BRE BANK SA

IFRS Consolidated Financial Statements of BRE Bank SA Group for the first quarter 2006

CONTENTS

Selected financial data

SELECTED FINANCIAL DATA FOR THE GROUP	in PLN '000		in EUR '000	
	1 quarter 2006 from 2006-01-01 to 2006-03-31	1 quarter 2005 from 2005-01-01 to 2005-03-31	1 quarter 2006 from 2006-01-01 to 2006-03-31	1 quarter 2005 from 2005-01-01 to 2005-03-31
I. Interest income	403 302	393 882	104 874	98 095
II. Fee and commission income	154 456	127 976	40 164	31 872
III. Net trading income	89 475	43 182	23 267	10 754
IV. Operating profit	109 595	81 979	28 499	20 417
V. Profit before income tax	109 508	81 977	28 476	20 416
VI. Net profit (loss) attributable to minority interest	6 075	4 087	1 580	1 018
VII. Net profit (loss)	78 901	60 141	20 517	14 978
VIII. Cash flows from operating activities	799 204	(428 354)	207 823	(106 680)
XIX. Cash flows from investing activities	(36 029)	(33 699)	(9 369)	(8 393)
X.Cash flows from financing activities	(1 141 568)	240 968	(296 850)	60 012
XI. Net increase / decrease in cash and cash equivalents	(378 393)	(221 085)	(98 396)	(55 061)
XII. Total assets	35 558 122	31 893 451	9 034 764	7 809 940
XIII. Amounts due to the Central Bank	-	-	-	-
XIV. Amounts due to other banks	5 091 530	5 255 923	1 293 678	1 287 049
XV. Amounts due to customers	19 499 375	16 892 366	4 954 487	4 136 535
XVI. Capital and reserves attributable to the Company's equity holders	2 145 101	1 825 315	545 037	446 976
XVII. Minority interest	77 131	64 171	19 598	15 714
XVIII. Share capital	116 870	114 853	29 695	28 125
XIX. Number of shares	29 217 436	28 713 125	29 217 436	28 713 125
XX. Book value per share (in PLN/EUR per share)	73.42	63.57	18.65	15.57
XXI. Diluted book value per share (in PLN/EUR per share)	73.99	66.77	18.80	16.35
XXII. Capital adequacy ratio	11.23	11.89	11.23	11.89
XXIII. Earnings per 1 ordinary share (in PLN/EUR per share) (for 12 months)	9.22	(8.40)	2.32	(1.94)
XXIV. Diluted earnings per 1 ordinary share (in PLN/EUR per share) (for 12 months)	9.19	(8.38)	2.31	(1.94)
XXV. Declared or paid dividend per share (in PLN/EUR per share)	-	-	-	-

SELECTED FINANCIAL DATA FOR THE BANK	in'000 PLN		in'000 EUR	
	1 quarter 2006 from 2006-01-01 to 2006-03-31	1 quarter 2005 from 2005-01-01 to 2005-03-31	1 quarter 2006 from 2006-01-01 to 2006-03-31	1 quarter 2005 from 2005-01-01 to 2005-03-31
I. Interest income	319 673	337 311	83 127	84 006
II. Fee and commission income	90 156	76 104	23 444	18 954
III. Net trading income	84 239	42 985	21 905	10 705
IV. Operating profit	75 620	60 632	19 664	15 100
V. Profit before income tax	75 620	60 632	19 664	15 100
VI. Net profit (loss)	60 948	48 589	15 849	12 101
VII. Cash flows from operating activities	973 470	(656 313)	253 139	(163 453)
VIII. Cash flows from investing activities	(71 462)	(19 187)	(18 583)	(4 778)
IX.Cash flows from financing activities	(1 214 988)	398 123	(315 942)	99 151
X. Net increase / decrease in cash and cash equivalents	(312 980)	(277 377)	(81 387)	(69 080)
XI. Total assets	31 013 906	29 161 207	7 880 150	7 140 879
XII. Amounts due to the Central Bank	-	-	-	-
XIII. Amounts due to other banks	2 784 478	3 273 964	707 492	801 715
XIV. Amounts due to customers	21 721 952	19 210 358	5 519 209	4 704 155
XV. Equity	2 046 676	1 769 985	520 028	433 427
XVI. Share capital	116 870	114 853	29 695	28 125
XVII. Number of shares	29 217 436	28 713 125	29 217 436	28 713 125
XVIII. Book value per share (in PLN/EUR per share)	70.05	61.64	17.80	15.10
XIX. Diluted book value per share (in PLN/EUR per share)	69.78	61.52	17.73	15.06
XX. Capital adequacy ratio	12.67	13.68	12.67	13.68
XXI. Earnings per 1 ordinary share (in PLN/EUR per share) (for 12 months)	7.61	(10.88)	1.91	(2.52)
XXII. Diluted earnings per 1 ordinary share (in PLN/EUR per share) (for 12 months)	7.58	(10.86)	1.90	(2.51)
XXIII. Declared or paid dividend per share (in PLN/EUR per share)	-	-	-	-

Introduction

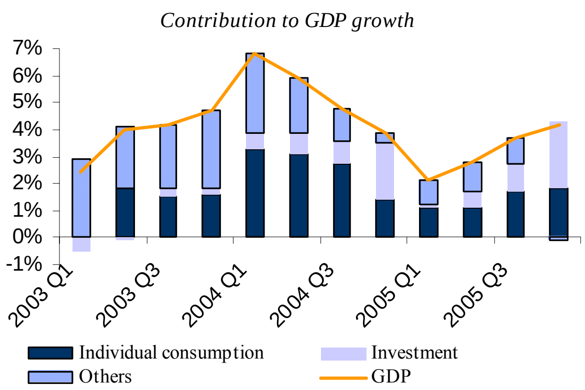
The BRE Bank Group generated a profit before tax of PLN 109.5 million in Q1 2006, up 33.6% year on year.
The BRE Bank Group's pre-tax profit grew as a result of a significant increase in the core business income and relatively low overhead costs, which helped to improve the Group's profitability and effectiveness.
The Group's pre-tax return on equity (ROE) was 20.9% (per annum) in Q1 2006, more than reported in Q1 2005 (18.3%) and ahead of the 2006 target of 18.8%. The Group's cost/income ratio was 66% in Q1 2006, in line with the annual financial target, much lower than in Q1 2005 (71.7%).

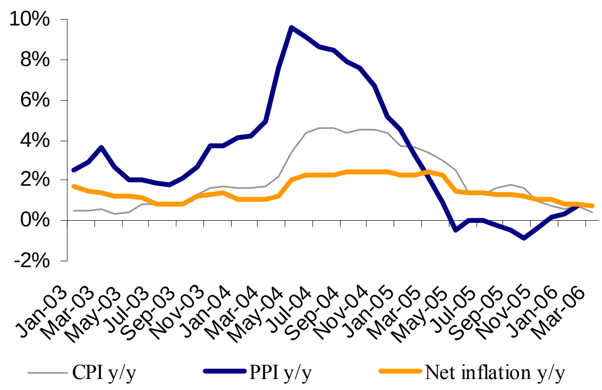
The key profit drivers included:

- Expansion of the BRE Bank Group in 2005 to include BRE Bank Hipoteczny (BBH). As at 31 March 2006, BBH's contribution to the pre-tax profit of the Group was 8.8% and its share in assets was 6.2%, which helped to grow individual P&L and balance sheet items year on year. BBH's contribution to the P&L was mainly under the net interest income (a share of 8.5%) and overhead costs (a share of 3.7%). The Group's 2006 results net of BBH's contribution and thus directly comparable with the Group's 2005 structure are not much lower in terms of the annual growth rate of the pre-tax profit (22%). This suggests that the Group's business performance has improved, helping its profitability.
- Improvement of profitability in the balance sheet thanks to the growing loans portfolio and deposits base, up by 31% and 15% year on year respectively.
- Positive market conditions which helped to grow the profits realised on money and capital markets.
- The cost regime which kept the growth rate of costs below that of income, as demonstrated by the cost/income ratio decreasing from 71.7% to 66.0% in Q1 2006.

Macroeconomics in Q1 2006

Most macroeconomic indicators attest to continued prevalence of positive trends in the Polish economy in Q1 2006. According to the Polish Statistical Office, GDP grew 4.2% in Q4 2005; according to our estimates, GDP grew by ca. 5% in Q1 2006; the upward trend should remain unchanged throughout 2006. GDP growth is expected to derive mainly from growing domestic demand, and in particular from recovery in investments. The trend commenced in Q4 2005, when domestic demand grew 5%, including private consumption up 3.1% and investments grew 9.8%.

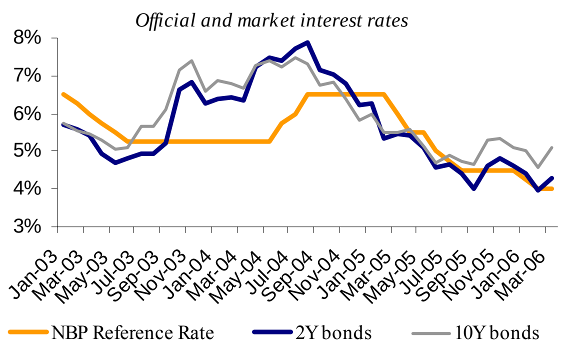


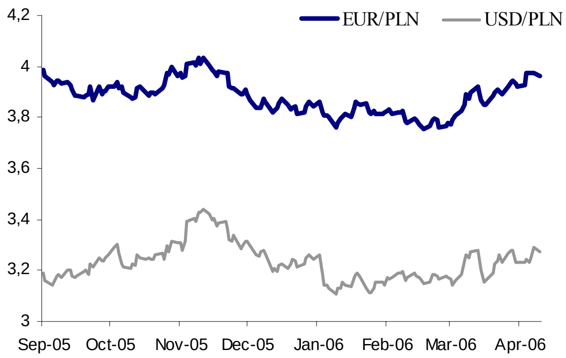


The labour market is gradually improving. Following a seasonal surge in December and January, the official unemployment rate has been on the decrease as of March. Research on the economic activity of the population also suggests ongoing improvement: the unemployment rate was down from 18% in Q4 2004 to 16.7% in Q4 2005. Employment in the corporate sector is growing: it was up 2.7% year on year in March 2006. The growth rate of wages and salaries has also stepped up over the past months. The average gross salary in the corporate sector was up 4.7% year on year in Q1 2006. Coupled with low inflation, this implies a further increase in real salaries. According to preliminary statistics of the Polish Statistical Office, real salaries in the economy grew 2.5% in 2005. The higher growth in salaries and the real increase in pensions (among others thanks to the revaluation of pensions in 2006) are conducive to growing consumption among households.

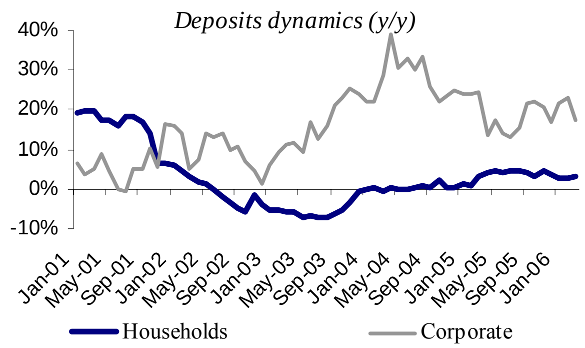
Despite the economic recovery and a faster growth in real salaries, all current inflation measures indicate that there is no inflation pressure. The CPI was down to 0.4% in March; according to the National Bank of Poland's January projection, the CPI will approach the official inflation target of 2.5% only in late 2007. Core (net) inflation was down to 0.8% in February 2006, and the PPI was 0.7%. The inflation expectations of the population were also down (0.6% in January and February 2006). In this context, the Monetary Policy Council cut the NBP interest rates twice (in January and February 2006) by 0.25 percentage points, and set the reference rate at 4%. In March 2006, according to market expectations, the official interest rates were kept unchanged.

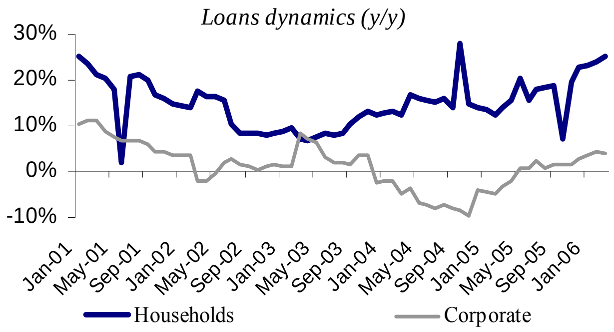
Political developments in Poland in Q1 2006 as well as the evolution of international markets did not favour a stable zloty. However, the negative impact of politics was largely offset by positive macroeconomic indicators (high growth of output and retail sales, low inflation, good budget performance, etc.). In this context, the zloty was mainly affected by external factors, among others interest rates hikes in the USA and in the eurozone. The volatility of the zloty and its depreciation were curbed by robust fundamentals. Between the end of December 2005 and the end of March 2006, the zloty was down 2% against the euro and strengthened against the US dollar.





Money supply (M3) was up 9.7% year on year in March 2006. The growth rate of household loans remained high (up 25.3% year in year). Importantly, corporate loans also grew slightly, by nearly PLN 4 billion in Q1 2006, up 3.9% year on year. This may suggest a growing propensity to invest. Of household loans, fx housing loans grew the fastest: up 60.3% year in year in January-February 2006. However, due to the diverging trends of Polish and foreign interest rates and in the light of the banking supervision's tightening of the rules for fx loans, interest in PLN housing loans is likely to grow in the coming months. The Banking Supervision Commission's new Recommendation S on good practices in mortgage-backed credit exposures is bound to impact banks' management of mortgage credit risk.





Financial and Business Performance in Q1 2006

Balance Sheet

The BRE Bank Group's total assets were PLN 35.6 billion at 31 March 2006, up 11.5% year on year and up 8.3% quarter on quarter. Credits and loans grew the fastest, by 25.3% and 31.1% respectively. Thanks to this high growth, much above that of total assets, credits and loans accounted for 54% of total assets, compared to 46% at the end of 2005. The high growth in the credit portfolio was mainly driven by the expansion of retail banking and the addition of BBH's mortgage loans portfolio. The Q1 growth in lending on an individual basis was 14.3% quarter on quarter and 22.4% year on year.

Very liquid assets (loans and advances to banks, securities available for sale) were stable, ensuring high safety of the business. The share of tangible and intangible fixed assets in total assets was down from 3.7% at 31 March 2005 to 2.7% at 31 March 2006, which makes the balance sheet structure very profitable thanks to a high share of interest-earning assets.

Deposits were up by a high 15.4%, and their share in total liabilities was 58.5%, compared to 56.3% in Q1 2005.

Among sources of financing, debt securities in issue grew the fastest thanks to the consolidation of the balance sheet of BBH which mainly uses debt securities to finance its business.

The share of equity is sources of funding remained stable at 6.2% of total liabilities and equity in Q1 2006, compared to 5.9% in 2005.

The solvency ratio grew marginally in Q1 2006 year on year (11.2% compared to 11.1%) thanks to a relatively low increase in the capital requirement compared to the growth in equity following the allocation of last year's profit.

Profit and Loss Account

The net interest income remained the dominant P&L item: it was PLN 171.1 million at the end of Q1, compared to PLN 165.3 million in Q1 2005. The net interest income grew thanks to both the higher volume and increased profitability of business. The BRE Bank Group's interest margin (net interest income to interest-earning assets) was 2.23% per annum in Q1 2006, compared to the 2005 year-end margin of 2.19%. The BRE Bank Group's interest margin measured as net interest income to net assets was 2% per annum in Q1 2006, compared to 1.9% at the end of 2005. The net interest income and the interest margin were helped by the growing volume of the mortgage loans portfolio, including the BBH portfolio, and a positive shift in the structure of the sources of financing.

The net fee and commission income was up 16.7% year on year, and remained the second largest income item of the Group. It was PLN 111.2 million, compared to PLN 95.2 million in Q1 2005. The subsidiaries of the Bank's Investment Banking, Asset Management, and Retail Banking Lines reported the highest growth in the net fee and commission income.

Trading income reported the highest year-on-year growth of all P&L items (up 107.2%), mainly due to the significant growth in the fx profit and the profit on other financial instruments based on market indexes.

The ratio of provisions to the portfolio of credits and loans granted to customers was 4.4% for the Group and 4.8% for the Bank at the end of Q1 2006. Credit and loan impairment write-offs were PLN 22.6 million in Q1 2006, including PLN 18.2 million at BRE Bank.

Overhead costs were PLN 216.4 million in Q1 2006, compared to PLN 183.8 million in Q1 2005 (up 17.7%). Net of the impact of the consolidation of BBH, the Group's administrative costs grew 13.4%. The costs grew due to the expansion of retail banking, the growth of the branch network, and the increasing headcount. In addition, bonus provisions written off this year are staggered more regularly over the year compared to 2005.

Amortisation and depreciation grew by a higher 28.2% due to IT systems implemented at the Bank and at Group subsidiaries.

Quality of the Credit Risk Portfolio

The Bank applies the provisions of the International Financial Reporting Standards (IFRS) as of 1 January 2005. The credit risk portfolio is stated under the provisions of IAS 39 and IAS 37.
The default ratio for the credit risk portfolio under IAS 39 and IAS 37 was 3.9% at the end of 2005 and 3.5% at the end of Q1 2006.

The default ratio for the balance sheet credit risk portfolio (credit receivables less interest) was 5.8% at the end of Q1 2006 (down from 6.6% at the end of 2005).

The quality of the credit risk portfolio under the Polish Accounting Standards (rating of loans under the Regulation of the Finance Minister dated 10 December 2003) improved in Q1 2006. Irregular loans were 7.2% of the balance-sheet credit risk portfolio, compared to 8.5% at 31 December 2005.

The main factor of improvement in the quality of the credit risk portfolio in Q1 2006 was a significant growth in the credit risk portfolio.

Financial and Business Performance of the Business Lines

Retail Banking and Private Banking

Financial Performance

Significant business expansion in 2006 (assets up by nearly 60%), which helped to grow income while retaining a strict cost regime, enabled a high growth in the pre-tax profit of the Retail Banking Business to PLN 12 million in Q1 2006, compared to PLN 30 thousand in Q1 2005.
The Retail Banking Business reported the highest growth in the main income items in the Group: its net interest income grew 42% (PLN 18 million) and its net fee and commission income by almost 100% (PLN 7 million), compared to a growth by 3.5% and 16.7% respectively in the Group.
Thanks to dynamic expansion of the branch network, the Retail Banking Business reported a significant increase in overhead costs by 38%, more than the Group's average but less than the growth rate of income. The costs also grew due to allocated costs, higher than last year as the Line's share in the Bank's overheads increased.

Customers and Accounts

BRE Bank's Retail Banking Line has 1,374.5 thousand customers at the end of March 2006 (including 1,091.3 thousand at mBank and 283.2 thousand at MultiBank). The line acquired 96.8 thousand new customers year to date (76.3 thousand at mBank, 20.5 thousand at MultiBank). There were 152.9 thousand microenterprise customers at the end of March 2006 (113.9 thousand at mBank, 42.4 thousand at MultiBank). The number of microenterprise customers grew by 13.6 thousand in Q1 2006 (10.2 thousand at mBank, 3.4 thousand at MultiBank).

The Retail Banking Line had 1,598.8 thousand accounts at the end of March 2006 (1,423.8 thousand at mBank, 175 thousand at MultiBank). The number of accounts grew by 113.5 thousand in Q1 2005 (100 thousand at mBank, 13.5 thousand at MultiBank). There were 186.4 thousand microenterprise accounts (144 thousand at mBank, 42.4 thousand at MultiBank). The number of microenterprise accounts grew by 16.4 thousand in Q1 2006 (13 thousand at mBank, 3.4 thousand at MultiBank).

Deposits

The Retail Banking Line had deposits of PLN 5,582 million at the end of March 2006 (PLN 4,371.5 million at mBank, PLN 1,210.5 million at MultiBank). The deposits grew by PLN 448.5 million in Q1 2006 (PLN 336.7 million at mBank, PLN 111.8 million at MultiBank).

Investment Funds

BRE Bank's retail customers' assets in investment funds were PLN 994.8 million at the end of March 2006 (PLN 770.3 million at mBank, PLN 224.5 million at MultiBank). Investment fund assets grew by PLN 246.4 million in Q1 2006 (PLN 189.3 million at mBank, PLN 57.1 million at MultiBank).

Loans

Balance-sheet retail loans were PLN 4,655 million at the end of March 2006 (PLN 1,397.1 million at mBank, PLN 3,257.9 million at MultiBank). Retail loans grew by PLN 628.1 million in Q1 2006 (PLN 256.9 million at mBank, PLN 371.2 million at MultiBank).

Loans portfolio structure:

- mBank: 79.8% mortgage loans (PLN 1,114.7 million), 9% credit lines (PLN 125.6 million), 4.7% credit cards (PLN 65.1 million) 6.6% other (PLN 91.7 million);
- MultiBank: 83.4% mortgage loans (PLN 2,717.6 million), 9% credit lines (PLN 293.8 million), 2.5% credit cards (PLN 82.4 million), 5.1% other (PLN 164.2 million).

The Retail Banking Line's balance-sheet mortgage loans were PLN 3,832.3 million at the end of Q1 2006 (mBank PLN 1,114.7 million, MultiBank PLN 2,717.6 million). Balance-sheet mortgage loans grew by PLN 557 million in Q1 2006 (PLN 231.1 million at mBank, PLN 325.9 million at MultiBank). Retail mortgage loans were PLN 3,564.5 million (PLN 1,111.1 million at mBank, PLN 2,453.4 million at MultiBank). FX loans were 77.6% of balance-sheet mortgage loans (89.6% at mBank, 72.7% at MultiBank).

Retail Mortgage Loans	*Total*	*PLN*	*FX*
Balance-sheet value (PLN bn)	3.6	0.6	3.0
Average maturity (years)	21.2	17.2	22.1
Average value (PLN'000)	148.5	190.2	139.2
Average LTV (%)	66.2	57.5	68.0
NPL (%)	0.7	1.2	0.6

(in PLN 000's)

The Retail Banking Line's share in the mortgage loans market continued to grow dynamically. According to the Polish Banks Association, BRE Bank's market share was 7.4% at the end of February 2006, up 0.9 percentage points year to date.

Microenterprise loans were PLN 477.8 million at the end of Q1 2006 (PLN 25.5 million at mBank, PLN 452.3 million at MultiBank), 56% of which were mortgage loans (14.1% at mBank, 58.4% at MultiBank). Microenterprise mortgage loans were PLN 267.7 million (PLN 3.6 million at mBank, PLN 264.1 million at MultiBank). FX loans represented 50.3% of balance-sheet microenterprise mortgage loans.

Cards

BRE Bank's Retail Banking Line had issued 727.5 thousand debit cards by the end of March 2006 (578.7 thousand at mBank, 148.8 thousand at MultiBank), up 57.9 thousand year to date (46.4 thousand at mBank, 11.5 thousand at MultiBank).
BRE Bank's Retail Banking Line had issued 88.9 thousand credit cards by the end of March 2006 (56.5 thousand at mBank, 32.4 thousand at MultiBank), up 9 thousand year to date (7.8 thousand at mBank, 1.2 thousand at MultiBank).

Corporate Banking

Financial Performance

The pre-tax profit of PLN 37.7 million in Q1 2006 was down PLN 8.4 million year on year, mainly due to the Bank's higher overhead costs and slightly higher credit provisions. The higher overheads mainly included the allocated costs of the Bank's credit risk and IT system projects. The contribution of the subsidiaries to the profitability of the business line grew to over 50% at the pre-tax profit level.

Corporate Customers

The Bank's active customer acquisition produced positive results in Q1 2006. BRE Bank acquired nearly 0.5 thousand new corporate customers, 39% more than in Q1 2005. The net change in the number of customers was a positive 205, of which 83% were K3 customers, 13% K2 customers, and 4% K1 customers. The number of customers of the SME segment (companies with annual sales between PLN 3 and 30 million) grew the fastest, by 92%.

Service Packages: An Effective Customer Acquisition Tool

The Bank acquired nearly 350 new customers who bought service packages in Q1 2006, up 59% year on year and up 145% compared to Q1 2004. The Q1 2006 growth in the number of SME customers was 46% higher than the 2005 quarterly average. The sales of packages including credit products, such as EFFECT Plus and EFFECT Investments, were growing.

Corporate Banking Customers

	31.12.2005	*31.03.2006*	*Change*
*K1**	928	937	9
*K2**	3 179	3 206	27
*K3**	5 926	6 095	169

** K1 is the segment of the largest corporations with annual sales over PLN 1 billion; K2 is the segment of corporations with annual sales between PLN 30 million and PLN 1 billion; K3 is the segment of SMEs with annual sales between PLN 3 and 30 million.*

Corporate Deposits

BRE Bank's corporate deposits were PLN 13.1 billion at the end of March 2006, down ca. 8% quarter on quarter. Deposits usually decrease in the first quarter of the year; corporate deposits were down ca. 10% in Q1 2005. Corporate deposits were up 30% year on year in Q1 2006. The market share of BRE Bank's corporate deposits was 8.5%, compared to 8.0% in Q1 2005.

Loans to Corporate Customers

Corporate customers' interest in loans increased sharply in Q1 2006, especially in the case of K2 and K3 customers. As a result, BRE Bank's corporate customers loans portfolio grew 9% quarter on quarter and was PLN 10.4 billion. The market share of BRE Bank's corporate loans was 6% at the end of March 2006, compared to 5.8% at the end of 2005.

Strategic Product Lines

Cash Management

Ongoing expansion of the cash management service supports long-term customer relationships and helps to grow the volume of transactions involving the identification of payments (direct debits, identification of mass payments, identification of trade payments). The number of direct debits processed in Q1 2006 was 311.6 thousand, up 80% year on year. The number of identifications of mass payments processed in Q1 2006 was over 23 million, up 11% year on year. The average number of identifications of trade payments was 186.1 thousand in Q1 2006, up 108% year on year.

Foreign Trade Transactions

BRE Bank's leading position in the market of foreign trade transactions, especially its close co-operation with exporters, helped to grow the number of foreign trade services opened and advised, by 25% for letters of credit and by 6% for collections. This in turn grew the fee and commission income by 36.2% for letters of credit and by 17.6% for collections (per annum figures).

Pricing, FX Rate, Interest Rate Risk Hedging

The profit on financial instruments fell slightly in Q1 2006 year on year. The decrease was mainly caused by a stagnating zloty and the overall fall in the volatility of financial markets in January—February 2006, which implied less demand for hedging instruments.

BRE Leasing

Leasing contracts executed by BRE Leasing in Q1 2006 totalled PLN 358 million (up 50% year on year). BRE Leasing generated a pre-tax profit of PLN 5.56 million in Q1 2006, up 38% (net profit up 26%) year on year.

Factoring – The Intermarket Group

The sales of the Intermarket Group companies totalled EUR 1 billion in Q1 2006, up 19% year on year. The Group generated a pre-tax profit of EUR 2.8 million, over 9% growth compared to Q1 2005. Polfactor's sales grew 15% year on year, including a growth of 30% in import factoring, and its net profit grew 14%.

BRE Bank Hipoteczny (BBH)

BBH's loans portfolio was PLN 2.1 billion at the end of March 2006 (up 14.2% compared to year end). BBH's Q1 2006 profit before tax was PLN 9.6 million, up 40% year on year. The profit grew mainly thanks to a higher net interest income, helped by significantly higher lending, and lower administrative costs. The volume of loans granted was up 43% and that of loans drawn was up c.a. 90% year on year.

Investment Banking

Financial Performance

The Investment Banking Line generated a pre-tax profit of PLN 58.4 million in Q1 2006, up PLN 6 million (12%) year on year. The growth was mainly due to an increase in the Bank's trading profit. Favourable financial market conditions allowed for above-average profits generated in Q1 2006 compared to 2005. The profitability of fx transactions and of other financial instruments based on market indexes grew the fastest.

Market position

BRE Bank holds first place in terms of banks' bonds with more than 32% share of the market and the second place in terms of medium and long-term corporate debt securities. In case of financial instruments denominated in PLN, BRE Bank also occupies a leading position. As a result, BRE Bank acts as a leading local market-maker for PLN interest rate derivatives and cash instruments (FRAs, IRSs, bonds and bills), FX spot and FX forwards as well as equity options listed on the WSE.

Novitus Sale – Proprietary Investments

March results were additionally boosted by a further sale of a 14.9% stake in Novitus, resulting in a capital gain of ca PLN 8.4 million BRE Bank retains 10% in the company.

During IQ 2006 the value of proprietary investments portfolio was further reduced and amounted to PLN 260 million Compared to the beginning of 2006, the value of proprietary investments portfolio decreased by PLN 116.7 million (31%). It consisted mainly of decreases resulting from the sale of stocks/shares (Polish Pre-IPO Fund, Zachodni Fundusz Inwestycyjny, Novitus) and bonds of ITI Bond Finance.

BRE Securities & BRE Corporate Finance

Currently BRE Securities market share in options trading exceeds 40%. With the market share of 13.5% in IQ 2006, BRE Bank Securities is also the second largest broker of futures. BRE Securities is constantly increasing its market share in equity trading, which reached 5.6% in IQ 2006. In IQ 2006 only one initial public offer was executed in the market, however several transactions are pending. Due to low interest in further privatization with Polish government, BCF will put an increased emphasis on executing IPO transactions together with BRE Securities and on advising domestic and international private clients on M&A transactions in the Polish market.

Asset Management

The Group reported a profit of PLN 2.1 million in Q1 2006, compared to a PLN 2.2 million loss in Q1 2005. The fast-growing net fee and commission income enabled a year-on-year increase in the Line's operating profit.
PTE Skarbiec-Emerytura's individual profit before tax was PLN 3.8 million in Q1 2006; the pre-tax profit of the Skarbiec Asset Management Holding was PLN 5.5 million.

(in PLN 000's)

Consolidated Profit and Loss Account

Consolidated Profit and Loss Account from 1 January 2006 to 31 March 2006 and from 1 January 2005 to 31 March 2005

	Note	I Quarter (curent year) from 01-01-2006 to 31-03-2006	IV Quarters cumulative (previous year) from 01-01-2005 to 31-03-2005
Interest income		403 302	393 882
Interest expense		(232 204)	(228 593)
Net interest income	5	**171 098**	**165 289**
Fee and commission income		154 456	127 976
Fee and commission expense		(43 257)	(32 729)
Net fee and commission income	6	**111 199**	**95 247**
Dividend income	7	511	4 437
Net trading income, including:	8	89 475	43 182
Foreign exchange result		*85 508*	*57 271*
Other trading income		*3 967*	*(14 089)*
Gains less losses from investment securities	9	8 462	2 308
Other operating income	10	52 383	15 761
Impairment losses on loans and advances	11	(22 576)	(12 353)
Overhead costs	12	(216 435)	(183 816)
Amortization and depreciation		(40 710)	(31 758)
Other operating expenses	13	(43 812)	(16 318)
Operating profit		**109 595**	**81 979**
Share of profit of associates		(87)	(2)
Profit before income tax		**109 508**	**81 977**
Income tax expense		(24 532)	(17 749)
Net profit (loss) including minority interest, of which:		**84 976**	**64 228**
Net profit (loss) attributable to minority interest		6 075	4 087
Net profit (loss)		**78 901**	**60 141**
Net profit (loss) attributable to the Company's equity holders		**266 303**	**(229 065)**
Weighted average number of ordinary shares	14	**28 882 066**	**27 277 469**
Earnings per 1 ordinary share (in PLN per share)	14	**9.22**	**(8.40)**
Weighted average number of ordinary shares for diluted earnings	14	**28 993 062**	**27 336 450**
Diluted earnings per 1 ordinary share (in PLN per share)	14	**9.19**	**(8.38)**

(in PLN 000's)

Consolidated Balance Sheet

Consolidated Balance Sheet as at 31 March 2006, 31 December 2005 and 31 March 2005

	Note	31.03.2006	31.12.2005	31.12.2004
ASSETS				
Cash and balances with Central Bank		496 651	1 778 457	492 829
Debt securities eligible for rediscounting at the Central Bank		28 315	37 464	46 848
Loans and advances to banks		6 434 214	4 668 474	6 209 937
Trading securities	15	2 205 295	5 011 960	2 786 425
Derivative financial instruments		2 765 521	1 264 500	2 710 861
Other financial instruments at fair value through profit or loss		-	-	125 866
Loans and advances to customers	16	19 373 402	15 463 514	14 778 874
Investment securities	17	1 191 661	1 124 832	571 077
- Available for sale		1 191 661	1 124 832	545 247
- Held to maturity		-	-	25 830
Non-current assets held for sale	18	316 991	317 349	-
Pledged assets	15, 17	1 137 523	1 516 212	2 226 548
Investments in associated undertakings		1 601	6 477	473
Intangible assets		417 248	406 380	665 302
Tangible fixed assets		560 183	558 535	517 832
Deferred income tax assets		101 509	117 048	112 761
Other assets		528 008	555 437	647 818
Total assets		**35 558 122**	**32 826 639**	**31 893 451**
EQUITY AND LIABILITIES				
Amounts due to the Central Bank		-	-	-
Amounts due to other banks		5 091 530	4 256 749	5 255 923
Derivative financial instruments and other trading liabilities		2 629 837	1 271 206	2 855 225
Amounts due to customers	19	19 499 375	20 436 844	16 892 366
Debt securities in issue		4 043 800	2 731 157	2 926 368
Subordinated liabilities		1 453 393	1 362 528	1 438 779
Other liabilities		507 817	563 021	582 416
Current income tax liabilities		6 680	3 529	8 216
Provisions for deferred income tax		153	161	115
Provisions		96 825	86 135	44 557
Libilities held for sale	18	6 480	6 839	-
Total liabilities		**33 335 890**	**30 718 169**	**30 003 965**
Equity				
Capital and reserves attributable to the Company's equity holders		**2 145 101**	**2 035 239**	**1 825 315**
Share capital:		**1 455 628**	**1 423 843**	**1 386 017**
- Registered share capital		116 870	115 936	114 853
- Share premium		1 338 758	1 307 907	1 271 164
Other capital and reserves		**(1 187)**	**(2 975)**	**2 532**
Retained earnings:		**690 660**	**614 371**	**436 766**
- Profit (loss) from the previous year		611 759	366 828	376 625
- Profit (loss) for the current year		78 901	247 543	60 141
Minority interest		77 131	73 231	64 171
Total equity		**2 222 232**	**2 108 470**	**1 889 486**
Total equity and liabilities		**35 558 122**	**32 826 639**	**31 893 451**
Capital adequacy ratio		**11.23**	**11.10**	**11.89**
Book value		**2 145 101**	**2 035 239**	**1 825 315**
Number of shares		**29 217 436**	**28 983 972**	**28 713 125**
Book value per share (in PLN)		**73.42**	**70.22**	**63.57**
Diluted number of shares		**28 993 062**	**29 082 134**	**27 336 450**
Diluted book value per share (in PLN)		**73.99**	**69.98**	**66.77**

(in PLN 000's)

Statements of changes in consolidated equity

Changes in equity from 1 January 2006 to 31 March 2006

Changes in consolidated equity from 1 January 2006 to 31 March 2006	Share capital		Other capital and reserves	Retained earnings					Minority interest	Total
	Registered share capital	Share premium (aggio)		Other supplementary capital	Other reserve capital	General risk fund	Profit (loss) from the previous year	Profit (loss) for the current year		
Equity as at 1 January 2006	**115 936**	**1 307 907**	**(2 975)**	**-**	**(4 304)**	**558 000**	**60 675**		**73 231**	**2 108 470**
- reclassification to book value through profit and loss account										-
- changes to accounting policies										-
- adjustment of errors										-
Adjusted equity as at 1 January 2006	**115 936**	**1 307 907**	**(2 975)**	**-**	**(4 304)**	**558 000**	**60 675**	**-**	**73 231**	**2 108 470**
Net change in investments available for sale, net of tax			(450)							(450)
Net change in cash flow hedges, net of tax			214						213	427
Currency translation differences			1549						479	2 028
Net profit not recognised in the profit & loss account	**-**	**-**	**1 313**	**-**	**-**	**-**	**-**	**-**	**692**	**2 005**
Net profit (loss)								**78 901**	**6 075**	**84 976**
Total profit recognised in current year	**-**	**-**	**1 313**	**-**	**-**	**-**	**-**	**78 901**	**6 767**	**86 981**
Dividends paid									(405)	(405)
Transfer to General Banking Risk Fund										-
Transfer to reserve capital										-
Transfer to supplementary capital				244			(244)			-
Loss coverage with reserve capital										-
Loss coverage with supplementary capital										-
Issue of shares	934	29 981								30 915
Redemption of shares										-
Purchase/sale of own shares										-
Premium										-
Issue expenses										-
Additional shareholder payments									(1 494)	(1 494)
Sale of fixed assets										-
Change in the scope of consolidation							(789)			(789)
Increase of share in consolidated company										-
Other changes			475		(475)				(968)	(968)
Stock option program for employees	-	870	-	-	(1 348)	-	-	-	-	(478)
- value of services provided by the employees										-
- settlement of exercised options		870			(1 348)					(478)
Equity as at 31 March 2006	**116 870**	**1 338 758**	**(1 187)**	**244**	**(6 127)**	**558 000**	**59 642**	**78 901**	**77 131**	**2 222 232**

(in PLN 000's)

Changes in equity from 1 January 2005 to 31 December 2005

Changes in consolidated 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 (aggio)		Other supplementary capital	Other reserve capital	General risk fund	Profit (loss) from the previous year	Profit (loss) for the current year		
Equity as at 1 January 2005	**114 853**	**1 271 164**	**1 568**	**8 303**	**206 049**	**558 000**	**(315 192)**		**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**	**1 271 164**	**1 568**	**8 303**	**206 049**	**558 000**	**(402 071)**		**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 the profit & loss account			**(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 reserve capital				10 006			(10 006)			-
Transfer to supplementary capital										-
Loss coverage with reserve capital					(208 301)		208 301			-
Loss coverage with supplementary capital				(18 309)			18 309			-
Issue of shares	1 083	29 834								30 917
Redemption of shares										-
Purchase/sale of own shares										-
Premium										-
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					4 536					4 536
- settlement of exercised options		6 909			(6 909)					-
Equity as at 31 December 2005	**115 936**	**1 307 907**	**(2 975)**	**-**	**(4 304)**	**558 000**	**(186 868)**	**247 543**	**73 231**	**2 108 470**

(in PLN 000's)

Changes in equity from 1 January 2005 to 31 March 2005

Changes in consolidated equity from 1 January 2005 to 31 March 2005	Share capital		Other capital and reserves	Retained earnings					Minority interest	Total
	Registered share capital	Share premium (aggio)		Other supplementary capital	Other reserve capital	General risk fund	Profit (loss) from the previous year	Profit (loss) for the current year		
Equity as at 1 January 2005	**114 853**	**1 271 164**	**1 568**	**8 303**	**206 049**	**558 000**	**(315 192)**		**62 656**	**1 907 401**
- reclassification to book value through profit and loss account									-	-
- changes to accounting policies							(82 157)		(2 809)	**(84 966)**
- adjustment of errors									-	-
Adjusted equity as at 1 January 2005	**114 853**	**1 271 164**	**1 568**	**8 303**	**206 049**	**558 000**	**(397 349)**		**59 847**	**1 822 435**
Net change in investments available for sale, net of tax			(231)						-	(231)
Net change in cash flow hedges, net of tax			809						808	1 617
Currency translation differences			386						151	537
Net profit not recognised in income statement			**964**						**959**	**1 923**
Net profit (loss)								**60 141**	**4 087**	**64 228**
Total profit recognised in current year			**964**					**60 141**	**5 046**	**66 151**
Dividends paid									(918)	(918)
Transfer to General Banking Risk Fund										-
Transfer to reserve capital					877		(877)			-
Transfer to supplementary capital				3 802			(3 802)			-
Loss coverage with reserve capital				(208 302)			208 302			-
Loss coverage with supplementary capital				(222)			222			-
Issue of shares										-
Redemption of shares										-
Purchase/sale of own shares										-
Premium										-
Issue expenses										-
Additional shareholder payments										-
Sale of fixed assets										-
Change in the scope of consolidation										-
Increase of share in consolidated company										-
Other changes							545		196	741
Stock option program for employees	-	-	-	-	1 077	-	-	-	-	1 077
- value of services provided by the employees					1 077					1 077
- settlement of exercised options										-
Equity as at 31 March 2005	**114 853**	**1 271 164**	**2 532**	**(196 419)**	**208 003**	**558 000**	**(192 959)**	**60 141**	**64 171**	**1 889 486**

(in PLN 000's)

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement from 1 January 2006 to 31 March 2006 and from 1 January 2005 to 31 March 2005

	Quarter ended 31 March	
	2006	2005
A. Cash flow from operating activities - indirect method	**799 204**	**(428 354)**
Profit before income tax	**109 508**	**81 977**
Adjustments:	***689 696***	***(510 333)***
Income taxes paid (negative amount)	(3 945)	-
Amortisation	40 710	31 758
Foreign exchange gains (losses)	17 063	(106 361)
Gains (losses) on investing activities	(8 522)	-
Dividends received	(511)	(101)
Interest paid	315 203	195 413
Change in loans and advances to banks	(437 870)	(94 362)
Change in trading securities	2 545 682	22 032
Change in derivative financial instruments	(1 504 264)	(914 037)
Change in other financial instruments at fair value	-	(125 866)
Change in loans and advances to customers	(1 882 984)	(448 490)
Change in investment securities	50 973	5 240
Change in other assets	60 163	(74 246)
Change in amounts due to other banks	1 328 739	(145 571)
Change in financial instruments and other trading liabilities	1 356 458	1 234 512
Change in amounts due to customers	(1 118 020)	(166 883)
Change in debt securities in issue	(8 275)	(176 954)
Change in provisions	4 472	5 163
Change in other liabilities	(65 376)	248 422
Net cash from operating activities	**799 204**	**(428 354)**
B.Cash flows from investing activities	**(36 029)**	**(33 699)**
Investing activity inflows	**2 038**	**9 387**
Disposal of shares in associates	-	-
Disposal of shares in subsidiaries, net of cash disposed	250	8 489
Proceeds from sale of intangible assets and tangible fixed assets	1 277	898
Other investing inflows	511	-
Investing activity outflows	**38 067**	**43 086**
Acquisition of subsidiaries, net of cash acquired	-	9 213
Purchase of intangible assets and tangible fixed assets	30 349	33 873
Other investing outflows	7 718	-
Net cash used in investing activities	**(36 029)**	**(33 699)**
C. Cash flows from financing activities	**(1 141 568)**	**240 968**
Financing activity inflows	**373 962**	**443 449**
Proceeds from loans and advances from other banks	248 429	52
Proceeds from other loans and advances	-	37 567
Issue of debt securities	95 300	-
Increase of subordinated liabilities	-	405 830
Issue of ordinary shares	30 044	-
Other financing inflows	189	-
Financing activity outflows	**1 515 530**	**202 481**
Repayments of loans and advances from other banks	1 074 827	161 500
Redemption of debt securities	125 500	-

(in PLN 000's)

Other financing outflows	315 203	40 981
Net cash from financing activities	**(1 141 568)**	**240 968**
Net increase / decrease in cash and cash equivalents (A+B+C)	**(378 393)**	**(221 085)**
(Decrease)/increase in cash and cash equivalents in respect of foreign exchange gains and losses	35 247	121 060
Cash and cash equivalents at the beginning of the reporting period	8 276 923	10 047 287
Cash and cash equivalents at the end of the reporting period (Note 42)	**7 933 777**	**9 947 262**

Consolidated Off-Balance-Sheet Items

Off-Balance-Sheet Items as at 31 March 2006, 31 December 2005 and 31 March 2005

	31.03.2006	**31.12.2005**	**31.03.2005**
Contingent laibilities granted and received	**13 779 296**	**10 622 729**	**7 790 163**
Liabilities granted	***12 178 960***	***9 510 093***	***7 233 313***
- financing	10 270 187	7 769 140	5 654 879
- guarantees	1 908 773	1 740 953	1 578 434
Liabilities received	***1 600 336***	***1 112 636***	***556 850***
- financing	650 878	552 679	37 002
- guarantees	949 458	559 957	519 848
Liabilities arising from purchase/sale operations	**420 627 871**	**394 123 899**	**290 288 642**
Other liabilities	**1 016 097**	**1 373 322**	**942 036**
- factoring receivables	587 228	760 417	487 350
- factoring payables	145 054	334 242	132 052
- other	283 815	278 663	322 634
Total off-balance-sheet items	**435 423 264**	**406 119 950**	**299 020 841**

(in PLN 000's)

BRE Bank SA Stand Alone Financial Statements

1. Profit and Loss Account

Profit and Loss Account from 1 January 2006 to 31 March 2006 and from 1 January 2005 to 31 March 2005

	I Quarter (curent year) from 01-01-2006 to 31-03-2006	IV Quarters cumulative (previous year) from 01-01-2005 to 31-03-2005
Interest income	319 673	337 311
Interest expense	(192 133)	(202 187)
Net interest income	**127 540**	**135 124**
Fee and commission income	90 156	76 104
Fee and commission expense	(28 203)	(20 702)
Net fee and commission income	**61 953**	**55 402**
Dividend income	2 174	6 697
Net trading income	84 239	42 985
Foreign exchange result	*72 117*	*57 191*
Other trading income	*12 122*	*(14 206)*
Gains less losses from investment securities	8 439	193
Other operating income	12 512	4 460
Impairment losses on loans and advances	(18 169)	(4 340)
Overhead costs	(166 174)	(144 554)
Amortization and depreciation	(33 443)	(27 489)
Other operating expenses	(3 451)	(7 846)
Operating profit	**75 620**	**60 632**
Profit before income tax	**75 620**	**60 632**
Income tax expense	(14 672)	(12 043)
Net profit (loss)	**60 948**	**48 589**
Net profit (loss)	**219 669**	**(296 764)**
Weighted average number of ordinary shares	**28 882 066**	**27 277 469**
Earnings per 1 ordinary share (in PLN per share)	**7.61**	**(10.88)**
Weighted average number of ordinary shares for diluted earnings	**28 993 062**	**27 336 450**
Diluted earnings per 1 ordinary share (in PLN per share)	**7.58**	**(10.86)**

(in PLN 000's)

2. Balance Sheet

Balance Sheet as at 31 March 2006, 31 December 2005 and 31 March 2005

	31.03.2006	31.12.2005	31.03.2005
ASSETS			
Cash and balances with Central Bank	490 780	1 776 340	489 123
Debt securities eligible for rediscounting at the Central Bank	28 315	37 464	46 848
Loans and advances to banks	6 460 959	4 689 765	6 241 272
Trading securities	2 264 538	5 014 653	2 722 690
Derivative financial instruments	2 771 206	1 264 500	2 710 559
Other financial instruments at fair value through profit or loss	-	-	125 866
Loans and advances to customers	14 836 586	12 979 559	12 122 391
Investment securities	1 120 367	1 055 174	438 801
- Available for sale	1 120 367	1 055 174	438 801
Non-current assets held for sale	310 510	310 510	-
Pledged assets	1 137 523	1 516 212	2 226 548
Investments in subsidiaries	465 377	285 251	653 835
Investments in associated undertakings	826	5 649	826
Intangible assets	368 247	368 504	349 202
Tangible fixed assets	474 791	484 071	468 911
Deferred income tax assets	69 455	83 950	80 271
Other assets	214 426	264 543	484 064
Total assets	**31 013 906**	**30 136 145**	**29 161 207**
EQUITY AND LIABILITIES			
Amounts due to other banks	2 784 478	2 265 852	3 273 964
Derivative financial instruments and other trading liabilities	2 635 188	1 270 414	2 845 601
Amounts due to customers	21 721 952	22 747 932	19 210 358
Debt securities in issue	83 424	91 545	183 044
Subordinated liabilities	1 390 356	1 362 528	1 438 779
Other liabilities	271 779	364 894	410 521
Current income tax liabilities	10	-	4 906
Provisions	80 043	78 109	24 049
Total liabilities	**28 967 230**	**28 181 274**	**27 391 222**
Equity			
Share capital	**1 455 628**	**1 423 843**	**1 386 017**
- Registered share capital	116 870	115 936	114 853
- Share premium	1 338 758	1 307 907	1 271 164
Other capital and reserves	**(2 217)**	**(2 637)**	**3 635**
Retained earnings:	**593 265**	**533 665**	**380 333**
- Profit (loss) for the previous year	532 317	326 355	331 744
- Net profit (loss) for the current year	60 948	207 310	48 589
Total equity	**2 046 676**	**1 954 871**	**1 769 985**
Total equity and liabilities	**31 013 906**	**30 136 145**	**29 161 207**
Capital adequacy ratio	**12.67**	**12.87**	**13.68**
Book value	**2 046 676**	**1 954 871**	**1 769 985**
Number of shares	**29 217 436**	**28 983 972**	**28 713 125**
Book value per share (in PLN)	**70.05**	**67.45**	**61.64**
Diluted number of shares	**29 328 432**	**29 082 134**	**28 772 106**
Diluted book value per share (in PLN)	**69.78**	**67.22**	**61.52**

(in PLN 000's)

3. Statements of changes in equity

Changes in equity from 1 January 2006 to 31 March 2006

	Share capital		Other capital and reserves	Retained earnings					Total
	Registered share capital	Share premium (aggio)		Supplementary capital	Other reserve capital	General risk fund	Profit (loss) from previous year	Profit (loss) for the current year	
Equity as at 1 January 2006	**115 936**	**1 307 907**	**(2 637)**	**12 388**	**12 967**	**558 000**	**(49 690)**	-	**1 954 871**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-
- adjustment of errors	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2006	**115 936**	**1 307 907**	**(2 637)**	**12 388**	**12 967**	**558 000**	**(49 690)**	-	**1 954 871**
Net change in investments available for sale, net of tax	-	-	(630)	-	-	-	-	-	**(630)**
Net change in cash flow hedges, net of tax	-	-	-	-	-	-	-	-	-
Currency translation differences	-	-	1 050	-	-	-	-	-	**1 050**
Net profit not recognised in income statement	-	-	**420**	-	-	-	-	-	**420**
Net profit (loss)	-	-	-	-	-	-	-	60 948	**60 948**
Total profit recognised in current year	-	-	**420**	-	-	-	-	**60 948**	**61 368**
Dividends paid	-	-	-	-	-	-	-	-	-
Transfer to General Banking Risk Fund	-	-	-	-	-	-	-	-	-
Transfer to reserve capital	-	-	-	-	-	-	-	-	-
Transfer to supplementary capital	-	-	-	-	-	-	-	-	-
Loss coverage with reserve capital	-	-	-	-	-	-	-	-	-
Loss coverage with supplementary capital	-	-	-	-	-	-	-	-	-
Issue of shares	934	29 981	-	-	-	-	-	-	**30 915**
Redemption of shares	-	-	-	-	-	-	-	-	-
Purchase/sale of own shares	-	-	-	-	-	-	-	-	-
Premium	-	-	-	-	-	-	-	-	-
Issue expenses	-	-	-	-	-	-	-	-	-
Additional shareholder payments	-	-	-	-	-	-	-	-	-
Sale of fixed assets	-	-	-	-	-	-	-	-	-
Change in the scope of consolidation	-	-	-	-	-	-	-	-	-
Increase of share in consolidated company	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-
Stock option program for employees	-	**870**	-	-	**(1 348)**	-	-	-	**(478)**
- value of services provided by the employees	-	-	-	-	-	-	-	-	-
- settlement of exercised options	-	870	-	-	(1 348)	-	-	-	**(478)**
Equity as at 31 March 2006	**116 870**	**1 338 758**	**(2 217)**	**12 388**	**11 619**	**558 000**	**(49 690)**	**60 948**	**2 046 676**

(in PLN 000's)

Changes in equity from 1 January 2005 to 31 December 2005

	Share capital		Other capital and reserves	Retained earnings					Total
	Registered share capital	Share premium (aggio)		Supplementary capital	Other reserve capital	General risk fund	Profit (loss) from previous year	Profit (loss) for the current year	
Equity as at 1 January 2005	**114 853**	**1 271 164**	**3 460**	**12 388**	**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**	**1 271 164**	**3 460**	**12 388**	**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 reserve capital	-	-	-	-	-	-	-	-	-
Transfer to supplementary 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	-	-	-	-	-	-	-	-	-
Premium	-	-	-	-	-	-	-	-	-
Issue expenses	-	-	-	-	-	-	-	-	-
Additional shareholder payments	-	-	-	-	-	-	-	-	-
Sale of fixed assets	-	-	-	-	-	-	-	-	-
Change in the scope of consolidation	-	-	-	-	-	-	-	-	-
Increase of share in consolidated company	-	-	-	-	-	-	(26)	-	**(26)**
Other changes	-	-	-	-	-	-	-	-	-
Stock option program for employees	-	**6 909**	-	-	**(2 373)**	-	-	-	**4 536**
- value of services provided by the employees	-	-	-	-	4 536	-	-	-	**4 536**
- settlement of exercised options	-	6 909	-	-	(6 909)	-	-	-	-
Equity as at 31 December 2005	**115 936**	**1 307 907**	**(2 637)**	**12 388**	**12 967**	**558 000**	**(257 000)**	**207 310**	**1 954 871**

(in PLN 000's)

Changes in equity from 1 January 2005 to 31 March 2005

	Share capital		Other capital and reserves	Retained earnings					Total
	Registered share capital	Share premium (aggio)		Supplementary capital	Other reserve capital	General risk fund	Profit (loss) from previous year	Profit (loss) for the current year	
Equity as at 1 January 2005	**114 853**	**1 271 164**	**3 460**	**12 388**	**204 097**	**558 000**	**(361 661)**	**-**	**1 802 301**
- reclassification to book value through profit and loss account	-	-	-	-	-	-		-	-
- changes to accounting policies	-	-	-	-	-	-	**(82 157)**	-	**(82 157)**
- adjustment of errors	-	-	-	-	-	-		-	-
Adjusted equity as at 1 January 2005	**114 853**	**1 271 164**	**3 460**	**12 388**	**204 097**	**558 000**	**(443 818)**	**-**	**1 720 144**
Net change in investments available for sale, net of tax	-	-	(127)	-	-	-	-	-	**(127)**
Net change in cash flow hedges, net of tax	-	-	-	-	-	-	-	-	-
Currency translation differences	-	-	302	-	-	-	-	-	**302**
Net profit not recognised in income statement	**-**	**-**	**175**	**-**	**-**	**-**	**-**	**-**	**175**
Net profit (loss)	**-**	**-**		**-**	**-**	**-**	**-**	**48 589**	**48 589**
Total profit recognised in current year	**-**	**-**	**175**	**-**	**-**	**-**	**-**	**48 589**	**48 764**
Dividends paid	-	-	-	-	-	-	-	-	-
Transfer to General Banking Risk Fund	-	-	-	-	-	-	-	-	-
Transfer to reserve capital	-	-	-	-	(188 757)	-	188 757	-	-
Transfer to supplementary capital	-	-	-	-	-	-	-	-	-
Loss coverage with reserve capital	-	-	-	-	-	-	-	-	-
Loss coverage with supplementary capital	-	-	-	-	-	-	-	-	-
Issue of shares	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-
Stock option program for employees	-	-	-	-	**1 077**	-	-	-	**1 077**
- value of services provided by the employees	-	-	-	-	1 077	-	-	-	**1 077**
- settlement of exercised options	-	-	-	-	-	-	-	-	-
Equity as at 31 March 2005	**114 853**	**1 271 164**	**3 635**	**12 388**	**16 417**	**558 000**	**(255 061)**	**48 589**	**1 769 985**

(in PLN 000's)

4. Cash Flow Statement

Cash Flow Statement from 1 January 2006 to 31 March 2006 and from 1 January 2005 to 31 March 2005

	Quarter ended 31 March	
	2006	2005
A. Cash flow from operating activities - indirect method	**973 470**	**(656 313)**
Profit before income tax	**75 620**	**60 632**
Adjustments:	***897 850***	***(716 945)***
Income taxes paid (negative amount)	(30)	-
Amortisation	33 443	27 489
Foreign exchange gains (losses)	15 837	(106 361)
Gains (losses) on investing activities	(8 457)	227
Impairment of financial assets	-	432
Dividends received	(2 174)	(7 697)
Interest paid	305 559	163 506
Change in loans and advances to banks	(345 700)	(258 395)
Change in trading securities	2 720 170	33 065
Change in derivative financial instruments	(1 515 974)	(913 735)
Change in other financial instruments at fair value	-	(125 866)
Change in loans and advances to customers	(1 857 027)	(417 818)
Change in investment securities	(188 044)	80 286
Change in other assets	77 897	(49 465)
Change in amounts due to other banks	1 325 161	(184 159)
Change in financial instruments and other trading liabilities	1 460 910	1 232 140
Change in amounts due to customers	(1 014 430)	(235 929)
Change in debt securities in issue	(18 121)	(224 748)
Change in provisions	1 934	(1 479)
Change in other liabilities	(93 104)	271 562
Net cash from operating activities	**973 470**	**(656 313)**
B.Cash flows from investing activities	**(71 462)**	**(19 187)**
Investing activity inflows	**13 697**	**16 611**
Disposal of shares in associates	10 944	-
Disposal of shares in subsidiaries, net of cash disposed	250	8 489
Proceeds from sale of intangible assets and tangible fixed assets	84	425
Other investing inflows	2 419	7 697
Investing activity outflows	**85 159**	**35 798**
Acquisition of subsidiaries, net of cash acquired	60 742	9 213
Purchase of intangible assets and tangible fixed assets	20 306	26 585
Other investing outflows	4 111	-
Net cash used in investing activities	**(71 462)**	**(19 187)**
C. Cash flows from financing activities	**(1 214 988)**	**398 123**
Financing activity inflows	**103 466**	**405 830**
Proceeds from loans and advances from other banks	73 422	-
Increase of subordinated liabilities	-	405 830
Issue of ordinary shares	30 044	-
Financing activity outflows	**1 318 454**	**7 707**
Repayments of loans and advances from other banks	983 375	-
Repayments of other loans and advances	19 520	7 438

(in PLN 000's)

Redemption of debt securities	10 000	-
Other financing outflows	305 559	269
Net cash from financing activities	**(1 214 988)**	**398 123**
Net increase / decrease in cash and cash equivalents (A+B+C)	**(312 980)**	**(277 377)**
(Decrease)/increase in cash and cash equivalents in respect of foreign exchange gains and losses	35 247	121 060
Cash and cash equivalents at the beginning of the reporting period	8 138 904	9 990 140
Cash and cash equivalents at the end of the reporting period (Note 42)	**7 861 171**	**9 833 823**

5. Off-Balance-Sheet Items

Off-Balance-Sheet Items as at 31 March 2006, 31 December 2005 and 31 March 2005

	31.03.2006	31.12.2005	31.03.2005
Contingent laibilities granted and received	**14 915 069**	**12 295 996**	**10 699 249**
Liabilities granted	***13 964 173***	***11 899 701***	***10 243 698***
- financing	9 601 086	7 719 004	6 110 997
- guarantees	4 363 087	4 180 697	4 132 701
Liabilities received	***950 896***	***396 295***	***455 551***
- financing	213 729	51 712	37 002
- guarantees	737 167	344 583	418 549
Liabilities arising from purchase/sale operations	**421 471 931**	**394 115 010**	**290 421 774**
Other liabilities	**283 815**	**278 663**	**322 634**
Total off-balance-sheet items	**436 670 815**	**406 689 669**	**301 443 657**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Information concerning the Group of BRE Bank SA

The 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 /NIF/ 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 at 18 Senatorska St., Warsaw, Poland.

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

At the date of 31 March 2006 the BRE Bank's Group covered by the Consolidated Financial Statements comprised the following companies:

BRE Bank SA – the parent entity

Bank Rozwoju Eksportu SA (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 SA – subsidiary company
BRE Finance France SA - subsidiary 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 Bank AG – subsidiary company
Magyar Factor zRt. – subsidiary company
Transfinance a.s. – subsidiary company
Polfactor SA – subsidiary company
BRE Bank Hipoteczny 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

On 2 January 2006 BRE Bank bought from Atlas Vermögensverwaltungs Gmbh with registered office in Germany, 100% subsidiary of Commerzbank AG, shares of BRE Bank Hipoteczny SA (BBH) which constitute 100% of share capital and votes at the General Meeting BBH. The detailed description of this transaction is presented under item 10 of Selected Explanatory Information.

The core business of BRE Bank Hipoteczny SA is to grant mortgage credits to finance commercial real estates, development projects, for the local governments and issuing mortgage and public letters of pledge.
Moreover, the Company takes term deposits, receives loans, is entrusted with securities for safekeeping and purchases shares of other entities which legal form ensures the limitation of the Bank's liability up to invested money.

The detailed description of other companies of BRE Bank SA Group companies was presented in the Notes to the Consolidated Financial Statement for the year 2005 published on 27 February 2006.

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 Q1 2006 fulfils the requirements of the International Accounting Standard (IAS) 34 concerning interim financial reporting.

The preparation of financial statements according to IFRS requires some estimates. It requires also making some judgements by the Management in connection with the application of accounting policy principles. Some crucial judgements, more complicated cases or estimates which are significant in consolidated financial statements are disclosed in Note 3.

2.2. Consolidation

Subsidiary entities:

Subsidiaries comprise any entities (including special purpose vehicles) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of majority of the voting rights. When assessing whether the Group actually controls the given entity, the existence and impact of potential voting rights that are currently exercisable or convertible 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 purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement (see Note 2.13).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted 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.

Associates:

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (see Note 2.13).

(in PLN 000’s)

The share of the Group in the profits (losses) of associates since the date of acquisition is recognised in the Profit and Loss Account, whereas its share in changes in other reserves since the date of acquisition – in other reserves. The carrying amount of the investment is adjusted by the total changes of different items of equity after the date of their acquisition. When the share of the Group in the losses of an associate becomes equal or greater than the share of the Group in that associate, 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.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the respective associate. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the transferred asset. The accounting policies applied by the associates have been adjusted, wherever necessary, to assure consistency with the accounting principles applied by the Group.

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

The Consolidated Financial Statements of the Bank cover the following companies:

Company	Share of voting rights (direct and indirect)	Consolidation method
BRE Bank Hipoteczny SA	100%	full
BRE Corporate Finance SA	100%	full
CERI Sp. z o.o.	100%	full
Dom Inwestycyjny BRE Banku SA	100%	full
Garbary Sp. z o.o.	100%	full
PTE - Skarbiec Emerytura S.A.	100%	full
Skarbiec Asset Management Holding SA	100%	full
BRE Finance France SA	99,97%	full
Magyar Factor zRt.	78,12%	full
Polfactor SA	78,12%	full
Transfinance a.s.	78,12%	full
BRE.locum Sp. z o.o.	57,19%	full
Intermarket Bank AG	56,24%	full
BRE Leasing Sp. z o.o.	50,00%	full
Tele-Tech Investment Sp. z o.o.	24%	full

Referring to the purchase of 100% shares of BRE Bank Hipoteczny, the Company was included in the consolidated financial statements of BRE Bank SA beginning from 1st quarter 2006.

Beginning from 1st quarter 2006 the Bank ceased to consolidate the following companies:

- BRE International Finance B.V. – on 18 January 2006 the liquidator put a motion to go the company into liquidation,
- TV-TECH Investment 1 Sp. z o.o. – on 23 March 2006 the company’s General Shareholders Meeting passed a resolution to go into liquidation.

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 income on impaired loans is recognised using the interest used to discount the future cash flows for the purpose of measuring impairment loss.

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 actually be 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, that are continuously provided over an extended period of time.

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

2.5. Segment reporting

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

2.6. Financial assets

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

Financial assets valued at fair value

This category comprises two subcategories: financial assets held for trading and financial assets designated at fair value through Profit and Loss Account at inception. A financial asset is classified in this category if it was acquired principally for the purpose of short-term resale or if it was classified in this category by the Group. Derivative instruments are also classified as "held for trading", unless they were designated for hedging.

Disposals of debt securities held 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 payments either determined or possible to determine, not listed on an active market. They arise when the Group supplies monetary assets, goods or services directly to the debtor, without any intention of trading the receivable.

Held to Maturity Investments

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

In the case of sale by the Group of a part of assets held to maturity, which cannot be deemed insignificant, the held to maturity portfolio is tainted, and therewith all the assets of this category are reclassified to the available for sale category.

Available for Sale Investments

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 commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. A financial asset or financial liability is recognised initially at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit and loss, transaction costs. Financial assets are derecognised when the rights to receive cash flows have expired or where the Group has transferred substantially all rights and rewards of ownership.

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 their 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 arising from changes in the fair value of available for sale financial assets are recognised directly in 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 recognised in the Profit and Loss Account. However, interest calculated using the effective interest rate is recognised in the Profit and Loss Account. Dividends on available for sale equity instruments are recognised in the Profit and Loss Account when the entity's right to receive payment is established.

The fair value of quoted investments in active markets are based on current bid prices. 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.

2.7. Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.8. Impairment of Financial Assets

Assets Carried at Amortised Cost

At each Balance Sheet date, the Group estimates whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

a) significant financial difficulties of an issuer or obligor;
b) a breach of contract, such as a default or delinquency in interest or principal payments;
c) concessions granted by the Group to a borrower caused by the economic or legal aspects of such borrower's financial difficulties, which would not have been taken into account under different circumstances;
d) probability of bankruptcy or other financial reorganisation of the debtor;
e) disappearance of the active market for the respective financial asset caused by financial difficulties; or
f) noticeable data indicating a measurable 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:
   - adverse changes in the payment status of borrowers; or
   - economic situation of 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 individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. 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 that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

In the event of existence of objective evidence indicating the impairment of loans and receivables or investments held to maturity and 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 credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying value of the asset is reduced through the use of an allowance account, and the resulting impairment loss is charged to the Profit and Loss Account. If a loan or held to maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is possible.

For the purpose of collective evaluation 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 contractual cash flows and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

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. By proper calibration of PD values, taking into account characteristics of specific products and emerging periods for losses on those products, such PD values allow already arisen losses to be identified and cover only the period in which the losses arising at the date of establishment of impairment should crystallise.

When a loan is uncollectible, it is written off against the related provision for impairment. Before any loan is written off, it is necessary to conduct all the required procedures (in accordance with IAS 39) and to determine the amount of the loss. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the Profit an Loss Account.

If in a subsequent period the impairment loss amount is decreasing and the decrease can be related objectively to an event occurring after the impairment was recognised (e.g., improvement of the debtor's credit rating), then the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recorded in the Profit and Loss Account.

Assets Measured at Fair Value

At each Balance Sheet date the Group estimates whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If such kind of evidence concerning available for sale financial assets exists, the cumulative loss – determined as the difference between the cost of acquisition and the current fair value, less any impairment loss on that financial asset previously recognised in the Profit and Loss Account – is removed from equity and recognised 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, in a subsequent period, the fair value of a debt instrument classified as available for sale increases, and such increase can be objectively related to an event occurring 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 eligible bills, loans and advances to banks, amounts due from other banks, and short-term government securities.
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 selling and purchasing securities for which a commitment has been made to repurchase or resell them at a contractual date and for a specified contractual price.

Repos (securities sold with a repurchase clause) are reclassified in the financial statements as pledged assets if the entity receiving them has the contractual or customary right to sell or pledge them as collateral security. The liability towards the counterparty is recognised as amounts due to other banks, deposits from other banks, other deposits or amounts due from customers, depending on its nature. Reverse repos (securities purchased together with a resale clause) are recognised as loans and advances to other banks or other customers, depending on their nature.

When concluding a repo or reverse repo transaction, the Group sells or buys securities with a repurchase or resale clause specifying a contractual date and 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 recognized in the financial statements, unless these are sold to third parties, in which case the purchase and sale transactions are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as trading liability.

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 recent market transactions and on the basis of valuation techniques, including models based on discounted cash flows and options pricing models, 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 recognising the resulting fair value gain or loss 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 attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge). Derivative instruments designated as hedges against positions maintained by the Group 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

Changes in the fair value of derivative instruments designated and qualifying as fair value hedges are recognised in the Profit and Loss Account together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

In case a hedge has ceased to fulfil the criteria of hedging accounting, the adjustment to the carrying value of the hedged item for which the effective interest method is used is amortised to Profit and Loss Account over the period to maturity. The adjustment to the carrying amount of the hedged equity security remains in the revaluation reserve until the disposal of the equity 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 (i.e., at the time when the forecast sale that is hedged takes place).

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 forecast transaction. When a forecast transaction is no longer expected to occur, the aggregate gains or losses recorded in equity are immediately transferred to the Profit and Loss Account.

Derivative Instruments Not Fulfilling the Criteria of Hedge Accounting

Changes of the fair value of derivative instruments that do not meet the criteria of hedge accounting are recognised in the Profit and Loss Account of the current period.
The Bank holds the following derivative instruments in its portfolio:

Market risk instruments:
a) Futures contracts for bonds, index futures
b) Options for securities and for stock-market indices
c) Options for futures contracts
d) 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 Options

Foreign exchange risk instruments:
a) Currency forwards, fx swap, fx forward
b) 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.

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 expected period of economic useful life of the respective intangible assets.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in "intangible assets". Goodwill on acquisition of associates is recognised in "investment in associates". Goodwill is not amortised, but it is tested annually for impairment, and it is carried in the Balance Sheet at cost reduced by accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.
Goodwill is allocated to cash generating units for the purpose of impairment testing. Each of those cash generating units is represented by the investments of the Bank 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. These costs are amortised on the basis of the expected useful life of the software (2-10 years). Expenses 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 Bank, 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 as "Tangible fixed assets".

Development costs

The Bank identifies development costs as intangible asset as the asset will generate probably future economic benefits and fulfil the following requirements described in IAS 38: the Bank has the intention and technical feasibility to complete and to use or sell the intangible asset, the availability of adequate technical, financial and other resources to complete and to use the intangible asset and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs' useful lives are finite and the amortization period does not exceed 3 years. The Group shows separately additions from internal development and separately those acquired through business combinations.
Research and development expenditure comprises all expenditure that is directly attributable to research and development activities.

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 costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only where it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.
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 fair value less selling costs, depending on which value is lower: the difference arising on this account is recognised under "Other operating profit/loss".
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 revaluated 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 constructed structures	25-40 years,
– Technical plant and equipment	8-17 years,
– Transport vehicles	5 years,
– Information technology hardware	3 years,
– Investments in third party (leased) fixed assets	10-40 years or the period of the lease contract, if it is shorter than 25 years
– Office equipment, furniture	5-7 years.

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

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

If there is any indication that an asset may be impaired, recoverable amount shall be estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the cash-generating unit to which the asset belongs.

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 Assets and Liabilities

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 net 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 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 netted in the Balance Sheet (for each associate separately). 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.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is possible that the difference will not reverse in the foreseeable future.

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 for Debts

Assets taken over in return 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 in the Balance Sheet under "Other assets".

Accruals includes costs of supplies delivered to the Group but not yet resulting in its payable liabilities. Deferred income includes 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 to IAS 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. Retirement Benefits and Other Employee Benefits

Retirement Benefits

The Group forms provisions against future liabilities on account of retirement benefits 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. There are no market conditions that shall be taken into account when estimating the fair value of share options at the measurement date. Non market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. In accordance with IFRS 2, in spite of the fact that the fair value of the options are changing it is not necessary to recognize the change in fair value of the share-based payment over the term of the program.

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

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

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 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 include:
- other supplementary capital,
- other reserved capital,
- general banking risk fund,
- undistributed 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 allocations of 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 *Financial Reporting in Hyperinflationary Economies* paragraph 25, 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 with a corresponding impact on retained earnings. The adoption of IAS 29 paragraph 25 results in an increase of the share capital and at the same time it reduces retained earnings by the same amount.

The Management Board has carried out an analysis to estimate the value of such adjustment, which would result in a growth of the share capital and growth of the share premium as well as in a corresponding decrease in the retained earnings by PLN 107,219 thousand.

Because the effect of the restatement:
- Represents 4.00% of the owners' equity of the Bank and 7.37% of share capital;
- 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 material effect on the presented financial data, both as a whole and on line items basis;

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 quarter ended 31 March 2006.

2.22. Valuation of Items Denominated in Foreign Currencies

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 Statements are presented in Polish zloty, which is the functional currency and the currency in which Company presents its accounts.

Transactions and Balances

Transactions denominated in foreign currencies 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 Balance Sheet revaluation 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:

a) 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;
b) 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 three months of each presented periods; whereas
c) 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, advances and other FX instruments designated as hedges attached to such investments are recognised in equity. Upon the disposal 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 fair value adjustments 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 Business

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.
Additionally, in the case of operating lease agreements, all future receivables on account of leasing payments (including receivables in foreign currencies) are not presented on the face of the financial reports, but off-Balance Sheet. In case of finance lease agreements 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.

2.23. Custody Services Business

BRE Bank SA operates a custody business including domestic and foreign securities and services provided to investment and pension funds.
Dom Inwestycyjny BRE Banku SA operates a custody business in connection with the handling of securities accounts of the clients.
The assets concerned are not shown in these financial statements as they do not belong to the Group.
Other companies belonging to the 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 period.

None of the presentation adjustments described below had influence on the net profit and equity presented in comparative data as at 31 March 2005 and 31 December 2005.

The following presentation changes have been done:

1. Deferred tax assets and deferred tax liabilities are offset in the balance sheet (see point 2.15).
2. IRS, CIRS and OIS interest is presented in the income statement in the position "Net trading income" and not as previously in the position "Net interest income". In the balance sheet it is presented in the positions: "Derivative financial instruments" in assets and "Derivative financial instruments and other trading liabilities" in liabilities. Previously, it was presented in the balance sheet on the net basis in the positions: "Loans and advances to banks"/"Amounts due to other banks" and "Loans and advances to customers"/"Amounts due to customers".
3. Bonds and T-bills treated as pledged assets (sell buy back transactions) are presented in the balance sheet in the position "Pledged assets" and not in "Trading securities".
4. Income related to investment funds and pension funds management is presented in the income statement in the position "Fee and commission income" and previously it was presented in "Other operating income".
5. Expense related to investment funds and pension funds management is presented in the income statement in the position "Fee and commission expense" and previously it was presented in "Overhead costs".
6. Expense related to amortization is presented in the income statement in the position "Amortization and depreciation" and not as previously in the position "Other operating expenses".

The influence of presentation changes on comparative data in financial statements as at 31 March 2005 and 31 December 2005 is presented in the table below.

(in PLN 000's)

Presentation changes in the income statement for the period from 1 January till 31 March 2005:

	I quarter period from 01-01-2005 to 31-03-2005 (before adjustments)	Adjustments	I quarter period from 01-01-2005 to 31-03-2005 (after adjustments)
Net interest income	178 144	(12 855)	165 289
Net fee and commission income	80 726	14 521	95 247
Net trading income	30 327	12 855	43 182
Other operating income	37 770	(22 009)	15 761
Overhead costs	(182 697)	(1 119)	(183 816)
Amortization and depreciation	-	(31 758)	(31 758)
Other operating expences	(56 684)	40 366	(16 318)

Presentation changes in the balance sheet as at 31 March 2005

	I quarter period from 01-01-2005 to 31-03-2005 (before adjustments)	Adjustments	I quarter period from 01-01-2005 to 31-03-2005 (after adjustments)
Loans and advances to banks	6 209 819	118	6 209 937
Trading securities	4 980 919	(2 194 494)	2 786 425
Derivative financial instruments	1 449 725	1 261 136	2 710 861
Loans and advances to customers	14 779 243	(369)	14 778 874
Pledged assets	32 054	2 194 494	2 226 548
Deferred income tax assets	723 272	(610 511)	112 761
Amounts due to other banks	5 272 826	(16 903)	5 255 923
Derivative financial instruments and other trading liabilities	1 587 673	1 267 552	2 855 225
Provisions for deferred income tax	610 626	(610 511)	115

Presentation changes in profit and loss account for the period from 1 January to 31 December 2005.

	IV quarter period from 01-01-2005 to 31-12-2005 (before adjustments)	Adjustments	IV quarter period from 01-01-2005 to 31-12-2005 (after adjustments)
Net interest income	621 728	35 990	657 718
Net trading income	265 110	(35 990)	229 120

(in PLN 000's)

Presentation changes in the balance sheet as at 31 December 2005

	IV quarter period from 01-01-2005 to 31-12-2005 (before adjustments)	Adjustments	IV quarter period from 01-01-2005 to 31-12-2005 (after adjustments)
Derivative financial instruments	1 255 232	9 268	1 264 500
Amounts due to other banks	4 337 056	(80 307)	4 256 749
Derivative financial instruments and other trading liabilities	1 175 070	96 136	1 271 206
Amounts due to customers	20 443 406	(6 562)	20 436 844

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 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 Tele-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 Bank Hipoteczny, BRE Leasing Sp. z o.o., Intermarket Factoring Bank AG, Polfactor SA, Transfinance a.s., and Magyar Factor zRt. The Bank's offert is enriched by commercial real estate financing, leasing, factoring.

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 01.01.2006 to 31.03.2006
(PLN'000)

	Retail Banking (including Private Banking)	Corporate Banking	Investment Banking	Asset Management	Other	Eliminations	Group
Net interest income	**61 416**	**81 927**	**32 408**	**(5 280)**	**633**	**(7)**	**171 098**
- sales to external clients	11 096	104 752	54 882	697	(321)	-	171 105
- sales to other segments	50 320	(22 825)	(22 473)	(5 977)	955	(7)	(7)
Net fee and commission income	**15 004**	**65 221**	**10 509**	**21 001**	**(147)**	**(389)**	**111 199**
- sales to external clients	15 251	61 945	13 537	21 001	(146)	(389)	111 199
- sales to other segments	(247)	3 276	(3 028)	-	(1)	-	-
Unallocated costs							
Gross profit / (loss) of the segment	**11 975**	**37 672**	**58 452**	**2 093**	**7 730**	**(8 414)**	**109 508**
Profit / (loss) on operating acitivities							109 595
Contribution of profit / (loss) sharing in associated companies (before tax)	-	-	-	-	-	(87)	(87)
Gross profit (before tax)							109 508
Corporate income tax							(24 532)
Net profit (loss) attributable to minority interest							6 075
Net profit (after tax)							78 901
Asset of the segment	**5 281 374**	**13 657 281**	**19 362 078**	**688 659**	**822 417**	**(4 253 687)**	**35 558 122**
Total assets							35 558 122
Segment's liabilities	**7 867 201**	**11 167 383**	**18 128 659**	**260 301**	**2 388 265**	**(4 253 687)**	**35 558 122**
Total liabilities							35 558 122
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(6 919)	(22 103)	(5 182)	(930)	(3 842)	-	(38 977)
Amortisation/depreciation	(14 402)	(19 400)	(5 096)	(739)	(553)	(520)	(40 710)
Losses on credits and loans	(13 277)	(71 115)	(9 651)	-	(1 052)	-	(95 095)
Other costs without cash outflows	-	(89)	(149 142)	-	-	-	(149 231)

Business segment reporting on the activities of the BRE Bank Group
for the period from 01.01.2005 to 31.03.2005
(PLN'000)

	Retail Banking (including Private Banking)	Corporate Banking	Investment Banking	Asset Management	Other	Eliminations	Group
Net interest income	**43 152**	**69 461**	**59 277**	**(6 060)**	**(712)**	**170**	**165 289**
- sales to external clients	(24 998)	112 314	77 183	461	159	-	165 119
- sales to other segments	68 150	(42 852)	(17 905)	(6 521)	(870)	170	170
Net fee and commission income	**7 862**	**67 696**	**5 195**	**14 928**	**(2)**	**(432)**	**95 247**
- sales to external clients	8 031	63 821	8 893	14 928	6	1 441	97 120
- sales to other segments	(169)	3 875	(3 698)	-	(8)	(1 873)	(1 873)
Unallocated costs							
Gross profit / (loss) of the segment	**30**	**46 083**	**52 349**	**(2 247)**	**(14 400)**	**162**	**81 977**
Profit / (loss) on operating acitivities							-
Contribution of profit / (loss) sharing in associated companies (before tax)	-	-	(2)	-	-	-	(2)
Gross profit (before tax)							
Corporate income tax							
Net profit (loss) attributable to minority interest							
Net profit (after tax)							
Asset of the segment	**3 282 705**	**11 192 370**	**18 666 816**	**671 920**	**1 820 986**	**(3 741 346)**	**31 893 451**
Total assets							31 893 451
Segment's liabilities	**6 500 074**	**8 257 156**	**17 795 611**	**235 491**	**2 846 465**	**(3 741 347)**	**31 893 451**
Total liabilities							31 893 451
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(11 371)	(34 244)	(4 954)	(323)	(182)	-	(51 074)
Amortisation/depreciation	(10 538)	(14 375)	(5 635)	(590)	(619)	-	(31 758)
Losses on credits and loans	(9 730)	(72 443)	(5 832)	-	(309)	-	(88 313)
Other costs without cash outflows	-	(11)	(642 496)	(82)	(12)	-	(642 601)

(in PLN 000's)

5. Net interest income

	31.03.2006	31.03.2005
Interest income		
Cash and short-term investments	65 493	62 787
Investment securities	13 446	8 542
Amounts due arising from purchased securities with a sale clause	67	1 407
Loans and advances with respect to the unwind of the impairment provision discount	266 431	259 379
Debt securities	53 821	56 977
Other	4 044	4 790
	403 302	**393 882**
Interest expense		
Arising from amounts due to banks and customers	(167 914)	(187 133)
Arising from issue of debt securities	(37 181)	(21 057)
Other borrowed funds	(15 346)	(11 876)
Trading debt securities	(6 883)	(5 713)
Other	(4 880)	(2 814)
	(232 204)	**(228 593)**

6. Net fee and commission income

	31.03.2006	31.03.2005
Fee and commission income		
Credit related fees and commissions	27 067	23 474
Fees from brokerage activity	17 832	12 004
Fees from portfolio-management services and other management-related fees	25 484	21 789
Guarantees granted and trade finance commissions	6 322	7 321
Commissions from credit cards	20 737	14 561
Commissions from money transfers	15 869	14 204
Commissions from bank accounts	11 427	10 312
Other	29 718	24 311
	154 456	**127 976**
Fee and commission expense		
Brokerage fees	(6 432)	(4 126)
Credit cards related fees	(20 041)	(10 212)
Other fees	(16 784)	(18 391)
	(43 257)	**(32 729)**

7. Dividend income

	31.03.2006	31.03.2005
Trading securities	12	-
Securities available for sale	499	4 437
Dividend income, total	**511**	**4 437**

(in PLN 000's)

8. Net trading income

	31.03.2006	31.03.2005
Foreign exchange result	**85 508**	**57 399**
Foreign exchange differences from the translation (net)	11 888	313 525
Transaction gains less losses	73 620	(256 126)
Other trading income	**3 967**	**(14 217)**
Interest-bearing instruments	17 843	(18 343)
Equities	(5 098)	1 397
Market risk instruments	(8 778)	2 729
Total net trading income	**89 475**	**43 182**

9. Gains less losses from investment securities

	31.03.2006	31.03.2005
Redemption / sale by the issuer of the financial assets available for sale	8 393	2 712
Impairment of available for sale equity securities	69	(404)
Total gains and losses from investment securities	**8 462**	**2 308**

10. Other operating income

	31.03.2006	31.03.2005
Sale of tangible and intangible fixed assets and assets held for resale	33 571	5 459
Income from recovering previously designated as uncollectible receivables	614	119
Income from compensation, penalties and fines received	28	134
Income due to release of provisions	1 630	1 205
Proceeds from services provided	12 038	3 484
Other	4 502	5 360
Total other operating income	**52 383**	**15 761**

11. Impairment losses on loans and advances

	31.03.2006	31.03.2005
Amounts due from other banks	-	-
Loans and advances to customers	(22 576)	(12 353)
Total impairment losses on loans and advances	**(22 576)**	**(12 353)**

12. Overhead costs

	31.03.2006	31.03.2005
Staff-related expenses (Note 12A)	(115 783)	(91 227)
Material costs	(91 049)	(84 280)
Taxes and fees	(3 660)	(2 775)
Contributions and transfers to the Banking Guarantee Fund	(981)	(974)
Contribution to the Social Benefits Fund	(793)	(186)
Other	(4 169)	(4 374)
Total overhead costs	**(216 435)**	**(183 816)**

Staff-related expenses (12A)

	31.03.2006	31.03.2005
Wages and salaries	(97 439)	(74 474)
Social security expenses	(13 417)	(11 482)
Pension fund expenses	(174)	(185)
Salaries in form of share option program for employees	(553)	(1 077)
Other staff expenses	(4 200)	(4 009)
Staff-related expenses, total	**(115 783)**	**(91 227)**

13. Other operating expenses

	31.03.2006	31.03.2005
Costs of selling or scraping fixed assets, intangible assets and assets held for resale	(28 153)	(5 031)
Impairment provisions created for tangible and intangible assets	(3 045)	-
Impairment provisions created for other receivables (excluding loans and advances)	(532)	(67)
Receivables and liabilities recognised as uncollectible and written off	(2 149)	(206)
Compensation, penalties and fines paid	(37)	(68)
Donations made	(1 938)	(451)
Impairment losses on other non-financial assets	-	(62)
Other, due to:	(7 958)	(10 433)
- provisions	(62)	(941)
- costs of services sale	(5 350)	(3 794)
- other operating costs	(2 542)	(5 686)
- accessory expenses	(4)	(12)
Total other operating expenses	**(43 812)**	**(16 318)**

14. Earnings per share

Earnings per share for 12 months

	31.03.2006	31.03.2005
Basic:		
Net profit (loss) attributable to shareholders	266 303	(229 065)
Weighted average number of ordinary shares	28 882 066	27 277 469
Net basic profit (loss) per share (in PLN per share)	**9.22**	**(8.40)**
Diluted:		
Net profit (loss) attributable to shareholders	266 303	(229 065)
Net profit (loss) applied for calculation of diluted earnings per share (in thousand PLN)	266 303	(229 065)
Weighted average number of ordinary shares in issue	28 882 066	27 277 469
Adjustments for:		
- stock options for employees (in thousand PLN)	110 996	58 981
Weighted average number of ordinary shares for calculation of diluted earnings per share	28 993 062	27 336 450
Diluted earnings per share (in PLN per share)	**9.19**	**(8.38)**

Earnings per share for 3 months

	31.03.2006	31.03.2005
Basic:		
Net profit (loss) attributable to shareholders	78 901	60 141
Weighted average number of ordinary shares	29 121 343	28 713 125
Net basic profit (loss) per share (in PLN per share)	**2.71**	**2.09**
Diluted:		
Net profit (loss) attributable to shareholders	78 901	60 141
Net profit (loss) applied for calculation of diluted earnings per share (in thousand PLN)	78 901	60 141
Weighted average number of ordinary shares in issue	29 121 343	28 713 125
Adjustments for:		
- stock options for employees (in thousand PLN)	146 174	89 232
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 267 517	28 802 357
Diluted earnings per share (in PLN per share)	**2.70**	**2.09**

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

	31.03.2006	31.12.2005	31.03.2005
Debt securities:	**3 298 855**	**6 461 131**	**4 938 699**
Government bonds included in cash equivalents and pledged government bonds (sell buy back transactions), including:	2 427 117	1 473 639	1 265 730
- pledged government bonds (sell buy back transactions)	1 076 871	40 804	115 040
Other government bonds	-	-	68 088
Treasury bills included in cash equivalents and pledged treasury bills (sell buy back transactions), including:	278 017	1 640 129	2 890 548
- pledged treasury bills (sell buy back transactions)	38 905	1 298 166	2 111 508
Other treasury bills	14 230	-	-
Other debt securities, including	579 491	3 347 363	714 333
- pledged deposit certificates (sell buy back transactions)	-	64 767	-
- pledged corporate bonds (sell buy back transactions)	-	89 988	-
Equity securities:	**22 217**	**44 554**	**42 220**
- listed	22 217	44 554	39 720
- unlisted	-	-	2 500
Other financial instruments at fair value through profit or loss	-	-	125 866
Debt and equity securities, including:	**3 321 072**	**6 505 685**	**5 106 785**
- Trading securities	*2 205 296*	*5 011 960*	*2 786 425*
- Other financial instruments at fair value through profit or loss	*-*	*-*	*125 866*
- Pledged assets	*1 115 776*	*1 493 725*	*2 194 494*

The above note doesn't include treasury bills pledged in accordance of Banking Guarantee Fund in amount of PLN 21 746 thousand (31.12.2005 and 31.03.2005 respectively: PLN 22 487 thousand, PLN 32 054 thousand), which are included in the Note 17 "Investment securities".

(in PLN 000's)

16. Loans and advances to customers

	31.03.2006	31.12.2005	31.03.2005
Loans and advances to individuals:	5 201 339	4 326 918	2 953 614
Loans and advances to corporate entities:	11 682 931	9 605 119	10 266 209
Loans and avances to public sector	1 981 757	1 222 449	1 176 377
Receivables purchased	974 339	1 034 831	1 066 502
Realised guarantees and warranties	19 044	18 894	20 266
Other receivables	405 764	118 914	139 135
Total (gross) loans and advances to customers	**20 265 174**	**16 327 125**	**15 622 103**
Provisions for loans and advances to customers (negative amount)	(891 772)	(863 611)	(843 229)
Total (net) loans and advances to customers	**19 373 402**	**15 463 514**	**14 778 874**

17. Investment securities

	31.03.2006	31.12.2005	31.03.2005
Debt securities	**1 000 000**	**931 059**	**397 341**
- listed	963 063	898 210	365 823
- unlisted	36 937	32 849	31 518
	-	-	-
Equity securities	**254 253**	**274 069**	**227 790**
- listed	13 610	15 246	32 332
- unlisted	240 643	258 823	195 458
Held to maturity securities	-	-	**25 830**
- listed	-	-	25 830
- unlisted	-	-	-
Total securities	**1 254 253**	**1 205 128**	**650 961**
Impairment of investment securities	**(40 846)**	**(57 809)**	**(47 830)**
Total investment securities, including:	**1 213 407**	**1 147 319**	**603 131**
- Available for sale securities	*1 191 661*	*1 124 832*	*545 247*
- Held to maturity securities	*-*	*-*	*25 830*
- Pledged assets	*21 746*	*22 487*	*32 054*

The above note includes treasury bills pledged in accordance of Banking Guarantee Fund, which are presented in the balance sheet in separate position "Pledged assets".

18. Assets held for sale

According to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", 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 was described in the point 22 of the BRE Bank SA IFRS Consolidated Financial Statements 2005, published on 27 February 2006.

Assets of PTE Skarbiec Emerytura as at 31.03.2006 and 31.12.2005:

	31.03.2006	31.12.2005
Assets held to sale, including:		
Loans and advances to banks	8 361	4 342
Investment securities	37 237	35 250
Intangible assets (including goodwill)	237 163	240 215
Tangible fixed assets	274	300
Deferred income tax assets	6 865	7 719
Other assets	27 091	29 523
Total assets held to sale:	**316 991**	**317 349**

(in PLN 000's)

19. Amounts due to customers

	31.03.2006	31.12.2005	31.03.2005
Corporate customers	11 202 230	12 677 046	10 018 415
Individual customers	8 107 629	7 587 453	6 752 349
Public sector customers	189 516	172 345	121 602
Total amounts due to customers	**19 499 375**	**20 436 844**	**16 892 366**

20. Liabilities held for sale

Liabilities of PTE Skarbiec Emerytura as at 31.03.2006 and 31.12.2005:

	31.03.2006	31.12.2005
Libilities held for sale, including:		
Other liabilities	5 455	5 815
Provisions	1 025	1 024
Total libilities held for sale:	**6 480**	**6 839**

SELECTED EXPLANATORY INFORMATION

1. Compliance with International Financial Reporting Standards (IFRS)

The presented Q1 2006 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 the accounting policy principles of the Group applied since 1 January 2005 are presented under item 2 of the Notes to the Consolidated Financial Statements.

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

- The substantial event affecting net profit/(loss) was purchasing on 2 January 2006 shares of BRE Bank Hipoteczny SA from Atlas Vermögensverwaltungs Gmbh with registered office in Germany, 100% subsidiary of Commerzbank AG. A detailed description of this transaction is presented under item 10 of Selected Explanatory Information.
- On 17 January 2006 BRE Bank SA concluded a loan agreement with one of 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. The total amount of loan agreements concluded with the mentioned client and its subsidiaries during the last 12 months amounts to

PLN 207 404 050 (equivalent translated from EUR and USD using average NBP exchange rates as of January 17, 2006.

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 Q1 2006 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 Q1 2006 in BRE Bank there was redemption of 100 deposit certificates of the nominal value of PLN 100 thousand. Moreover the company BRE Leasing issued short-term bonds totalling PLN 95 300 thousand. In the same period, the Company carried out the redemption of short-term bonds to the amount of PLN 115 500 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 15 March 2006 adopted the resolution not to pay any dividend for the year 2005.

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 3 April 2006 the President of the Officeof Competition and Customer Protection issued an acceptance for taking over by BRE Bank SA („Bank") indirct controll over BRE.locum Sp. z o.o. In connection with this, on 3 April 2006 Bank according to the shares sale agreement acquired effectively 76 shares in TELE-TECH Investment Sp. z o.o. („Company"), which is 76% of the share capital and gives 76 votes at a general meeting, which is 76% of total number of votes at a general meeting. Above mentioned shares were acquired by Bank from Mr. Andrzej Wójcik – The Board Member of the Company and Mr. Janusz Maciejewicz – The Board Member of the Company and BRE.locum Sp. z o.o. for a total amount of PLN 38 000.00. After this transaction Bank holds 100 shares of the Company which constitute 100% of the capital of the Company which is 100% of the share capital and give right to execute 100 votes during the shareholder meetings Company which is 100% of total number of votes at a general meeting. The Company holds 30% of BRE.locum Sp. z o.o. share capital. The Bank holds directly 49.99% of share capital in BRE.locum Sp. z o.o.. In total Bank holds directly and indirectly 79.99% of share capital in BRE.locum.

- On 13 April 2006 BRE Leasing made four transactions of finance lease with PLL LOT related to four airplanes Embraer ERJ 175 using as intermediary the subsidiary BREL-COM Sp. z o.o. The total amount of transaction was above USD 103 million. 35% of the transaction is financed by Commerzbank AG. The agreement is for 12 years.

(in PLN 000's)

- On 20 April 2006, acting as part of bank consortiums, the Bank concluded a loan agreement with three Customers acting as joint and several debtors. The loan agreement provides for granting the following loans:

  - long-term loan, the part of the loan that falls to the Bank being $41,666,667 (PLN 131,366,667.72 in accordance with the median exchange rate of the National Bank of Poland of 20 April 2006); the loan will be granted for the period of seven years,

  - revolving loan, the part of the loan that falls to the Bank being PLN 80,000,000; the loan will be granted for the period of one year with an option to be extended the period of two years

  - investment loan, the part of the loan that falls to the Bank being the equivalent of the amount of $25,000,000 each time expressed in the Polish zloties on the loan payout day (PLN 78,820,000 in accordance with the median exchange rate of the National Bank of Poland of 20 April 2006); the loan will be granted for the period of seven years.

  The interest on the aforementioned loans is based respectively on one-, three- or six-month LIBOR and WIBOR rate increased by the Bank's commission fee.

  The documentation of the aforementioned loan agreements provides for meeting the standard conditions precedent by the Customer, including the establishment of loan security. The total value of the aforementioned loan agreements in the part falling to the Bank exceeds 10% of the value of the Bank's shareholders' equity.

- On 21 April 2006 the Bank and Commerzbank AG signed an agreement, pursuant to which the Bank will obtain a loan in the amount of CHF 250,000,000 (PLN 616,750,000 in accordance with the median exchange rate of the National Bank of Poland of 21 April 2006) earmarked for satisfying the Bank's general financial needs. The loan is granted for two years and one day, and the interest is 0.15% p.a. above LIBOR.

  The agreement does not contain any provisions on penalties with a value exceeding EUR 200,000 or any conditions precedent or conditions subsequent.

  The value of the aforementioned loan agreement exceeds the value of 10% of the Bank's shareholders' equity.

10. The effect of changes in the structure of the entity in Q1, including business combinations, acquisitions or disposal of subsidiaries, and long-term investments, restructuring, and discontinuation of business activities

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. The Bank has financed this transaction from its own financial sources. The investment has a long-term character.

Detailed information concerning fair value of purchased assets and liabilities :

Cash and balances with Central Bank	477
Loans and advances to banks	97 979
Trading securities	15 342
Derivative financial instruments	6 651
Loans and advances to customers	2 026 904

(in PLN 000's)

Investment securities	1 772
Intangible assets	11 913
Tangible fixed assets	5 133
Deferred income tax assets	5 705
Other assets	12 538
Amounts due to other banks	449 969
Derivative financial instruments and other trading liabilities	9 778
Amounts due to customers	134 468
Debt securities in issue	1 331 118
Subordinated liabilities	61 811
Other liabilities	16 511
Provisions	6 219
Total purchase consideration paid (discharged by cash)	174 540
Cost of aquisition	174 540
Less: Cash and cash equivalents in subsidiary acquired	(113 798)
Cash outflow acquisition	60 742

11. Changes in off-balance sheet liabilities

In Q1 2006 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 Q1 2006 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 Q1 2006 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.

(in PLN 000's)

17. Corrections of errors from previous reporting periods

In Q1 2006 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 2006. The description of the business strategy and goals of the Bank published in current report no. 19/2006 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. Registered share capital

The total number of ordinary shares as at 31 March 2006 was 29 217 436 shares with PLN 4 nominal value each. All issued shares were fully paid.

REGISTERED 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	1986-12-23	1989-01-01
11-12-86	ordinary registered	-	-	33 500	134 000	fully paid up in cash	1986-12-23	1989-01-01
20-10-93	ordinary bearer	-	-	2 500 000	10 000 000	fully paid up in cash	1994-03-04	1994-01-01
18-10-94	ordinary bearer	-	-	2 000 000	8 000 000	fully paid up in cash	1995-02-17	1995-01-01
28-05-97	ordinary bearer	-	-	4 500 000	18 000 000	fully paid up in cash	1997-10-10	1997-10-10
27-05-98	ordinary bearer	-	-	3 800 000	15 200 000	fully paid up in cash	1998-08-20	1999-01-01
24-05-00	ordinary bearer	-	-	170 500	682 000	fully paid up in cash	2000-09-15	2001-01-01
2004-04-21	ordinary bearer	-	-	5 742 625	22 970 500	fully paid up in cash	2004-06-30	2004-01-01
2003-05-21	ordinary bearer	-	-	2 355	9 420	fully paid up in cash	05-07-05*	2005-01-01
2003-05-21	ordinary bearer	-	-	11 400	45 600	fully paid up in cash	27-07-05*	2005-01-01
2003-05-21	ordinary bearer	-	-	37 164	148 656	fully paid up in cash	11-08-05*	2005-01-01
2003-05-21	ordinary bearer	-	-	44 194	176 776	fully paid up in cash	09-09-05*	2005-01-01
2003-05-21	ordinary bearer	-	-	60 670	242 680	fully paid up in cash	18-10-05*	2005-01-01
2003-05-21	ordinary bearer	-	-	13 520	54 080	fully paid up in cash	12-10-05*	2005-01-01
2003-05-21	ordinary bearer	-	-	4 815	19 260	fully paid up in cash	14-11-05*	2005-01-01
2003-05-21	ordinary bearer	-	-	28 580	114 320	fully paid up in cash	14-11-05*	2005-01-01
2003-05-21	ordinary bearer	-	-	53 399	213 596	fully paid up in cash	08-12-05*	2005-01-01
2003-05-21	ordinary bearer	-	-	14 750	59 000	fully paid up in cash	08-12-05*	2005-01-01
2003-05-22	ordinary bearer	-	-	53 320	213 280	fully paid up in cash	10-01-2006*	10-01-2006*
2003-05-23	ordinary bearer	-	-	3 040	12 160	fully paid up in cash	10-01-2006*	10-01-2006*
2003-05-24	ordinary bearer	-	-	46 230	184 920	fully paid up in cash	8-02-2006*	8-02-2006*
2003-05-25	ordinary bearer	-	-	19 700	78 800	fully paid up in cash	8-02-2006*	8-02-2006*
2003-05-26	ordinary bearer	-	-	92 015	368 060	fully paid up in cash	9-03-2006*	9-03-2006*
2003-05-27	ordinary bearer	-	-	19 159	76 636	fully paid up in cash	9-03-2006*	9-03-2006*
Total number of shares				**29 217 436**				
Total registered share capital					**116 869 744**			
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.

(in PLN 000's)

Commerzbank Auslandsbanken Holding AG is a shareholder holding over 5% of the share capital and votes at the General Meeting. As at 31 March 2006 Commerzbank Auslandsbanken Holding AG held 70.92% 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 31 December 2005	Number of shares acquired in Q1 2006	Number of shares sold in Q1 2006	Number of shares held as at the date of publishing the report
Management Board				
1. Sławomir Lachowski	100	-	-	100
2. Rainer Ottenstein	2 500	3 300	-	5 800
3. Bernd Loewen	-	5 609	-	5 609
Supervisory Board				
1. Krzysztof Szwarc	8 000	-	-	8 000

	Number of options held as at 31 December 2005	Number of options acquired in Q1 2006	Number of options sold in Q1 2006	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	4 990	-	3 300	1 690
5. Wiesław Thor	21 409	-	-	21 409
6. Janusz Wojtas	5 609	-	-	5 609

23. Information on Board members' bonuses paid in 2006

	Bonus for 2005 paid in 2006 (in PLN)
1. Sławomir Lachowski	2 346 000
2. Jerzy Jóźkowiak	1 266 285
3. Bernd Loewen	1 304 230
4. Rainer Ottenstein	1 356 157
5. Wiesław Thor	1 381 290
6. Janusz Wojtas	979 695

The amounts of bonuses paid are different from estimated amounts presented in the financial statements of BRE Bank SA and BRE Bank Group for the year 2005 published at 27 February 2006.

24. Earnings per share (stand alone data)

Earnings per share for 12 months

	31.12.2005	31.12.2004
Basic:		
Net profit (loss)	219 669	(296 764)
Weighted average number of ordinary shares	28 882 066	27 277 469
Net basic profit (loss) per share (in PLN per share)	**7.61**	**(10.88)**
Diluted:		
Net profit (loss)	219 669	(296 764)
Net profit (loss) applied for calculation of diluted earnings per share	219 669	(296 764)
Weighted average number of ordinary shares in issue	28 882 066	27 277 469
Adjustments for:		
- stock options for employees (in thousand PLN)	110 996	58 981
Weighted average number of ordinary shares for calculation of diluted earnings per share	28 993 062	27 336 450
Diluted earnings per share (in PLN per share)	**7.58**	**(10.86)**

Earnings per share for 3 months

	31.03.2006	31.03.2005
Basic:		
Net profit (loss)	60 948	48 589
Weighted average number of ordinary shares	29 121 343	28 713 125
Net basic profit (loss) per share (in PLN per share)	**2,09**	**1,69**
Diluted:		
Net profit (loss)	60 948	48 589
Net profit (loss) applied for calculation of diluted earnings per share	60 948	48 589
	-	-
Weighted average number of ordinary shares in issue	29 121 343	28 713 125
Adjustments for:	-	-
- stock options for employees (in thousand PLN)	146 174	89 232
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 267 517	28 802 357
Diluted earnings per share (in PLN per share)	**2,08**	**1,69**

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

As at 31 March 2006, the BRE Bank was not involved in any proceedings before a court, arbitration body, or public administration authority concerning liabilities of the Bank or its subsidiaries whose value would be equal to or greater than 10% of the Group's equity. The total value of claims concerning liabilities of the Bank or its subsidiaries in all proceedings before a court, an arbitration body or a public administration authority underway at 31 March 2006 was PLN 341 224 thousand, equal to 16.67% of the issuer's equity. Below is a report on major proceedings concerning liabilities of the Bank or its subsidiaries.

1. Lawsuit initiated by ART-B Sp. z o.o. Eksport – Import in Katowice ("ART-B") under liquidation, against BRE Bank

In a case concerning claims filed on 30 August 1994 by ART-B Sp. z o.o. under liquidation against BRE Bank SA, the Court of the first instance adopted a decision in favour of the Bank on 26 June

2004. Pursuant to the decision, the original claims for PLN 99.1 million plus statutory interest accrued as of 1991 were dismissed by the Court as in the course of the proceedings the claimant withdrew the claims and presented a new calculation of losses and a new factual basis of the claims. The claims for PLN 17.4 million raised in the course of the proceedings were dismissed due to limitation and lack of sufficient evidence. On 4 July 2005, the Appeal Court in Warsaw dismissed the entire appeal of the claimant. Proceedings for the claims were also opened against BRE BANK SA in the Court of Jerusalem, Israel, and the value of the dispute is USD 43.4 M (PLN 141 M according to the mid exchange rate of the National Bank of Poland on 31 March 2006). 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 brought by the Official Receiver of bankrupt Zakłady Mięsne POZMEAT SA with registered office in Poznań ("Pozmeat") against BRE Bank and Tele-Tech Investment Sp. z o.o. ("TTI")

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 brought by Bank BPH SA ("BPH") against Garbary.

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 Dom InwestycyjnyBRE Banku SA („DI BRE") 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 M. In 2003, the court of the first instance granted the plaintiffs' claims of PLN 13.9 M 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

(in PLN 000's)

included in the judgement will be examined once again by the District Court in Warsaw. The District Court will also decide about the costs of the trial.
DI BRE will file 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.

As at 31 March 2006, 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 March 2006 was PLN 317 019 thousand equal to 15.49% 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 31.03.2006**	**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	41 936 511.64	Bankruptcy	2003-06-05
3.	Big-Carton SA	Loan	41 183 819.92	Bankruptcy	2001-07-12

26. Transactions with related entities

BRE Bank SA is a parent entity and Commerzbank AG is the ultimate parent of the Group. Direct parent entity of BRE Bank SA is Commerzbank Auslandsbanken Holding AG which is in 100% controlled by Commerzbank AG.

All transactions with related entities exceeding the equivalent of EUR 500 000 were typical and routine transactions concluded on market terms, and their nature, terms and conditions resulted from the current operating activities conducted by the Bank. Transactions concluded with related entities as a part of regular operating activities include loans, deposits and foreign currency transactions.

The values of transactions with related entities, i.e. balance sheet balances and related expenses and income as at 31 March 2006 were as follows:

Numerical data concerning transactions with affilaited entities (in thousand PLN) - 31 March 2006

No.	Company's name	Balance sheet		Income Statement				Off balance sheet		
		Receivables	Liabilities	Interest income	Interest expense	Commission income	Commission expense	Commitments granted	Commitments received	Purchase/Sale commitments
1	BRE Bank SA	826 505	2 829 242	7 034	20 791	3 350	830	2 925 821	0	1 346 759
2	BRE Corporate Finance SA	1 018	0	8	0	0	13	0	2 860	0
3	Dom Inwestycyjny BRE Bank SA	245 175	20 061	2 201	135	810	1 076	0	535	0
4	BRE Bank Hipoteczny SA	39 120	154 760	772	568	0	0	0	129 964	1 345 962
5	PTE Skarbiec Emerytura SA	8 361	0	41	0	0	2	0	0	0
6	Skarbiec Asset Management Holding SA	39 524	955	125	71	20	2 094	0	60 679	0
7	BRE Leasing Sp. z o.o.	14 681	280 175	156	2 178	0	0	0	692	797
8	Polfactor S.A.	382	180 039	0	1 789	0	139	0	215 263	0
9	Intermarket Bank AG	0	90 789	0	546	0	0	0	0	0
10	Centrum Rozliczeń i Informacji CERI Sp. z o.o.	7 317	234	67	0	0	0	0	0	0
11	BRE Finance France SA	2 465 649	0	17 340	0	0	0	0	2 492 328	0
12	Tele-Tech Investment Sp. z o.o.	1 020	46 490	1	1 132	0	0	0	0	0
13	Garbary Sp. z o.o.	337	1 200	10	0	0	2	0	0	0
14	BRE.locum Sp. z o.o.	833	51 795	41	564	0	11	0	23 500	0
15	ServicePoint Sp. z o.o.	148	0	0	0	0	1	0	0	0
16	FAMCO SA	3 997	0	26	0	0	1	0	0	0
17	BRELINVEST Sp. z o.o. Fly 2 Sp. komandytowa	8	0	0	0	0	0	0	0	0
18	BRELIM Sp. z o.o.	32	0	0	49	0	0	0	0	0
19	BREL-MAR Sp. z o.o.	155	0	0	0	0	7	0	0	0
20	AMBRESA Sp. z o.o.	769	0	1	0	0	0	0	0	0
21	EMFINANSE Sp. z o.o.	716	3	2	0	0	2	0	0	0
22	Xtrade SA	0	4	0	2	0	2	0	0	0
	Commerzbank AG Group	320 412	2 447 414	3 199	28 052	0	0	3 037 937	0	0

27. 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 March 2006 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.

28. 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.

29. 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 Q2 2006.