274.394**
Equity			
Capital and reserves attributable to the Company's equity holders		**2.035.239**	**1.844.745**
Basic capital:		**1.243.321**	**1.282.246**
- Registered share capital		115.936	114.853
- Share premium (aggio)		1.127.385	1.167.393
Other capital and reserves		**(2.975)**	**1.568**
Retained earnings		**794.893**	**560.931**
- Profit (loss) for the previous year		547.350	854.948
- Net profit (loss) for the current year		247.543	(294.017)
Minority interest		73.231	62.656
Total equity		**2.108.470**	**1.907.401**
Total equity and liabilities		**33.149.786**	**31.181.795**
Capital adequacy ratio		**11,09**	**10,03**
Book value		**2.035.239**	**1.844.745**
Number of shares		**28.983.972**	**28.713.125**
Book value per share (in PLN)		**70,22**	**64,25**
Diluted number of shares		**29.082.134**	**28.750.436**
Diluted book value per share (in PLN)		**69,98**	**64,16**

(in PLN 000's)

Statements of changes in consolidated equity

Changes in equity from 1 January 2005 to 31 December 2005

	Share capital		Other capital and reserves	Retained earnings					Minority interest	Total
	Registered share capital	Share premium		Other supplementary capital	Other capital and reserves	General Banking Risk Fund	Unappropiated profit for the previous year	Net profit (loss) for the current year		
Equity as at 1 January 2005	**114.853**	**1.167.393**	**1.568**	**24.911**	**206.049**	**558.000**	**(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**	**1.167.393**	**1.568**	**24.911**	**206.049**	**558.000**	**(314.908)**	**-**	**59.847**	**1.817.713**
Net change in investments available for sale, net of tax	-	-	(2.444)	-	-	-	-	-	-	(2.444)
Net change in cash flow hedges, net of tax	-	-	2.616	-	-	-	-	-	2.616	5.232
Currency translation differences	-	-	(4.715)	-	-	-	-	-	(2.655)	(7.370)
Net profit not recognised in income statement	**-**	**-**	**(4.543)**	**-**	**-**	**-**	**-**	**-**	**(39)**	**(4.582)**
Net profit (loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**247.543**	**20.362**	**267.905**
Total profit recognised in current year	**-**	**-**	**(4.543)**	**-**	**-**	**-**	**-**	**247.543**	**20.323**	**263.323**
Dividends paid	-	-	-	-	-	-	-	-	(1.967)	(1.967)
Transfer to General Banking Risk Fund	-	-	-	-	-	-	-	-	-	-
Transfer to supplementary capital	-	-	-	-	-	-	-	-	-	-
Transfer to reserve capital	-	-	-	10.006	-	-	(10.006)	-	-	-
Loss coverage with reserve capital	-	-	-	-	(208.301)	-	208.301	-	-	-
Loss coverage with supplementary capital	-	(69.842)	-	-	-	-	69.842	-	-	-
Issue of shares	1.083	29.834	-	-	-	-	-	-	-	30.917
Redemption of shares	-	-	-	-	-	-	-	-	-	-
Purchase/sale of own shares	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	3.803	3.803
Other changes	-	-	-	-	321	-	(1.401)	-	221	(859)
Stock option program for employees	-	-	-	6.909	(2.373)	-	-	-	-	**4.536**
- value of services provided by the employees	-	-	-	-	-	-	-	-	-	-
- settlement of exercised options	-	-	-	6.909	(2.373)	-	-	-	-	4.536
Equity as at 31 December 2005	**115.936**	**1.127.385**	**(2.975)**	**41.826**	**(4.304)**	**558.000**	**(48.172)**	**247.543**	**73.231**	**2.108.470**

(in PLN 000's)

Changes in equity from 1 January 2004 to 31 December 2004

	Share capital		Other capital and reserves	Retained earnings					Minority interest	Total
	Registered share capital	Share premium		Other supplementary capital	Other capital and reserves	General Banking Risk Fund	Unappropiated profit for the previous year	Net profit (loss) for the current year		
Equity as at 1 January 2004	**91.882**	**635.660**	**(1.749)**	**21.497**	**195.167**	**558.000**	**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**	**635.660**	**(1.749)**	**21.497**	**195.167**	**558.000**	**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	528.321	-	-	-	-	-	-	-	551.292
Redemption of shares	-	-	-	-	-	-	-	-	-	-
Purchase/sale of own shares	-	-	-	-	-	-	-	-	-	-
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)	-	-	-	(1.595)	4.685	-	(69.778)	(69.778)
Increase of share in consolidated company	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	(7.979)	-	873	-	5.611	-	2.842	1.347
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**	**1.167.393**	**1.568**	**24.911**	**206.049**	**558.000**	**65.988**	**(294.017)**	**62.656**	**1.907.401**

(in PLN 000's)

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement from 1 January 2005 to 31 December 2005 and from 1 January 2004 to 31 December 2004

	from 01-01-2005 to 31-12-2005	from 01-01-2004 to 30-12-2004
A. Cash flow from operating activities - indirect method	**(2 176 979)**	**966 823**
Profit before income tax	**337 964**	**(237 332)**
Adjustments:	***(2 514 943)***	***1 204 155***
Income taxes paid (negative amount)	(74 403)	(22 593)
Amortisation	139 617	148 742
Foreign exchange gains (losses)	(142 309)	(418 320)
Gains (losses) on investing activities	(29 729)	(31 181)
Impairment of financial assets	41 252	42 452
Dividends received	(46 310)	(7 176)
Interest paid	708 153	767 389
Change in loans and advances to banks	(357 357)	(2 087 702)
Change in trading securities	(2 876 519)	337 826
Change in derivative financial instruments	541 592	(101 985)
Change in other financial instruments at fair value	-	-
Change in loans and advances to customers	(1 120 684)	2 030 618
Change in investment securities	(629 563)	(21 876)
Change in other assets	239 912	(589 678)
Change in amounts due to other banks	(1 117 832)	249 050
Change in other deposits	-	-
Change in financial instruments and other trading liabilities	(445 638)	(9 097)
Change in amounts due to customers	2 851 543	1 583 997
Change in debt securities in issue	(393 734)	(840 284)
Change in provisions	(8 330)	5 720
Change in other liabilities	205 396	168 253
Net cash from operating activities	**(2 176 979)**	**966 823**
B.Cash flows from investing activities	**(91 498)**	**98 944**
Investing activity inflows	**159 866**	**465 491**
Disposal of shares in associates	-	8 040
Disposal of shares in subsidiaries, net of cash disposed	69 087	169 273
Proceeds from sale of intangible assets and tangible fixed assets	21 497	265 351
Other investing inflows	69 282	22 827
Investing activity outflows	**251 364**	**366 547**
Acquisition of associates	-	-
Acquisition of subsidiaries, net of cash acquired	11 173	147 302
Purchase of intangible assets and tangible fixed assets	160 501	205 150
Other investing outflows	79 690	14 095
Net cash used in investing activities	**(91 498)**	**98 944**
C. Cash flows from financing activities	**385 503**	**878 023**
Financing activity inflows	**3 003 727**	**1 995 218**
Proceeds from loans and advances from other banks	999 036	196 218
Proceeds from other loans and advances	120 975	124 879
Issue of debt securities	1 440 060	1 124 305
Increase of subordinated liabilities	405 830	-

(in PLN 000's)

Issue of ordinary shares	37 826	549 816
Sale of own shares	-	-
Other financing inflows	-	-
Financing activity outflows	**2 618 224**	**1 117 195**
Repayments of loans and advances from other banks	1 028 390	451 670
Repayments of other loans and advances	-	-
Redemption of debt securities	1 418 260	509 875
Decrease of subordinated liabilities	-	-
Other financial liabilities	-	-
Payments of financial lease liabilities	-	-
Dividends and other payments to shareholders	-	-
Purchase of own shares	-	-
Other financing outflows	171 574	155 650
Net cash from financing activities	**385 503**	**878 023**
Net increase / decrease in cash and cash equivalents (A+B+C)	**(1 882 974)**	**1 943 790**
- (decrease)/increase in cash and cash equivalents in respect of foreign exchange gains and losses	13 776	(590 123)
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	**8 164 313**	**10 047 287**

Consolidated Off-Balance-Sheet Items

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

	31.12.2005	**31.12.2004**
Contingent liabilities granted and received	**10 622 729**	**11 493 128**
Liabilities granted	***9 510 093***	***10 499 920***
- financing	7 769 140	6 217 391
- guarantees	1 740 953	4 282 529
Liabilities received	***1 112 636***	***993 208***
- financing	552 679	340 000
- guarantees	559 957	653 208
Liabilities arising from purchase/sale operations	**394 102 705**	**223 452 709**
Other liabilities	**1 373 322**	**1 137 684**
- factoring receivables	760 417	692 071
- factoring liabilities	334 242	131 478
- other	278 663	314 136
Total off-balance sheet items	**406 098 756**	**236 083 521**

(in PLN 000's)

BRE Bank SA Stand Alone Financial Statements

1. Profit and Loss Account

Profit and Loss Account from 1 January 2005 to 31 December 2005 and from 1 January 2004 to 31 December 2004

	IV Quarter (curent year) from 01-10-2005 to 31-12-2005	IV Quarters cumulative (current year) from 01-01-2005 to 31-12-2005	IV Quarter (previous year) from 01-10-2004 to 31-12-2004	IV Quarters cumulative (previous year) from 01-01-2004 to 31-12-2004
Interest income	311.194	1.318.437	273.911	1.025.655
Interest expense	(202.213)	(810.966)	(179.562)	(694.683)
Net interest income	**108.981**	**507.471**	**94.349**	**330.972**
Fee and commission income	94.751	335.594	87.622	323.243
Fee and commission expense	(31.234)	(98.488)	(35.846)	(104.720)
Net fee and commission income	**63.517**	**237.106**	**51.776**	**218.523**
Dividend income	25.144	61.997	2.252	24.991
Net trading income	87.460	256.651	51.456	203.737
Gains less losses from investment securities	(1.533)	374	(212.209)	(203.528)
Other operating income	6.139	38.849	(461)	315.546
Impairment losses from investment securities	(28.240)	(53.392)	(11.916)	(80.973)
Overhead costs	(184.157)	(635.990)	(168.836)	(541.374)
Amortization	(32.833)	(119.490)	(38.809)	(128.467)
Other operating expenses	(12.285)	(43.429)	(174.980)	(444.401)
Operating profit	**32.193**	**250.147**	**(407.378)**	**(304.974)**
Profit before income tax	**32.193**	**250.147**	**(407.378)**	**(304.974)**
Income tax expense	(941)	(42.837)	1.816	(11.908)
Net profit (loss)	**31.252**	**207.310**	**(405.562)**	**(316.882)**
Net profit (loss) (for 12 months)	**207.310**		**(316.882)**	
Weighted average number of ordinary shares	**28.779.061**		**25.841.813**	
Earnings per 1 ordinary share (in PLN per share)	**7,20**		**(12,26)**	
Weighted average number of ordinary shares for diluted earnings	**28.877.223**		**25.879.124**	
Diluted earnings per 1 ordinary share (in PLN per share)	**7,18**		**(12,24)**	

(in PLN 000's)

2. Balance Sheet

Balance Sheet as at 31 December 2005 and 31 December 2004

	31.12.2005	31.12.2004
ASSETS		
Cash and balances with Central Bank	1.776.340	734.608
Debt securities eligible for rediscounting at the Central Bank	37.464	52.832
Loans and advances to banks	4.689.765	6.839.644
Trading securities	5.014.653	2.390.684
Derivative financial instruments	1.255.232	1.796.824
Other financial instruments at fair value through profit or loss	-	-
Loans and advances to customers	12.979.559	11.704.573
Investment securities	1.055.174	473.363
- Available for sale	1.055.174	473.363
- Held to maturity	-	-
Pledged assets	1.516.212	1.781.725
Investments in subsidiaries	285.251	671.743
Investments in associated undertakings	5.649	826
Intangible assets	368.504	350.148
Tangible fixed assets	484.071	477.051
Deferred income tax assets	400.657	734.421
Other assets	264.543	434.599
Assets held for sale	310.510	-
Total assets	**30.443.584**	**28.443.041**
EQUITY AND LIABILITIES		
Amounts due to the Central Bank	-	-
Amounts due to other banks	2.346.159	3.457.310
Other deposits	-	-
Derivative financial instruments and other trading liabilities	1.174.278	1.613.462
Amounts due to customers	22.754.494	19.300.059
Debt securities in issue	91.545	407.792
Other borrowed funds	1.362.528	1.020.144
Other liabilities	364.893	143.865
Current income tax liabilities	-	-
Provisions for deferred income tax	316.707	672.580
Provisions	78.109	25.528
Total liabilities	**28.488.713**	**26.640.740**
Equity		
Basic capital:	**1.424.903**	**1.393.986**
- Registered share capital	115.936	114.853
- Share premium (aggio)	1.308.967	1.279.133
Other capital and reserves	**(2.637)**	**3.460**
Retained earnings	**532.605**	**404.855**
- Profit (loss) for the previous year	325.295	721.737
- Net profit (loss) for the current year	207.310	(316.882)
Total equity	**1.954.871**	**1.802.301**
Total equity and liabilities	**30.443.584**	**28.443.041**
Capital adequacy ratio	**12,87**	**11,76**
Book value	**1.954.871**	**1.802.301**
Number of shares	**28.983.972**	**28.713.125**
Book value per share (in PLN)	**67,45**	**62,77**
Diluted number of shares	**29.082.134**	**28.750.436**
Diluted book value per share (in PLN)	**67,22**	**62,69**

(in PLN 000's)

3. Statements of changes in equity

Changes in equity from 1 January 2005 to 31 December 2005

	Share capital		Other capital and reserve	Retained earnings					Total
	Registered share capital	Share premium		Other supplementary capital	Other capital and reserves	General Banking Risk Fund	Unappropiated profit for the previous year	Net profit (loss) for the current year	
Equity as at 1 January 2005	**114.853**	**1.279.133**	**3.460**	**4.419**	**204.097**	**558.000**	**(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**	**1.279.133**	**3.460**	**4.419**	**204.097**	**558.000**	**(445.731)**	-	**1.718.231**
Net change in investments available for sale, net of tax	-	-	(3.107)	-	-	-	-	-	(3.107)
Net change in cash flow hedges, net of tax	-	-	-	-	-	-	-	-	-
Currency translation differences	-	-	(2.990)	-	-	-	-	-	(2.990)
Net profit not recognised in income statement	-	-	**(6.097)**	-	-	-	-	-	**(6.097)**
Net profit (loss)			-	-	-	-	-	**207.310**	**207.310**
Total profit recognised in current year	-	-	**(6.097)**	-	-	-	-	**207.310**	**201.213**
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	1.083	29.834	-	-	-	-	-	-	30.917
Redemption of shares	-	-	-	-	-	-	-	-	-
Purchase/sale of own shares	-	-	-	-	-	-	-	-	-
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	-	-	-	6.909	(2.373)	-	-	-	**4.536**
- value of services provided by the employees	-	-	-	-	-	-	-	-	-
- settlement of exercised options	-	-	-	6.909	(2.373)	-	-	-	4.536
Equity as at 31 December 2005	**115.936**	**1.308.967**	**(2.637)**	**11.328**	**12.967**	**558.000**	**(257.000)**	**207.310**	**1.954.871**

BRE BANK SA

(in PLN 000's)

Changes in equity from 1 January 2004 to 31 December 2004

	Share capital		Other capital and reserve	Retained earnings					Total
	Registered share capital	Share premium		Other supplementary capital	Other capital and reserves	General Banking Risk Fund	Unappropriated profit for the previous year	Net profit (loss) for the current year	
Equity as at 1 January 2004	**91.882**	**744.320**	**5.517**	**4.419**	**193.575**	**558.000**	**(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**	**744.320**	**5.517**	**4.419**	**193.575**	**558.000**	**(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	528.321	-	-	-	-	-	-	551.292
Redemption of shares	-	-	-	-	-	-	-	-	-
Purchase/sale of own shares	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-
- settlement of exercised options	-	-	-	-	8.686	-	-	-	8.686
Equity as at 31 December 2004	**114.853**	**1.279.133**	**3.460**	**4.419**	**204.097**	**558.000**	**(44.779)**	**(316.882)**	**1.802.301**

(in PLN 000's)

4. Cash Flow Statement

Cash Flow Statement from 1 January 2005 to 31 December 2005 and from 1 January 2004 to 31 December 2004

	from 01-01-2005 to 31-12-2005	from 01-01-2004 to 31-12-2004
A. Cash flow from operating activities - indirect method	**(2 265 412)**	**1 120 577**
Profit before income tax	**250 147**	**(304 974)**
Adjustments:	***(2 515 559)***	***1 425 551***
Income taxes paid (negative amount)	(35 812)	(15 108)
Amortisation	119 490	128 467
Foreign exchange gains (losses)	(139 337)	(418 320)
Gains (losses) on investing activities	(28 129)	(30 134)
Impairment of financial assets	36 436	610
Dividends received	(61 281)	(24 638)
Interest paid	724 771	694 265
Change in loans and advances to banks	(495 848)	(1 722 249)
Change in trading securities	(2 856 701)	484 755
Change in derivative financial instruments	541 592	(95 318)
Change in other financial instruments at fair value	-	-
Change in loans and advances to customers	(1 259 646)	539 509
Change in investment securities	(589 697)	227 194
Change in other assets	409 959	(498 920)
Change in amounts due to other banks	(1 078 312)	111 253
Change in other deposits	-	-
Change in financial instruments and other trading liabilities	(439 184)	4 251
Change in amounts due to customers	2 760 461	1 755 062
Change in debt securities in issue	(316 011)	153 968
Change in provisions	(555)	11 704
Change in other liabilities	192 245	119 200
Net cash from operating activities	**(2 265 412)**	**1 120 577**
B.Cash flows from investing activities	**(33 503)**	**313 479**
Investing activity inflows	**165 061**	**656 141**
Disposal of shares in associates	-	8 040
Disposal of shares in subsidiaries, net of cash disposed	62 469	169 196
Proceeds from sale of intangible assets and tangible fixed assets	18 339	263 148
Other investing inflows	84 253	215 757
Investing activity outflows	**198 564**	**342 662**
Acquisition of associates	-	-
Acquisition of subsidiaries, net of cash acquired	11 173	147 274
Purchase of intangible assets and tangible fixed assets	107 701	181 293
Other investing outflows	79 690	14 095
Net cash used in investing activities	**(33 503)**	**313 479**
C. Cash flows from financing activities	**447 679**	**550 068**
Financing activity inflows	**614 555**	**959 439**
Proceeds from loans and advances from other banks	49 924	196 218
Proceeds from other loans and advances	120 975	124 879
Issue of debt securities	-	88 526
Increase of subordinated liabilities	405 830	-

(in PLN 000's)

Issue of ordinary shares	37 826	549 816
Sale of own shares	-	-
Other financing inflows	-	-
Financing activity outflows	**166 876**	**409 371**
Repayments of loans and advances from other banks	4 876	50 082
Repayments of other loans and advances	50 548	276 763
Redemption of debt securities	-	-
Decrease of subordinated liabilities	-	-
Other financial liabilities	-	-
Payments of financial lease 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	111 452	82 526
Net cash from financing activities	**447 679**	**550 068**
Net increase / decrease in cash and cash equivalents (A+B+C)	**(1 851 236)**	**1 984 124**
- (decrease)/increase in cash and cash equivalents in respect of foreign exchange gains and losses	13 776	(590 123)
Cash and cash equivalents at the beginning of the reporting period	**9 990 140**	**8 006 016**
Cash and cash equivalents at the end of the reporting period	**8 138 904**	**9 990 140**

5. Off-Balance-Sheet Items

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

	31.12.2005	31.12.2004
Contingent liabilities granted and received	**12 295 996**	**10 801 668**
Liabilities granted	***11 899 701***	***10 365 621***
- financing	7 719 004	6 186 717
- guarantees	4 180 697	4 178 904
Liabilities received	***396 295***	***436 047***
- financing	51 712	37 070
- guarantees	344 583	398 977
Liabilities arising from purchase/sale operations	**394 093 816**	**223 452 709**
Other liabilities	**278 663**	**314 136**
Total off-balance sheet items	**406 668 475**	**234 568 513**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Information concerning the Group of BRE Bank SA

The Capital Holding Group of the BRE Bank SA ("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, 2004, 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 31 December 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 9th 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 SA – subsidiary companies.
TV-Tech Investment 1 Sp. z o.o. – 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.) – subsidiary company

Corporate Banking:

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

Asset Management:

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

Other:

BRE.locum Sp. z o.o. – 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) issued to use in the European Union, 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 Q4 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) issued to use in the European Union. The comparative data of the Group as at 31 December 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 21.

The drafting of financial statements 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 revised standards 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.

According to IFRS 1 par. 36A, the Group decided to use the exemption from the requirement to restate the comparative information for IAS 32 and IAS 39 regarding to: valuation of financial instruments using effective interest rate and impairment of financial assets carried at amortized cost using effective interest rate.

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:
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

(in PLN 000's)

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 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	78.12%	Full consolidation
Tele-Tech Investment Sp. z o.o	24%	Full consolidation
BRE International Finance	100%	Full consolidation
Intermarket Bank AG	56.24%	Full consolidation
Transfinance a.s.	78.12%	Full consolidation
Magyar Factor Rt.	78.12%	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 Sp. z o.o.	57.19%	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.

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

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

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

Interest on impaired 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 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 liabilities 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.

Financial assets valued at fair value through the profit and loss account
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 with the purchases made first.

Loans and receivables
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 financiale assets
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 financial assets
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 plus, in the case of financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset. 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.

<u>Assets measured at fair value</u>
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.

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.

Fair value hedges

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.

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 (2-10 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	10-15 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 Tax Asset and Libilities

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

Liabilities or assets for deferred corporate income tax are recognised in their full amount according to the balance sheet method in connection with the existence of temporary differences between the tax value of assets and liabilities and their carrying value on the face of the Balance Sheet. Such liabilities or assets are determined 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 for 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 at their realisable value. If the forecast amount of income determined for tax purposes does not allow the realisation of the asset for deferred income tax in full or in part, such an asset is recognised to the respective amount, accordingly. The above described principle also applies to tax losses recorded as part of the deferred tax asset.

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

The Group discloses separately the amount of negative temporary differences (mainly on account of unreconciled 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 subsidiaries and associates for which no deferred tax provision has been formed.

The Group does not include in the deferred tax calculation any liability or asset on account of temporary differences arising in connection with investment in subsidiaries or associates 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. Prepayments, Accruals and deferred income

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

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

According MSR 37 provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely that an outflow of resources will be required to settle the obligation and the amount has been reliable estimated.

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.

Registered 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 approved by the General Shareholders Meeting but not distributed at the Balance Sheet date, are shown under the liabilities on account of dividends payable under the item of "Other liabilities".

c) Own Shares

In the case of acquisition of 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.

Share premium

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

Other capital and reserves

Other capital and reserves is formed as a result of:
- valuation of available for sale ,
- valuation of cash flow hedge financial assets.

Retained earnings

Retained earnings includs:
- other suplementary capital,
- other capital and reserves,
- general banking risk fund,
- unappropriated profit for the previous year,
- net profit (loss) for the current year.

Other supplementary capital, other capital and reserves and general banking risk fund are formed from deductions from profit and are assigned to purposes specified in the by-laws or other regulations of the law.

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 5.27% 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 rate equal to the arithmetic mean of the mid rates quoted by NBP on the last day of each of the twelve months of each presented periods; 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 accordance with matching concept, the same principle is then 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.

The Group used the exemption from the requirement to restate comparative information for IAS 32 and IAS 39 according to IFRS 1 par. 36A. Hence, comparative information does not comply with IAS 32 and IAS 39 in its first year of transition.

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 estimated 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 or 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.

Goodwill
The Bank tests the value of goodwill arising from acquisition of shares in Group member companies consolidated in the financial statements in terms of the risk of goodwill impairment during each annual period.

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).

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 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 and business credit, 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 line. 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 - 31.12.2005
(PLN'000)

	Retail Banking (including Private Banking)	Corporate Banking	Investment Banking	Asset Management	Other	Exclusions	Group
Net interest income	**222 421**	**303 034**	**129 875**	**(25 439)**	**291**	**(8 454)**	**621 728**
- sales to external clients	(36 232)	449 145	216 550	2 535	(1 816)	-	630 182
- sales to other segments	258 653	(146 111)	(86 675)	(27 974)	2 107	(8 454)	(8 454)
Net fee and commission income	**48 183**	**273 652**	**16 215**	**61 872**	**1 796**	**(3 004)**	**398 713**
- sales to external clients	48 990	259 300	29 776	61 872	1 779	-	401 717
- sales to other segments	(808)	14 352	(13 562)	-	17	(3 004)	(3 004)
Unallocated costs							-
Gross profit / (loss) of the segment	**19 110**	**175 034**	**199 193**	**(39 941)**	**(11 577)**	**(3 855)**	**337 964**
Profit / (loss) on operating acitivities							338 433
Contribution of profit / (loss) sharing in associated companies (before tax)							(469)
Gross profit (before tax)							337 964
Corporate income tax							(70 059)
Net profit (loss) attributable to minority interest							20 362
Net profit (after tax)							247 543
Asset of the segment	**4 578 528**	**10 575 591**	**20 025 097**	**747 906**	**1 127 762**	**(3 905 098)**	**33 149 786**
Total assets							33 149 786
Segment's liabilities	**7 229 632**	**9 929 285**	**17 709 656**	**233 972**	**1 952 339**	**(3 905 098)**	**33 149 786**
Total liabilities							33 149 786
Other items of the segment							
Expenditures incurred on fixed assets and intangible asstes	(65 919)	(110 658)	(31 768)	(2 865)	(1 615)	-	(212 825)
Amortisation/depreciation	(45 873)	(63 373)	(25 274)	(2 871)	(2 224)	-	(139 615)
Losses on credits and loans	(82 781)	(276 653)	(42 269)	-	-	-	(401 703)
Other cocts without cash outflows	-	-	(1 040 455)	-	(71)	-	(1 040 526)

Business segment reporting on the activities of the BRE Bank Group
for the period from 01.01.2004 - 31.12.2004
(PLN'000)

	Retail Banking (including Private Banking)	Corporate Banking	Investment Banking	Asset Management	Other	Extraordinary adjustment	Exclusions	Group
Net interest income	**135 113**	**295 357**	**91 767**	**(27 959)**	**(5 271)**		**(3 063)**	**485 945**
- sales to external clients	(98 555)	460 634	127 827	1 442	(5 403)		-	485 945
- sales to other segments	233 668	(165 277)	(36 060)	(29 401)	132		(3 063)	-
Net fee and commission income	**23 939**	**277 297**	**13 422**	**73 956**	**994**		**(7 934)**	**381 674**
- sales to external clients	24 504	260 742	25 419	72 098	1 214		-	383 977
- sales to other segments	(565)	16 555	(11 997)	1 858	(220)		(7 934)	(2 303)
Unallocated costs								(408 019)
Gross profit / (loss) of the segment	**(36 583)**	**126 074**	**127 331**	**(31 945)**	**(3 087)**	**(408 019)**	**(11 104)**	**(237 331)**
Profit / (loss) on operating acitivities								(237 278)
Contribution of profit / (loss) sharing in	-	-	(35)	-	-		-	(35)
Gross profit (before tax)								(237 332)
Corporate income tax								(36 050)
Net profit (loss) including minority interest, of which:								(273 381)
Net profit (loss) attributable to minority interest								20 636
Net profit (after tax)								(294 017)
Asset of the segment	**2 951 406**	**11 035 386**	**18 847 456**	**830 284**	**1 430 936**		**(3 913 673)**	**31 181 795**
Unallocated assets								
Total assets								31 181 795
Segment's liabilities	**5 834 736**	**8 598 820**	**18 038 031**	**206 974**	**2 429 287**		**(3 926 053)**	**31 181 795**
Unallocated liabilities								
Total liabilities								31 181 795
Other items of the segment								
Expenditures incurred on fixed assets and intangible asstes	(53 491)	(101 153)	(43 521)	(2 822)	(1 274)	-	-	(202 261)
Amortisation/depreciation	(46 602)	(67 668)	(28 000)	(3 838)	(2 633)	-	-	(148 742)
Losses on credits and loans	(120 848)	(278 191)	(64 960)	-	(840)	-	-	(464 839)
Other cocts without cash outflows	-	(1 301)	(170 877)	(64)	-	-	12 116	(160 126)

(in PLN 000's)

5. Net interest income

	31-12-2005	31-12-2004
Interest income		
Cash and short-term investments	227 741	208 103
Investment securities	34 722	28 763
Amounts due arising from purchased securities with a sale clause	2 409	4 050
Loans and advances	1 053 581	959 932
Debt securities	197 248	133 444
Other	24 304	14 381
	1 540 005	**1 348 673**
Interest expense		
Arising from settlements with banks and customers	(709 458)	(656 494)
Arising from issue of debt securities	(89 068)	(153 950)
Amounts due arising from sold securities with a repurchase clause	-	(2 478)
Debt trading securities	(52 267)	(37 610)
IRS, CIRS and OIS contracts	(9 386)	(10 008)
Other borrowed funds	(35 990)	(224)
Other	(22 108)	(1 964)
	(918 277)	**(862 728)**

6. Net fee and commission income

	31-12-2005	31-12-2004
Fee and commission income		
Credit related fees and commissions	100 501	135 625
Fees from brokerage activity	40 257	32 629
Fees from portfolio-management services and other management-related fees	92 755	89 053
Guarantiees granted and trade finance commissions	29 412	29 963
Commissions from credit cards	76 330	49 194
Commissions from money transfers	62 163	51 982
Commissions from bank accounts	44 702	42 175
Other	102 201	93 707
	548 321	**524 328**
Fee and commission expense		
Brokerage fees	(20 904)	(15 045)
Credit cards related fees	(64 149)	(51 577)
Other fees	(64 555)	(76 032)
	(149 608)	**(142 654)**

7. Dividend income

	31-12-2005	31-12-2004
Trading securities	723	372
Securities available for sale	46 310	6 804
Dividend income, total	**47 033**	**7 176**

(in PLN 000's)

8. Net trading income

	31-12-2005	31-12-2004
Foreign exchange result	212 225	221 439
- foreign exchange differences from the translation (net)	362 756	124 891
- transaction gains less losses	(150 531)	96 548
Interest-bearing instruments	17 934	7 351
Equities	42 844	3 858
Market risk instruments	(7 893)	(2 082)
Total net trading income	**265 110**	**230 566**

9. Gains less losses from investment securities

	31-12-2005	31-12-2004
Sale / redemption of financial assets available for sale by issuer	43 936	33 300
Ipairment of available for sale equity instruments	(791)	(41 842)
Impairment of available for sale debt securities	-	-
Impairment of debt securities held to maturity	-	-
Total gains less losses from investment securities	**43 145**	**(8 542)**

10. Other operating income

	31-12-2005	31-12-2004
Sale of tangible and intangible fixed assets and assets held for resale	74.045	303.315
Income from recovering previously designated as uncollectible receivables	581	3.323
Income from compensation, penalties and fines received	3.129	5.249
Income due to release of provisions for future commitments	10.388	7.074
Donations received	-	-
Proceeds from services provided	25.113	35.226
Other	17.816	40.047
Total other operating income	**131.072**	**394.234**

11. Impairment losses on loans and advances

	31-12-2005	31-12-2004
Loans and advances to banks	-	-
Loans and advances to customers	(78 841)	(124 575)
Total impairment losses on loans and advances	**(78 841)**	**(124 575)**

12. Overhead costs

	31-12-2005	31-12-2004
Staff-related expenses (Note 12 A)	(423 743)	(350 031)
Material costs	(341 959)	(346 976)
Taxes and fees	(13 179)	(11 265)
Contributions and transfers to the Banking Guarantee Fund	(3 896)	(6 075)
Appropriation of profit to the Company Social Benefits Fund	(1 251)	(999)
Other	(16 320)	(16 232)
Total overhead costs	**(800 348)**	**(731 578)**

Staff-related expenses (12A)

	31-12-2005	31-12-2004
Wages and salaries	(337 315)	(267 325)
Social security expenses	(55 756)	(38 055)
Pension fund expenses	(667)	(646)
Salaries in form of share option program for employees	(4 536)	(8 686)
Other staff expenses	(25 469)	(35 319)
Staff-related expenses, total	**(423 743)**	**(350 031)**

13. Other operating expenses

	31-12-2005	31-12-2004
Costs of selling or scraping fixed assets, intangible assets and assets held for resale	(57.559)	(317.898)
Impairment provisions created for tangible and intangible assets	(36.177)	(211.062)
Impairment provisions created for other receivables (excluding loans and advances)	(1.497)	(19.903)
Receivables and liabilities recognised as uncollectible and written off	(6.595)	(1.878)
Compensation, penalties and fines paid	(11.744)	(1.399)
Donations made	(3.228)	(3.128)
Impairment losses on other non-financial assets	(6.944)	(87.350)
Other, due to:	(25.820)	(80.838)
- provisions for future commitments	(10.915)	(31.675)
- sale of services	(958)	(505)
- other operating costs	(13.726)	(48.566)
- accessory expenses	(112)	(144)
- net extraordinary items	(109)	52
Total other operating expenses	**(149.564)**	**(723.455)**

14. Earnings per share

Earnings per share for 12 months

	31-12-2005	31-12-2004
Basic:		
Net profit (loss) per shareholder	247 543	(294 017)
Weighted average number of ordinary shares	28 779 061	25 841 813
Net basic profit (loss) per share (in PLN per share)	8,60	(11,38)
Diluted:		
Net profit (loss) per shareholder	247 543	(294 017)
Net profit (loss) applied for calculating of diluted earnings per share (in thousand PLN)	247 543	(294 017)
Weighted average number of ordinary shares in issue	28 779 061	25 841 813
Adjustments for:		
- stock options for employees (in thousand PLN)	98 162	37 311
Weighted average number of ordinary shares for calculating of diluted earnings per share	28 877 223	25 879 124
Diluted earnings per share (in PLN per share)	8,57	(11,36)

(in PLN 000's)

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

	31.12.2005	31.12.2004
Trading securities:		
Government bonds	1 473 639	1 163 355
Treasury bills	1 640 129	2 187 851
Other debt securities	3 347 363	758 517
Trading equity securities	44 554	13 510
listed	*44 554*	*10 933*
unlisted	*-*	*2 577*
Total trading securities	**6 505 685**	**4 123 233**
Financial assets at fair value through profit or loss (designated at initial recognition)	-	-
Total financial assets at fair value through profit or loss (including trading securities)	**6 505 685**	**4 123 233**

The above note doesn't include treasury bills pledged in accordance of Banking Guarantee Fund in amount of 22 487 TPLN (2004: 31 500 TPLN), which are included in the Note 17 "Investment securities".

16. Loans and advances to customers

	31.12.2005	31.12.2004
Loans and advances to individual customers	4 326 918	2 658 601
Loans and advances to corporate customers	9 607 241	9 664 381
Loans and advances to public sector	1 222 449	1 140 902
Receivables purchased	1 032 731	1 173 080
Realised guarantees and warranties	18 894	20 127
Other receivables	118 892	548 538
Total (gross) loans and advances to customers	**16 327 125**	**15 205 629**
Provision for loans and advances to customers (negative amount)	(863 611)	(875 245)
Total (net) loans and advances to customers	**15 463 514**	**14 330 384**

17. Investment securities

	31.12.2005	31.12.2004
Securities available for sale		
Debt securities at fair value	931 094	306 950
- listed	898 245	276 351
- unlisted	32 849	30 599
Equity securities at fair value	254 240	305 719
- listed	15 246	151 401
- unlisted	238 994	154 318
Total securities available for sale	**1 185 334**	**612 669**

(in PLN 000's)

Securities held to maturity		
Debt securities at amortized cost	-	15 323
- listed	-	15 323
- unlisted	-	-
Total securities held to maturity	**-**	**15 323**
Allowance for impairment	**(38 015)**	**(16 384)**
Total investment securities	**1 147 319**	**611 608**

The above note includs treasury bills pledged in accordance of Banking Guarantee Fund, which are presented in the balance sheet in separate position "Pledged assets" (see Note 15).

18. Assets held for

According to IFRS 5 "Non-current Assets Held for Sale and Discontinued Oparations", assets and liabilities of PTE Skarbiec-Emerytura in consolidated balance sheet were presented in the separate position as assets and liabilities held for sale. The transaction is described in the point 10 of "Selected explanatory information".

Assets of PTE Skarbiec Emerytura (after elimination of intra-group transactions) as at 31.12.2005:

	31-12-2005
Assets held for sale, including:	
Loans and advances to banks	4 342
Investment securities	35 250
Intangible assets, including goodwill	240 215
Tangible fixed assets	300
Deferred income tax assets	7 719
Other assets	29 523
Total assets held for sale	**317 349**

19. Amounts due to customers

	31.12.2005	**31.12.2004**
Corporate customers	12 605 979	10 345 715
Individual customers	7 665 083	6 418 558
Public sector customers	172 344	133 616
Amounts due to customers	**20 443 406**	**16 897 889**

(in PLN 000's)

20. Liabilities held for sale

Liabilities of PTE Skarbiec Emerytura (after elimination of intra-group transactions) as at 31.12.2005:

	31-12-2005
Liabilities held for sale, including:	
Other liabilities	5 680
Provisions for deferred income tax	135
Provisions	1 024
Total liabilities held for sale	**6 839**

21. 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 31 December 2004 and in the consolidated profit and loss account for the period from 1 January 2004 to 31 December 2004

Item	Note	Polish GAAP 31/12/2004	Adjustment	IFRS 31/12/2004
ASSETS				
Cash and balances with Central Bank	a	734,690	1	734,691
Debt securities eligible for rediscounting at the Central Bank		52,832		52,832
Loans and advances to banks	ą	6,991,868	(1,817)	6,990,051
Trading securities	b	4,123,233	(1 750 225)	2,373,008
Derivative financial instruments		1,796,824		1,796,824
Other financial instruments at fair value through profit and loss account				
Loans and advances to customers	c	15,397,097	(1,066,713)	14,330,384
Investment securities	ć	685,871	(105,763)	580,108
Pledged assets	d	31,500	1,750,225	1,781,725
Investments in associated undertaking		2,224		2,224
Intangible assets	e	660,462	4,308	664,770
Tangible fixed assets	f	529,087	(6,100)	522,987
Deferred income tax assets	g	772,461	6,160	778,621
Other assets	h	943,565	(369,995)	573,570
Assets held for sale		-		-
Total assets		**32,721,714**	**(1,539,919)**	**31,181,795**
EQUITY AND LIABILITIES				
Amounts due to Central Bank		-		-
Amounts due to other banks	i	5,382,828	179,301	5,562,129
Other deposits		-		-
Derivative financial instruments and other trading liabilities		1,620,708		1,620,708
Amounts due to customers	j	18,300,797	(1,402,908)	16,897,889
Debt securities in issue		3,103,327		3,103,327
Other borrowed funds		1,020,144		1,020,144
Other liabilities	k	553,246	(212,480)	340,766
Current income tax liabilities		1,444		1,444

(in PLN 000's)

Provision for deferred income tax	l	686,943	1,650	688,593
Provisions	m	127,330	(87,936)	39,394
Total liabilities		**30,796,767**	**(1,522,373)**	**29,274,394**
Equity				
Capital and reserves attributable to the Company's equity holders		**1,861,938**	**(17,193)**	**1,844,745**
Share capital:		**1,282,246**		**1,282,246**
- Registered share capital		114,853		114,853
- Share premium (aggio)		1,167,393		1,167,393
Other capital and reserves	n	**2,891**	**(1,323)**	**1,568**
Retained earnings:		**576,801**	**(15,870)**	**560,931**
- Profit (loss) for the previous year	ń	855,231	(283)	854,948
- Net profit/(loss) for the current year	o	(278,430)	(15,587)	(294,017)
Minority interests	p	63,009	(353)	62,656
Total equity		**1,924,947**	**(17,546)**	**1,907,401**
Total equity and liabilities		**32,721,714**	**(1,539,919)**	**31,181,795**
Interest income	q	1,353,410	(4,737)	1,348,673
Interest expenses	r	(857,897)	(4,831)	(862,728)
Net interest income		495,513	(9,568)	485,945
Fee and commission income	s	434,664	89,664	524,328
Fee and commission expense	ś	(126,371)	(16,283)	(142,654)
Net fee and commission income		308,293	73,381	381,674
Dividend income		7,176		7,176
Net trading income	t	230,342	224	230,566
Gains less losses from investment securities	u	(223,548)	215,006	(8,542)
Other operating income	v	441,783	(47,549)	394,234
Impairment losses on loans and advances		(124,575)		(124,575)
Overhead costs	w	(738,678)	7,100	(731,578)
Amortisation of intangible assets and depreciation of tangible fixed assets	x	(150,583)	1,841	(148,742)
Other operating expenses	y	(469,422)	(254,033)	(723,455)
Operating profit		(223,699)	(13,598)	(237,297)
Share of profit/(loss) of associates		(35)		(35)
Profit/(loss) before income tax		(223,734)	(13,598)	(237,332)
Income tax expense	z	(41,656)	5,606	(36,050)
Net profit/(loss) excluding minority interest		(265,390)	(7,991)	(273,381)
Profit/(loss) attributable to minority interest	ż	13,040	7,596	20,636
Net profit/(loss)		(278,430)	(15,587)	(294,017)

*	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	1
	Total effect: increase in cash and balances with Central Bank	1
(ą)	*Loans andadvances to banks*	
(i)	Decrease in receivables under suspended interest	(1,817)
	Total effect: decrease in loans and avances to banks	(1,817)
(b)	*Trading securities*	

(i)	*Change of presentation of sell-buy-back transactions*	(1,750,225)
	Total impact: decrease of Trading securities	(1,750,225)
(c)	*Loans and advances to customers*	
(i)	Decrease in receivables under suspended interest	(233,218)
(ii)	Decrease in receivables under swap interest	(1,215,349)
(iii)	Change of the scope of consolidation	(58,320)
(iv)	Decrease in receivables under general risk provisions	(103,122)
(v)	Change of presentation of factoring portfolio	543,296
	Total effect: decrease in loans and advances to customers	(1,066,713)
(ć)	*Investment securities*	
(i)	Historical cost valuation of entities previously subject to equity accounting valuation	(26,897)
(ii)	Change of the scope of consolidation	(78,866)
	Total effect: decrease in investment securities	(105,763)
(d)	*Pledged assets*	
(i)	*Change of presentation of sell-buy-back transactions*	1,750,225
	Total impact: increase of Pledged assets	1,750,225
(e)	*Intangible assets*	
(i)	Reversal of amortization of goodwill of subsidiaries	4,701
(ii)	Change of the scope of consolidation	(393)
	Total effect: increase in intangible assets	4,308
(f)	*Tangible fixed assets*	
(i)	Change of depreciation policy for fixed assets valued at less than PLN 3,500	7,603
(ii)	Presentation adjustment: valuation of perpetual usufruct presented under other assets	(18,750)
(iii)	Change of the scope of consolidation	5,047
	Total effect: decrease in tangible fixed assets	(6,100)
(g)	*Deferred income tax assets*	
(i)	Change of the scope of consolidation	980
(ii)	Change of valuation policy for shares stated according to equity accounting to historical cost valuation	5,180
	Total effect: increase in deferred income tax assets	6,160
(h)	*Other assets*	
(i)	Change of presentation of perpetual usufruct and reconciliation settlement of acquisition cost of perpetual usufruct in time.	18,750
(ii)	Valuation of perpetual usufruct	2,142
(iii)	Change of the scope of consolidation	152,409
(iv)	Change of presentation of factoring portfolio	(543,296)
	Total effect: decrease in other assets	(369,995)
(i)	*Amounts due to other banks*	
(i)	Increase in swap interest liabilities	179,301

(in PLN 000's)

	Total effect: increase in amounts due to other banks	179,301
(j)	*Amounts due to customers*	
(i)	Decrease in swap interest liabilities	(1,394,650)
(ii)	Change of the scope of consolidation	(8,258)
	Total effect: decrease in amounts due to customers	(1,402,908)
(k)	*Other liabilities*	
(i)	Decrease in receivables by suspended interest	(235,035)
(ii)	Change of the scope of consolidation	22,555
	Total effect: decrease in other liabilities	(212,480)
(l)	*Provision for deferred income tax*	
(i)	Change of depreciation policy for fixed assets with small initial value	1,393
(ii)	Change of the scope of consolidation	257
	Total effect: increase in provisions for deferred income tax	1,650
(m)	*Provisions*	
(i)	Decrease in receivables under general risk provisions	(103,122)
(ii)	Change of valuation policy for shares stated according to equity accounting to historical cost valuation	5,180
(iii)	Change of the scope of consolidation	10,006
	Total effect: decrease in provisions	(87,936)
(n)	*Other capital and reserves*	
(i)	Increase in own capital on issue of management stock options	(1,323)
	Total effect: decrease in other capital and reserves	(1,323)
(ń)	*Unappropiated profit (loss)*	
(i)	Change of depreciation policy for fixed assets valued at less than PLN 3,500	6,128
(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	(13,788)
(iv)	Recognition of management compensation (options) in reatained earnings	8,686
(v)	Change of the scope of consolidation	(3,521)
	Total effect: decrease in unappropiated profit (loss)	(283)
(o)	*Net profit/(loss) for the current year*	
(i)	Change of depreciation policy for fixed assets valued at less than PLN 3,500	82
(ii)	Valuation of perpetual usufruct acc. to IAS 39	(70)
(iii)	Change of valuation policy for shares stated according to equity accounting to historical cost valuation	(11,235)
(iv)	Provision for damages from insurer	
(v)	Recognition of cost of remuneration (management stock options) in net profit/(loss)	(8,686)

(in PLN 000's)

(vi)	Change of the scope of consolidation	(379)
(vii)	Change of depreciation policy for goodwill	4,701
	Total effect: decrease in net profit/(loss) for the current year	(15,587)
(p)	*Minority interest*	
(i)	Change of the scope of consolidation	(353)
	Total effect: decrease in minority interest	(353)
(q)	*Interest income*	
(i)	Change of the scope of consolidation	(4,737)
	Total effect: decrease in interest income	(4,737)
(r)	*Interest expenses*	
(i)	Change of the scope of consolidation	(4,607)
(ii)	Change of presentation of interest flows for derivative instruments. Presentation of net interest accrued on receivables and liabilities.	(224)
	Total effect: increase in interest expense	(4,831)
(s)	*Fee and commission income*	
(i)	Change of the scope of consolidation	89,664
	Total effect: increase in income from fees and commissions	89,664
(ś)	*Fee and commission expense*	
(i)	Change of the scope of consolidation	(16,283)
	Total effect: decrease in fee and commission expenses	(16,283)
(t)	*Net trading income*	
(i)	Change of presentation of interest flows for derivative instruments. Presentation of net interest accrued on receivables and liabilities.	224
	Total effect: increase in net trading income	224
(u)	*Gains less losses from investment securities*	
(i)	Change of valuation policy for shares stated according to equity accounting to historical cost valuation	(11,235)
(ii)	Change of the scope of consolidation	226,241
	Total effect: increase in gains less losses from investment securities	215,006
(v)	*Other operating income*	
(i)	Change of the scope of consolidation	(47,549)
	Total effect: decrease in other operating income	(47,549)
(w)	*Overhead costs*	
(i)	Reconciliation of cost of perpetual usufruct in time	(308)
(ii)	Recognition of cost of remuneration (management stock options) in net profit/(loss)	(8,686)
(iii)	Change of the scope of consolidation	16,094
	Total effect: increase in overhead costs	7,100
(x)	*Amortisation of intangible assets and depreciation of tangible fixed assets*	
(i)	Change of the scope of consolidation	1,841

(in PLN 000's)

	Total effect: decrease in of amortization of intangible assets and depreciation of tangible fixed assets	1,841
(y)	*Other operating expenses*	
(i)	Change of the scope of consolidation	(253,969)
(ii)	Reconciliation of cost of perpetual usufruct in time	238
(iii)	Change of depreciation policy for fixed assets valued at less than PLN 3,500	177
(iv)	Change of depreciation policy for goodwill	4,701
(v)	Change of valuation policy for shares stated according to equity accounting to historical cost valuation	(5,180)
	Total effect: increase in other operating expenses	(254,033)
(z)	*Income tax expense*	
(i)	Change of depreciation policy for fixed assets valued at less than PLN 3,500	(95)
(ii)	Change of the scope of consolidation	521
(iii)	Change of valuation policy for shares stated according to equity accounting to historical cost valuation	5,180
	Total effect: decrease in income tax expense	5,606
(ż)	*Minority interest*	
(i)	Change of the scope of consolidation	7,596
	Total effect: increase in profit of minority shareholders	7,596

Reconciliation of differences between IFRS and Polish GAAP standards in the individual company balance sheet at the date of 31 December 2004 and in the individual company profit and loss account for the period from 1 January 2004 to 31 December 2004

Item	**Note**	**Polish GAAP 31.12.2004**	**Adjustment**	**IFRS 31.12.2004**
ASSETS				
Cash and balances with Central Bank		734 608		734 608
Debt securities eligible for rediscounting at the Central Bank		52 832		52 832
Loans and advances to banks	a	6 841 461	(1 817)	6 839 644
Trading securities	b	4 140 909	(1 750 225)	2 390 684
Derivative financial instruments		1 796 824		1 796 824
Other financial instruments at fair value through profit and loss account		-		-
Loans and advances to customers	c	13 265 134	(1 560 561)	11 704 573
Investment securities		473 363		473 363
Pledged assets	d	31 500	1 750 225	1 781 725
Investments in subsidiaries	e	717 880	(46 137)	671 743
Investments in associated undertaking	f	(4 901)	5 727	826
Intangible assets		350 148		350 148
Tangible fixed assets	g	488 469	(11 418)	477 051
Deferred income tax assets	h	729 241	5 180	734 421
Other assets	i	424 736	9 863	434 599
Assets held for sale		-		-

(in PLN 000's)

Total assets		**30 042 204**	**(1 599 163)**	**28 443 041**
EQUITY AND LIABILITIES				
Amounts due to Central Bank		-		-
Amounts due to other banks	j	3 278 009	179 301	3 457 310
Other deposits		-		-
Derivative financial instruments and other trading liabilities		1 613 462		1 613 462
Amounts due to customers	k	20 694 709	(1 394 650)	19 300 059
Debt securities in issue		407 792		407 792
Other borrowed funds		1 020 144		1 020 144
Other liabilities	l	378 901	(235 036)	143 865
Current income tax liabilities		-		-
Provision for deferred income tax	ł	671 187	1 393	672 580
Provisions	m	123 470	(97 942)	25 528
Total liabilities		**28 187 674**	**(1 546 934)**	**26 640 740**
Equity				
Share capital:		**1 391 314**		**1 391 314**
- Registered share capital		114 853		114 853
- Share premium (aggio)		1 276 461		1 276 461
Other capital and reserves	n	**2 468**	**992**	**3 460**
Retained earnings:		**460 748**	**(53 221)**	**407 527**
- Profit (loss) for the previous year	ń	744 955	(20 546)	724 409
- Net profit (loss) for the current year	o	(284 207)	(32 675)	(316 882)
Total equity		**1 854 530**	**(52 229)**	**1 802 301**
Total equity and liabilities		**30 042 204**	**(1 599 163)**	**28 443 041**
Interest income		1 025 655		1 025 655
Interest expense	p	(694 459)	(224)	(694 683)
Net interest income		331 196	(224)	330 972
Fee and commission income		323 243		323 243
Fee and commission expense		(104 720)		(104 720)
Net fee and commission income		218 523		218 523
Dividend income		24 991		24 991
Net trading income	q	203 513	224	203 737
Gains less losses from investment securities	r	(181 274)	(22 254)	(203 528)
Other operating income		315 546		315 546
Impairment losses on loans and advances		(80 973)		(80 973)
Overhead costs	s	(532 380)	(8 994)	(541 374)
Amortisation of intangible assets and depreciation of tangible fixed assets	t	(128 969)	502	(128 467)
Other operating expenses	u	(437 387)	(7 014)	(444 401)
Operating profit		(267 214)	(37 760)	(304 974)
Share of profit of associates		(267 214)	(37 760)	(304 974)
Profit before income tax	w	(16 993)	5 085	(11 908)
Net profit (loss)		(284 207)	(32 675)	(316 882)

(a)	*Loans and advances to banks*	
(i)	Decrease of receivables under suspended interest	(1 817)
	Total impact: decrease of Loans and advances	(1 817)

(in PLN 000's)

	to banks	
(b)	*Trading securities*	
(i)	Change of presentation of sell-buy-back transactions	(1 750 225)
	Total impact: decrease of Trading securities	(1 750 225)
(c)	Loans and advances to customers	
(i)	Decrease of receivables under suspended interest	(233 218)
(ii)	Decrease of receivables under swap interest	(1 215 349)
(iii)	Decrease of receivables under general risk reserve	(103 122)
(iv)	Historical cost valuation of shares in subsidiaries and associates	(8 872)
	Total impact: decrease of Loans and advances to customers	(1 560 561)
(d)	*Pledged assets*	
(i)	Change of presentation of sell-buy-back transactions	1 750 225
	Total impact: increase of Pledged assets	1 750 225
(e)	*Investments in subsidiaries*	
(i)	Historical cost valuation of subsidiaries previously subject to equity valuation accounting	(46 137)
	Total impact: decrease of Investments in subsidiaries	(46 137)
(f)	*Investments in associates*	
(i)	Historical cost valuation of affiliates previously subject to equity valuation accounting	5 727
	Total impact: increase of Investments in associates	5 727
(g)	*Tangible fixed assets*	
(i)	Change of depreciation policy for tangible fixed assets with low initial value	7 332
(ii)	Presentation adjustment: valuation of perpetual usufruct item under other assets	(18 750)
	Total impact: decrease of Tangible fixed assets	(11 418)
(h)	*Deferred income tax assets*	
(i)	Historical cost valuation of shares in subsidiaries and associates	5 180
	Total impact: increase of Deferred income tax assets	5 180
(i)	*Other assets*	
(i)	Presentation adjustment: valuation of perpetual usufruct under other assets and accounting for acquisition cost of perpetual usufruct in time.	18 750

(in PLN 000's)

(ii)	Adjustment for decrease in value of perpetual usufruct rights due to the change in related acquisition-cost accounting method	2 142
(iii)	Historical cost valuation of shares in subsidiaries and associates	(11 029)
	Total impact: increase of Other assets	9 863
(j)	*Amounts due to other banks*	
(i)	Decrease of receivables under swap interest	179 301
	Total impact: increase of Amounts due to other banks	179 301
(k)	*Amounts due to customers*	
(i)	Decrease of liabilities under swap interest	(1 394 650)
	Total impact: decrease of Amounts due to customers	(1 394 650)
(l)	*Other liabilities*	
(i)	Receivables decreased by suspended interest	(235 036)
	Total impact: decrease of Other liabilities	(235 036)
(ł)	*Provisions for deferred income tax*	
(i)	Change of depreciation policy of tangible fixed assets with a low initial value	1 393
	Total impact: increase of Provisions for deferred income tax	1 393
(m)	*Provisions*	
(i)	Decrease of receivables under general risk reserve	(103 122)
(ii)	Historical cost valuation of shares in subsidiaries and associates	5 180
	Total impact: decrease of Provisions	(97 942)
(n)	Other capital and reserves	
(i)	Historical cost valuation of subsidiaries and associates	992
	Total impact: increase of other capital and reserves	992
(ń)	*Unappropiated profit (loss)*	
(i)	Change of depreciation policy of fixed assets with a low initial value	5 534
(ii)	Adjustment of valuation of perpetual usufruct rights due to acquisition-cost accounting in time	2 212
(iii)	Historical cost valuation of subsidiaries and associates	(36 978)
(iv)	Recognition of the cost of remuneration under management stock options	8 686
	Total impact: decrease of Unappropiated profit (loss)	(20 546)
(o)	*Net profit (loss) for the current year*	
(i)	Change of depreciation policy of fixed assets with low initial value	407

(in PLN 000's)

(ii)	Adjustment of valuation of perpetual usufruct rights due to acquisition-cost accounting in time	(70)
(iii)	Historical cost valuation of subsidiaries and associates	(24 326)
(iv)	Recognition of the cost of remuneration under management stock options	(8 686)
	Total impact: decrease of Net profit (loss) for the current year	(32 675)
(p)	*Interest income*	
(i)	Change of presentation of interest flows from derivative instruments.	(224)
	Total impact: increase of Interest income	(224)
(q)	*Net trading income*	
(i)	Change of presentation of interest flows from derivative instruments.	224
	Total impact: increase of Net trading income	224
(r)	*Gains less losses from investment securities*	
(i)	Historical cost valuation of subsidiaries and associates	(22 254)
	Total impact: decrease of Gains less losses from investment securities	(22 254)
(s)	*Overhead costs*	
(i)	Accounting for the cost of acquisition of perpetual usufruct over time	(308)
(ii)	Recognition of the cost of remuneration under management stock options	(8 686)
	Total impact: increase of Overhead costs	(8 994)
(t)	*Amortisation of intangible assets and depreciation of tangible fixed assets*	
(i)	Change of depreciation policy for tangible fixed assets with low initial value	502
	Total impact: decrease of Amortisation of intangible assets and depreciation of tangible fixed assets	502
(u)	*Other operating expenses*	
(i)	Accounting for the cost of acquisition of perpetual usufruct over time	238
(ii)	Valuation of shares in subsidiary and affiliated companies according to historical cost	(2 072)
(iii)	Historical cost valuation of shares in subsidiaries and associates	(5 180)
	Total impact: increase of Other operating expenses	(7 014)
(w)	*Income tax expense*	

(i)	Tax effect of the change of depreciation policy for tangible fixed assets with low initial value	(95)
	Historical cost valuation of shares in subsidiaries and associates	5 180
	Total impact: decrease of Income tax expense	5 085

Reconciliation of adjustments recognized in the IFRS Consolidated Balance Sheet as at 1 January 2005 without translation of comparable data for previous accounting periods

Item	Note	IFRS 31/12/2004	Adjustment	IFRS 01/01/2005
ASSETS				
Cash and balances with Central Bank		734,691		734,691
Debt securities eligible for rediscounting at the Central Bank		52,832		52,832
Loans and advances to banks	a	6,990,051	(859)	6,989,192
Trading securities		2,373,008		2,373,008
Derivative financial instruments		1,796,824		1,796,824
Other financial instruments at fair value through profit and loss account	b	-	118,401	118,401
Loans and advances to customers	c	14,330,384	(1,754)	14,328,630
Investment securities	d	580,108	(118,401)	461,707
Pledged assets		1,781,725		1,781,725
Investments in associated undertaking		2,224		2,224
Intangible assets		664,770		664,770
Tangible fixed assets		522,987		522,987
Deferred income tax assets	e	778,621	21,401	800,022
Other assets	f	573,570	(8,009)	565,561
Assets held for sale		-		-
Total assets		**31,181,795**	**10,779**	**31,192,574**
EQUITY AND LIABILITIES				
Amounts due to Central Bank		-		-
Amounts due to other banks		5,562,129		5,562,129
Other deposits		-		-
Derivative financial instruments and other trading liabilities		1,620,708		1,620,708
Amounts due to customers		16,897,889		16,897,889
Debt securities in issue	g	3,103,327	(236)	3,103,091
Other borrowed funds	h	1,020,144	6,287	1,026,431
Other liabilities	i	340,766	35,727	376,493
Current income tax liabilities		1,444		1,444
Provision for deferred income tax	j	688,593	5,552	694,145
Provisions	k	39,394	53,136	92,530
Total liabilities		**29,274,394**	**100,466**	**29,374,860**
Equity				
Capital and reserves attributable to the Company's equity holders		**1,844,745**		**1,844745**
Share capital:		**1,282,246**		**1,282,246**

(in PLN 000's)

	- Registered share capital		114,853		114,853
	- Share premium (aggio)		1,167,393		1,167,393
	Other capital and reserves		**1,568**		**1,568**
	Retained earnings:		**560,931**	**(86,879)**	**474,052**
	- Profit (loss) for the previous year	l	854,948	(86,879)	768,069
	- Net profit/(loss) for the current year		(294,017)		(294,017)
	Minority interests	m	62,656	(2,808)	59,848
	Total equity		**1,907,401**	**(89,687)**	**1,817,714**
	Total equity and liabilities		**31,181,795**	**10,779**	**31,192,574**

(a)	*Loans and advances to banks*	
(i)	Adjustment of receivables for application of amortised cost valuation method	(859)
	Total effect: decrease in loans and advances to banks	(859)
(b)	*Other financial instruments at fair value through profit and loss account*	
(i)	Reclassification of trading investments to financial instruments at fair value trough profit and loss	118,401
	Total effect: increase in other financial instruments at fair value through profit and loss account	118,401
(c)	*Amounts due to customers*	
(i)	Adjustment of receivables for application of amortised cost valuation method	(21,181)
(ii)	Decrease in receivables on the account of permanent impairment	19,427
	Total effect: decrease in amounts due to customers	(1,754)
(d)	*Investment securities*	
(i)	Reclassification of trading investments to financial instruments at fair value trough profit and loss	(118,401)
	Total effect: decrease in investment securities	(118,401)
(e)	*Deferred income tax assets*	
(i)	Increase in tax asset in connection with adjustment of the Bank's profit/(loss) carried forward, resulting from application of amortized cost valuation of certain financial instruments	11,696
(ii)	Increase in tax asset in connection with adjustment of the Bank's profit/(loss) carried forward, resulting from recognition of impairment of certain assets	7,754
(iii)	One-time referral to costs of commission paid in connection with financial assets purchase contract, previously recognized in time	1,951
	Total effect: increase in deferred income tax assets	21,401

(in PLN 000's)

(f)	*Other assets*	
(i)	Adjustment of receivables for application of amortised cost valuation method	2,262
(ii)	One-time referral to costs of commission paid in connection with financial assets purchase contract, previously recognized in time	(10,271)
	Total effect: decrease in other assets	(8,009)
(g)	*Debt securities in issue*	
(i)	Adjustment of liabilities for application of amortized cost depreciation method	(236)
	Total effect: decrease in debt securities in issue	(236)
(h)	*Other borrowed funds*	
(i)	Adjustment of liabilities for application of amortized cost depreciation method	6,287
	Total effect: increase in other borrowed funds	6,287
(i)	*Other liabilities*	
(i)	Adjustment of liabilities for application of amortized cost depreciation method	35,727
	Total effect: increase in other liabilities	35,727
(j)	*Provision for deferred income tax*	
(i)	Increase in provisions for deferred income tax in connection with adjustment of the Bank's profit/(loss) carried forward, resulting from recognition of impairment of certain assets	5,552
	Total effect: increase in provisions for deferred income tax	5,552
(k)	*Provisions*	
(i)	Change in provisions, resulting from application of financial assets' value loss method	53,136
	Total effect: increase in provisions	53,136
(l)	*Profit (loss) for the previous year*	
(i)	Adjustment of the Bank's retained earnings for application of amortized cost valuation method for certain financial assets	(49,860)
(ii)	Adjustment of the Bank's retained earnings for application of financial assets' value loss method	(28,699)
(iii)	One-time referral to costs of commission paid in connection with financial assets purchase contract, previously recognized in time	(8,320)
	Total effect: decrease in profit (loss) for the previous year	(86,879)

(in PLN 000's)

(m)	*Minority interest*	
(i)	Adjustment of the Bank's minority interest for application of financial assets' value loss method	(2,808)
	Total effect: decrease of minority interest	(2,808)

Reconciliation of adjustments recognised in the stand alone balance sheet as at 1 January 2005, drafted in compliance with IFRS, without adjustment of comparative data for the previous accounting periods

Item	Note	IFRS 31.12.2004	Adjustment	IFRS 01.01.2005
ASSETS				
Cash and balances with Central Bank		734 608		734 608
Debt securities eligible for rediscounting at the Central Bank		52 832		52 832
Loans and advances to banks	a	6 839 644	(859)	6 838 785
Trading securities		2 390 684		2 390 684
Derivative financial instruments		1 796 824		1 796 824
Other financial instruments at fair value through the profit and loss account	b	-	118 401	118 401
Loans and advances to customers	c	11 704 573	3 863	11 708 436
Investment securities	d	473 363	(118 401)	354 962
Pledged assets		1 781 725		1 781 725
Investments in subsidiaries		671 743		671 743
Investments in affiliates		826		826
Intangible assets		350 148		350 148
Tangible fixed assets		477 051		477 051
Deferred income tax assets	e	734 421	21 401	755 822
Other assets	f	434 599	(8 009)	426 590
Assets held for sale		-		-
Total assets		**28 443 041**	**16 396**	**28 459 437**
EQUITY AND LIABILITIES				
Amounts due to the Central Bank		-		-
Amounts due to other banks		3 457 310		3 457 310
Other deposits		-		-
Derivative financial instruments and other trading liabilities		1 613 462		1 613 462
Amounts due to customers		19 300 059		19 300 059
Debt securities in issue	g	407 792	(236)	407 556
Other borrowed funds	h	1 020 144	6 287	1 026 431
Other liabilities	i	143 865	35 727	179 592
Current income tax liabilities		-		-
Provisions for deferred income tax	j	672 580	5 552	678 132
Provisions	k	25 528	53 136	78 664
Total liabilities		**26 640 740**	**100 466**	**26 741 206**

(in PLN 000's)

Equity				
Share capital:		**1,391,314**		**1,391,314**
- Registered share capital		114 853		114 853
- Share premium (aggio)		1 276 461		1 276 461
Other capital and reserves		3 460		3 460
Retained earnings:		**407 527**	**(84 070)**	**323 457**
- Profit (loss) for the previous year	1	724 409	(84 070)	640 339
- Net profit (loss) for the current year		(316 882)		(316 882)
Total equity		**1 802 301**	**(84 070)**	**1 718 231**
Total equity and liabilities		**28 443 041**	**16 396**	**28 459 437**

(a)	*Loans and advances to banks*	
(i)	Adjustment of receivables as a result of using the amortized-cost valuation method	(859)
	Total impact: decrease of Loans and advances to banks	(859)
(b)	*Other financial instruments at fair value through the profit and loss account*	
(i)	Reclassification of securities from trading securities to other financial instruments at fair value through the profit and loss account	118 401
	Total impact: increase of Other financial instruments valued at fair value through profit and loss account	118 401
(c)	*Loans and advances to customers*	
(i)	Adjustment of receivables as a result of using the amortized-cost valuation method	(21 181)
(ii)	Decrease in receivables as a result of recognizing permanent loss of value	25 044
	Total impact: increase of Loans and advances to customers	3 863
(d)	*Investment securities*	
(i)	Reclassification of securities from trading securities to other financial instruments at fair value through the profit and loss account	(118 401)
	Total impact: decrease of Investment securities	(118 401)
(e)	*Deferred income tax assets*	
(i)	Increase in tax assets due to adjustment of the Bank's net profit for the previous accounting periods as a result of using the amortized-cost valuation method for some financial instruments	11 696
(ii)	Increase in the tax assets due to adjustment of the Bank's net profit for the previous accounting periods as a result of recognizing permanent loss of value of some assets	7 754
(iii)	Direct cost deduction of commission for the financial instruments' purchase contract - previously accounted for in time	1 951

(in PLN 000's)

	Total impact: increase of Deferred income tax assets	21 401
(f)	*Other assets*	
(i)	Adjustment of receivables as a result of using the amortized-cost valuation method	2 262
(ii)	Direct cost deduction of commission for the financial instruments' purchase contract - previously accounted for in time	(10 271)
	Total impact: decrease of Other assets	(8 009)
(g)	*Debt securities in issue liabilities*	
(i)	Adjustment of liabilities as a result of using the amortized-cost valuation method	(236)
	Total impact: decrease of Debt securities in issue liabilities	(236)
(h)	*Other borrowed funds*	
(i)	Adjustment of liabilities as a result of using the amortized-cost valuation method	6 287
	Total impact: increase of Other borrowed funds	6 287
(i)	*Other liabilities*	
(i)	Adjustment of liabilities as a result of using the amortized-cost valuation method	35 727
	Total impact: increase of Other liabilities	35 727
(j)	*Provisions for deferred income tax*	
(i)	Increase in provisions for deferred income tax as a result of adjustment of the Bank's net profit for the previous accounting periods as a result of recognizing permanent loss of value of some assets	5 552
	Total impact: increase of Provisions for deferred income tax	5 552
(k)	*Provisions*	
(i)	Adjustment of provisions as a result of using the loss of value of financial instruments method	53 136
	Total impact: increase of Provisions	53 136
(l)	*Profit (loss) for the previous year*	
(i)	Adjustment of retained earnings as a result of using the amortized-cost valuation method for some financial assets	(49 860)
(ii)	Adjustment of retained earnings as a result of using the loss of value of financial instruments method	(25 890)
(iii)	Direct cost deduction of commission for the financial instruments' purchase contract - previously accounted for in time	(8 320)
	Total impact: decrease of Profit (loss) for the previous year	(84 070)

SELECTED EXPLANATORY INFORMATION

1. Compliance with International Financial Reporting Standards [IFRS]

The presented Q4 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 21 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 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

- A significant event influencing on the net profit was a concluding by BRE Bank S.A., a holder of 100% of shares in PTE Skarbiec-Emerytura S.A., an agreement with PZU Życie S.A., a holder of 100% of shares in PTE PZU S.A. „The Agreement on the Merger of PTE Skarbiec-Emerytura and PTE PZU with an Obligation to Sell the Merger Issue Shares". The above transaction was described in point 10 "Selected Explanatory Notes".

- On 22 December 2005 the Fee-for-Task Agreement was signed between BRE Bank SA, Bank Handlowy w Warszawie SA and Bank BPH SA (hereinafter jointly referred to as the "Arrangers") and Południowy Koncern Energetyczny SA (the "Issuer") to arrange a bond issue programme by the Issuer for the total consideration of PLN 650 million (the "Programme") and to underwrite, by the Arrangers, the bonds to be issued by the Issuer for the total amount of PLN 650 million.Under the Programme the PLN bonds maturing up to 10 years will be issued. Each Arranger has accepted an obligation to underwrite the Issuer's bonds for up to ca. PLN 217 million (1/3 of the Programme amount) ("Underwriting"). The underwriting shall be offered to the Issuer based on a separate underwriting agreement. Underwriting obligations of each Arranger are separate and none of them shall bear any responsibility for performing such obligations by other Arrangers.

The Bond Issue Proceeds shall be used for financing the investment i.e. construction of a new power supply block of a power plant of 460 MW (the "Project").

- In connection with the current report dated 24 September 2003 concerning the sale by BRE Bank SA ("Bank") of shares in the company BRE.locum Sp. z o.o. ("Company") to Tele-Tech Investment Sp. z o.o. ("TTI") and the execution by and between the Bank and TTI of a Preliminary Sale Agreement ("Agreement") for the sale of the said shares in the Company to the Bank, the Management Board of the Bank informs that on 27 December 2005, the Bank and TTI, a linked entity (affiliate) of the Bank, executed Annex 1 to the Agreement whereby the Bank or a person designated by the Bank shall be entitled to buy from TTI 11,082 shares in the Company ("Shares"), a subsidiary of the Bank, representing 20.01% of the share capital of the Company and giving 11,082 (20.01%) votes at the General Meeting of the Company.
  At the same time, on 27 December 2005, the Bank designated a natural person as the person authorised to buy the Shares in the Company instead of the Bank.

- On 28 December 2005 Bank bought from TELE-TECH Investment Sp. z o.o. ("TTI") 100 shares in TV-TECH Investment 2 Sp. z o.o. ("Company"). Acquired shares of Company constitute 100% of share capital and give right to execute 100 votes which amount to 100% of votes during the shareholders meetings Company.
  The value of shares in the books of BRE Bank amounts to PLN 50,000
  Bank has financed this transaction from its own financial sources. The investment has a long-term character. Before the transaction Bank did not hold any shares of Company.

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 Q4 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 Q4 2005 BRE Bank there was no redemption of deposit certificates. The company BRE Leasing issued short-term bonds totalling PLN 182 000 thousand. In the same period, the Company carried out the redemption of short-term bonds to the amount of PLN 189 800 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

- On 2 January 2006 BRE Bank SA bought from Atlas Vermögensverwaltungs GmbH – subsidiary of Commerzbank AG – 1,350,000 shares in BRE Bank Hipoteczny SA ("BBH"). Nominal value of each share amounts to PLN 100. Acquired shares of BBH constitute 100% of share capital and give right to execute 1,350,000 votes which amount to 100% of votes during the shareholder meetings BBH.The value of shares in the books of BRE Bank amounts to PLN 174,540,000. Bank has financed this transaction from its own financial sources. The investment has a long-term character. Before the transaction Bank did not hold any shares of Company.

- On 17 January 2006 BRE Bank concluded the loan agreement with of it's Clients. Amount of this loan is EUR 49,000,000 (PLN 186,915,400 by average EUR/PLN NBP exchange rate on 17 January 2006). The interest rate of the loan is based on the 3M EURIBOR plus Bank's margin. The loan repayment should take place until March 31, 2011.Total value of loan agreements concluded with mentioned Client and it's subsidiaries during last 12 months amonts PLN 207,404,050 (equivalent of EUR and USD using average NBP exchange rates as of January 17, 2006.

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

On 29 November 2005 BRE Bank, a holder of 100% of shares in PTE Skarbiec-Emerytura concluded with PZU Życie SA , a holder of 100% of shares in PTE PZU SA "The Agreement on the Merger of PTE Skarbiec-Emerytura and PTE PZU with an Obligation to Sell the Merger Issue Shares" ("Agreement"). The merger will take place through acquisition of assets of PTE Skarbiec-Emerytura by PTE PZU. The merger of both companies is subject to the approval by the Insurance and Pension Funds Supervisory Commission ("KNUiFE") and the Competition and Consumer Protection Office ("UOKiK"). After the merger the share of BRE Bank SA in the shareholders' equity and votes at the General Meeting of Shareholders of PTE PZU shall equal to 13.1% and PZU Życie SA to 86.9%. The Agreement also provides for call and put options, which oblige the Parties to buy (sell) all merger related issues of shares held by BRE Bank SA following the merger of both pension funds. The sale of shares following the acceptance of the offer and payment for shares shall be subject to the approval by Insurance and Pension Funds Supervisory Commission ("KNUiFE") and the approval by the Competition and Customers Protection Office ("UOKiK").

The price for the merger issue shares to be held by BRE Bank SA was set at PLN 365 million subject to any approximate adjustments reflecting the percentage value change of net assets of Skarbiec-Emerytura in the period between 30 June 2005 and the date of the merger of both pension funds plus PLN 15 million. The minimum price shall stand at PLN 315 million and shall be binding if the merger takes place before 31 August 2006. If the merger does not occur by 31 August 2006, BRE Bank has the right to terminate the Agreement.

On 12 December 2005 the plan of merger was published in Commercial and Law Gazette according to commercial companies' code. The managements of companies, which are subject to merger, declared an intention of merger to the head of the Competition and Customers Protection Office ("UOKiK") as at 13 December 2005 and after the General

(in PLN 000's)

Meeting of Shareholders made the decision about the merger, they would present an motion about the approval of merger to the Insurance and Pension Funds Supervisory Commission ("KNUiFE"). On 16 January 2006 an expert gave an opinion that merger plan was prepared in correct way and the share exchange parity included in the plan was set up correctly.

Both the planned merger of PTE PZU with PTE Skarbiec-Emerytura and the acquisition of shares by PZU Życie SA, which BRE Bank SA will have in joined company, are according to the strategy of PTE Skarbiec-Emerytura shareholder.

The information about the share of PTE Skarbiec-Emerytura (PTE) in the consolidated Profit and Loss Account before the elimination of the transactions within the Group is presented below.

Profit and loss PTE from 01-10-2005 to 31-12-2005	**Before elimination of intra-group transactions**
Net interest income	1 594
Net fee and commission income	15 639
Other operating income	1 045
Overhead costs	(7 368)
Amortization and depreciation	(258)
Other operating expenses	(160)
Profit before income tax	**10 492**
Income tax expense	(2 631)
Net profit (loss)	**7 861**

Moreover, according to IFRS 5 "Non-current assets held for sale and discontinued operations" Bank recognized an impairment loss in PTE to the amount of the minimum price guaranteed in the Agreement (PLN 315 million) less costs to sell, which Bank would have to incur until the moment of the transaction (PLN 4.5 million). The total impairment loss regarding PTE was PLN 36.109 thousands.

The total influence of events mentioned above on the Group net profit in 2005 (the consolidation of PTE, impairment loss after tax effects) was negative and amounted to PLN 27.395 thousands.

11. Changes in off-balance sheet liabilities

In Q4 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

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 Q4 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 Q4 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 Q4 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 31 December 2005 was 28,983,972 shares with PLN 4 nominal value each. All issued shares were fully paid.

(in PLN 000's)

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 bearer	-	-	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
21-05-03	ordinary bearer	-	-	60 670	242 680	fully paid up in cash	18-10-2005*	01-01-05
21-05-03	ordinary bearer	-	-	13 520	54 080	fully paid up in cash	12-10-2005*	01-01-05
21-05-03	ordinary bearer	-	-	4 815	19 260	fully paid up in cash	14-11-2005*	01-01-05
21-05-03	ordinary bearer	-	-	28 580	114 320	fully paid up in cash	14-11-2005*	01-01-05
21-05-03	ordinary bearer	-	-	53 399	213 596	fully paid up in cash	08-12-2005*	01-01-05
21-05-03	ordinary bearer	-	-	14 750	59 000	fully paid up in cash	08-12-2005*	01-01-05
Total number of shares				**28 983 972**				
Total share capital					**115 935 888**			
Nominal value per share			4					

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

21. Material Share Packages

There was a change in the holding of material share packages of BRE Bank SA from the publication of the previous quarterly report.

Commerzbank Ausladsbanken Holding AG is a shareholder holding over 5% of the share capital and votes at the General Meeting. As at 31 December 2005 Commerzbank Ausladsbanken Holding AG held 71,49% of the share capital and votes at the General Meeting of BRE Bank SA.

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

	Number of shares held as at 30 September 2005	**Number of shares acquired in Q4**	**Number of shares sold in Q4**	**Number of shares held as at the date of publishing the report**
Management Board				
1. Sławomir Lachowski	100	-	-	100
2. Rainer Ottenstein	-	2 500	-	2 500
3. Wiesław Thor	-	5 200	5 200	-
				-
Supervisory Board	-	-	-	-
1. Krzysztof Szwarc	8 000	-	-	8 000

	Number of options held as at 30 September 2005	**Number of options acquired in Q4**	**Number of options sold in Q4**	**Number of options held as at the date of publishing the report**
Management Board				
1. Sławomir Lachowski	24 000	-	-	24 000
2. Jerzy Jóźkowiak	12 609	-	-	12 609
3. Bernd Loewen	5 609	-	-	5 609
4. Rainer Ottenstein	7 490	-	2 500	4 990
5. Wiesław Thor	26 609	-	5 200	21 409
6. Janusz Wojtas	5 609	-	-	5 609

23. Earnings per share (stand alone data)

Earnings per share for 12 months

	31-12-2005	31-12-2004
Basic:		
Net profit (loss)	207 310	(316 882)
Weighted average number of ordinary shares	28 779 061	25 841 813
Net basic profit (loss) per share (in PLN per share)	7,20	(12,26)
Diluted:		
Net profit (loss))	207 310	(316 882)
Net profit (loss) applied for calculating of diluted earnings per share (in thousand PLN)	207 310	(316 882)
Weighted average number of ordinary shares in an issue	28 779 061	25 841 813
Adjustments for:		
- stock options for employees	98 162	37 311
Weighted average number of ordinary shares for calculating of diluted earnings per share	28 877 223	25 879 124
Diluted earnings per share (in PLN per share)	7,18	(12,24)

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

At 31 December 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 31 December 2005 was PLN 333,474,006.21, equal to 17.06 % of the issuer's equity. Below is a report on major proceedings concerning liabilities of the issuer or its subsidiaries.

1. Lawsuit against BRE Bank initiated by ART-B Sp. z o.o. w likwidacji.

   The lawsuit was delivered on 30 August 1994. On 26 July 2004the Court of the first instance adopted a decision in favour of the Bank. 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.

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. Lawsuit against BRE Bank by the Katarzyna and Leon Praśniewski.

   On 31 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. On 29 December 2005 Appeal Court in Warsaw set aside point 1 of the sentence of District Court in Warsaw dated at 17 June 2003 and it adjudged to L. Praśniewski the amount of PLN 1.245.091 with statutory interest beginning from 6 November 2000 and the amount of PLN 202.689,92 with statutory interest beginning from 6 November 2000 to Katarzyna Praśniewska-Steggles. The other matters included in the sentence will be examined once again by

(in PLN 000's)

the District Court in Warsaw. The District Court will also decide about the costs of the trial.
As the Appeal Court has not yet justified the sentence, it is difficult right now to state whether the Bank will appeal against sentence.
According to the Bank and its legal counsel, the sentence of the Appeal Court does not influence on the current risk estimation. Taking into account the amount adjudged to plaintiffs by the Appeal Court, the legal risk posed by the case is estimated at not more than PLN 1 million.

At 31 December 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 31 December 2005 was PLN 319,073,496.86, equal to 16.32% 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 31.12.2005	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 4th 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 31 December 2005 are as follows:

Numerical data concerning transactions with affilaited entities (in thousand PLN) - 31 December 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	672 753	2 801 741	32 508	76 797	1 954	2 869	2 777 719	0	911
2	BRE Corporate Finance SA	2 143	0	47	1	0	46	0	2 896	0
3	Dom Inwestycyjny BRE Bank SA	276 395	48 516	9 005	676	2 771	1 070	0	535	0
4	BRE International Finance B.V.	0	0	9 969	0	0	0	0	0	0
5	PTE Skarbiec Emerytura SA	4 341	0	156	0	0	0	0	0	0
6	Skarbiec Asset Management Holding SA	32 036	527	508	168	80	158	0	60 667	0
7	BRE Leasing Sp. z o.o.	47 755	301 424	878	6 727	0	20	0	0	911
8	Polfactor S.A.	1 476	162 512	0	8 794	0	343	0	232 376	0
9	Intermarket Bank AG	0	69 476	0	1 935	0	0	0	0	0
10	Centrum Rozliczeń i Informacji CERI Sp. z o.o.	8 442	210	375	0	0	0	0	0	0
11	BRE Finance France SA	2 417 227	0	55 430	0	0	0	0	2 444 988	0
12	TV-Tech Investment 1 Sp. z .o.o.	796	0	78	8 426	0	0	0	0	0
13	Tele-Tech Investment Sp. z o.o.	1 271	47 140	4	3 118	0	0	0	5	0
14	Garbary Sp. z o.o.	2 317	1 201	91	0	0	0	0	0	0
15	BRE.locum Sp. z o.o.	1 971	38 807	199	2 662	0	285	0	36 000	0
16	ServicePoint Sp. z o.o.	433	0	1	0	0	2	0	0	0
17	FAMCO SA	2 411	0	33	0	0	2	0	0	0
18	BRELINVEST Sp. z o.o. Fly 2 Sp. komandytowa	16	0	13	0	0	0	0	0	0
19	BRELIM Sp. z o.o.	37	0	0	0	0	0	0	0	0
20	BREL-MAR Sp. z o.o.	25	0	0	0	0	0	0	0	0
21	AMBRESA Sp. z o.o.	1 342	0	2	0	0	1	0	0	0
22	TV-Tech Investment 2 Sp. z .o.o.	31	0	0	0	0	1	0	0	0
23	EMFINANCE Sp. z o.o.	950	0	8	0	0	2	0	0	0
24	MKF Sp z o.o.	87	2 862	0	0	0	1	0	0	0
25	Xtrade SA	0	78	0	1	18	3	0	0	0
26	NOVITUS SA (dawniej Optimus IC SA)	239	0	0	0	0	20	0	252	0

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 31 December 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 Q1 2006.