Form SAB-QSr 1/ 2002

(for banks)

Pursuant to Art. 57.2 and Art.. 58.1 of the Regulation of the Council of Ministers dated 16 October 2001 (Journal of Laws No. 139, item 1569 and No. 31, item 280 (from year 2002)), the Board of Management of BRE Bank SA publishes this Quarterly Report for Q1 2002:

15 May 2002
(date of submittal)

SELECTED FINANCIAL DATA (current year)	PLN'000		EUR'000	
	Q1 from 1 Jan 2002 to 31 Mar 2002	Incremental from 1 Jan 2001 to 31 Mar 2001	Q1 from 1 Jan 2002 to 31 Mar 2002	Incremental from 1 Jan 2001 to 31 Mar 2001
I. Interest income	448 986		124 287	
II. Commission income	79 092		21 894	
III. Profit (loss) on banking activity	228 962		63 380	
IV. Operating profit (loss)	12 415		3 437	
V. Gross profit (loss) before tax	4 080		1 129	
VI. Net profit (loss)	-6 445		-1 784	
VII. Net cash from operating activities	-678 559		-187 836	
VIII. Net cash from investing activities	-271 576		-75 177	
IX . Net cash from financing activities	699 005		193 496	
X. Total net cash flows	-251 130		-69 517	
XI. Total assets	27 193 236		7 546 131	
XII. Liabilities to the central bank	122 881		34 100	
XIII. Liabilities to other financial institutions	9 093 934		2 523 569	
XIV. Liabilities to customers and the public sector	10 596 154		2 940 436	
XV. Equity	2 951 969		819 172	
XVI. Share capital	91 882		25 497	
XVII. Number of shares	22 970 500		22 970 500	
XVIII. Book value per share in PLN/EURO	97,00		26,92	
XIX. Diluted book value per share	97,00		26,92	
XX. Solvency ratio	14		14	
XXI. Profit (loss) per ordinary share in PLN	-0,28		-0,08	
XXII. Diluted profit (loss) per ordinary share in PLN	-0,28		-0,08	
XXIII. Dividend declared or paid out per ordinary share (in zł/EURO)	10,00		2,80	

In connexion with the lack of possibility to write down the full value of solvency ratio, we inform its value is 14,39%.

CONSOLIDATED BALANCE SHEET [PLN'000]	As at 31 Mar 2002 end of this quarter (current year)	As at 31 Dec 2001 end of previous quarter (current year)	As at 31 Mar 2001 end of this quarter (previous year)	As at 31 Dec 2000 end of previous quarter (previous year)
A s s e t s				
I. Cash in hand and in the National Bank of Poland	493 534			
II. Debt securities eligible for refinancing at NBP	23 168			
III. Receivables from other financial institutions	3 330 197			
1. Short-term receivables	2 248 582			
a) Current receivables	1 992 956			
b) Other short-term receivables	255 626			

2. Long-term receivables	1 081 615			
IV. Receivables from clients institutions	11 794 704			
1. Short-term receivables	6 332 832			
a) Current receivables	1 863 635			
b) Other short-term receivables	4 469 197			
2. Long-term receivables	5 461 872			
V. Receivables from governmental institutions	1 019 233			
1. Short-term receivables	1 006 485			
a) Current receivables	3 275			
b) Other short-term receivables	1 003 210			
2. Long-term receivables	12 748			
VII. Debt securities	4 745 603			
VIII. Receivables from subordinates priced with equity method	19			
1. Subsidiaries	19			
IX. Shares in subsidiaries priced with equity method	218 537			
XI. Shares in affiliates priced with equity method	24 099			
XII. Shares in other companies	36 987			
XIII. Other securities and financial assets	1 033 084			
XIV. Intangible fixed assets, including:	213 442			
- goodwill	68 099			
XV. Goodwill from subordinates	116 058			
XVI. Tangible fixed assets	959 657			
XVII. Other assets	2 386 666			
1. Assets acquired through debt recovery - for sale	27 832			
2. Inventories	12 311			
3. Other	2 346 523			
XVIII. Prepayments	798 248			
1. Deferred income tax	703 489			
2. Other prepayments	94 759			
Total assets	**27 193 236**			

Liabilities				
I. Liabilities to NBP	122 881			
II. Liabilities to other financial institutions	9 093 934			
1. Short-term liabilities	5 643 500			
a) Current liabilities	2 435 356			
b) Other short-term liabilities	3 208 144			
2. Long-term liabilities	3 450 434			
III. Liabilities to clients institutions	10 319 194			
1. Short-term liabilities	8 984 936			
a) Current liabilities, including:	3 629 615			
- saving deposits	909 927			
b) Other short-term liabilities, including:	5 355 321			
- saving deposits	163 462			
2. Long-term liabilities, including:	1 334 258			
- saving deposits	316 549			
IV. Liabilities to governmental institutions	276 960			
1. Short-term liabilities	271 443			
a) Current liabilities	20 948			
b) Other short-term liabilities	250 495			
2. Long-term liabilities	5 517			
VI. Securities issued	1 337 041			
1. Short-term securities	60 002			
2. Long-term securities	1 277 039			
VII. Other financial instruments liabilities	1 663 855			
VIII. Liabilities to subordinates priced with equity method	2 907			

1. Subsidiaries	2 907			
IX. Special funds and other liabilities	301 810			
X. Accruals and deferred income	200 450			
1. Costs prepayments	29 103			
2. Goodwill (negative amount)	3 314			
3. Other deferred and qualified income	168 033			
XI. Goodwill of subordinated companies (negative amount)	1 260			
XII. Provisions	743 132			
1. Income tax provision	670 794			
2. Other	72 338			
a) short-term	19 492			
b) long-term	52 846			
XIII. Subordinated liabilities	756 002			
XIV. Capitals of minority shareholders	145 841			
XV. Share capital	91 882			
XVIII. Supplementary capital	651 792			
XIX. Revaluation capital	8 063			
XX. Other reserve capital	1 248 697			
XXI. FX gains/losses from the conversion of subordinates	1 958			
1. Foreign exchange gains	6 376			
2. Foreign exchange losses	-4 418			
XXII. Net profit (loss) from previous years	232 022			
XXIII. Net profit (loss)	-6 445			
Total liabilities	**27 193 236**			

Capital adequacy ratio	**14**			

Book value	**2 227 969**			
Number of shares	**22 970 500**			
Book value per share (in PLN)	**97,00**			

Anticipated number of shares	**22 970 500**			
Diluted book value per share (in PLN)	**97,00**			

In connextion with the lack of possibility to write down the full value of solvency ratio, we inform its value is 14,39%.

CONSOLIDATED OFF-BALANCE-SHEET ITEMS	As at 31 Mar 2002 end of this quarter (current year)	As at 31 Dec 2001 end of previous quarter (current year)	As at 31 Mar 2001 end of this quarter (previous year)	As at 31 Dec 2000 end of previous quarter (previous year)
I. Contingent liabilities extended and received	6 245 074			
1. Liabilities extended	5 519 389			
a) financing	4 225 175			
b) guarantees	1 294 214			
2. Liabilities received	725 685			
a) financing	172 463			
b) guarantees	553 222			
II. Liabilities related to realised purchase/sale transactions	176 411 493			
-				
Total off-balance-sheet items	**182 656 567**			

CONSOLIDATED PROFIT AND LOSS ACCOUNT	Q1 (current year) from 1 Jan 2002 to 31 Mar 2002	Q1 (previous year) from 1 Jan 2001 to 31 Mar 2001
I. Interest income	448 986	
II. Interest expense	355 317	
III. Net interest income (I-II)	93 669	
IV. Commission income	79 092	
V. Commission expense	17 151	
VI. Net commission income (IV-V)	61 941	
VII. Net income of goods sold	7 150	
VIII. Cost of goods sold	2 438	
X. Profit on sale (VII-VIII-IX)	4 712	
XI. Profit (loss) on variable income shares, associated interests and other financial instruments	2 251	
1. From subsidiaries	2 251	
XII. Profit on financial operations	-45 537	
XIII. Foreign exchange gains/losses	111 926	
XIV. Profit (loss) on banking activity	228 962	
XV. Other operating income	59 531	
XVI. Other operating expenses	55 827	
XVII. Overheads	159 477	
XVIII. Depreciation of tangible and intangible fixed assets	36 291	
XIX. Appropriation for provisions and revaluation	116 784	
1 Transfer to specific provisions and to general banking risk	117 693	
2. Revaluation of financial assets	-909	
XX. Reversal of provisions and revaluation	92 301	
1 Transfer to specific provisions and to general banking risk	85 641	
2. Revaluation of financial assets	6 660	
XXI. Difference in provisions and revaluation appropriations and reversal (XIX-XX)	24 483	
XXII. Profit before extraordinary items	12 415	
XXIII. Profit (loss) on extraordinary items	394	
1. Extraordinary gains	700	
2. Extraordinary losses	306	
XXIV. Appropriations of goodwill of subordinates	8 849	
XXV. Transfer of negative amount of subordinates' goodwill	120	
XXVI. Gross profit (loss) before tax	4 080	
XXVII. Income tax	12 646	
1. Current part	2 724	
2. Postponed part	9 922	
XXIX. Participation in profit (loss) of subordinated companies priced with equity method	-611	
XXX. (Profit) Loss of minority shareholders	-2 732	
XXXI. Net profit (loss)	-6 445	

Net profit (loss) (for 12 months)	-6 445	
Weighted average number of ordinary shares	22 970 500	
Net profit (loss) per 1 ordinary share [PLN]	-0,30	
Weighted average diluted number of ordinary shares	22 970 500	
Diluted net profit (loss) per 1 ordinary share [PLN]	-0,30	

MOVEMENTS IN CONSOLIDATED EQUITY	Q1 (current year) from 1 Jan 2002 to 31 Mar 2002	Q1 (previous year) from 1 Jan 2001 to 31 Mar 2001
I. Equity as at the beginning of the year (OB)	2 201 625	
a) changes to accounting policies	32 929	
I.a. Equity as at the beginning of the year (OB) after reconciliation to comparative data	2 234 554	
1. Share capital as at the beginning of the year	91 882	
-		
1.2. Share capital as at the end of the year	91 882	
4. Supplementary capital as at the beginning of the year	622 559	
4.1. Movements in the supplementary capital	29 233	
a) increase (due to):	30 511	
- exclusion from consolidation in connection of selling the company	30 511	
-		
b) decrease (due to):	1 278	
- adjustment of opening balance	750	
- liquidation of capital in connection of shareholders payments	528	
4.2. Supplementary capital as at the end of the year	651 792	
5. Revaluation reserve as at the beginning of the year	8 063	
5.2. Revaluation reserve as at the end of the year	8 063	
6. General banking risk reserve as at the beginning of the year	453 000	
6.2. General banking risk reserve as at the end of the year	453 000	
7. Other reserves as at the beginning of the year	795 541	
7.1. Movements in other reserves	724 156	
a) increase (due to):	724 156	
- subordinated loan	724 000	
- inclusion the company to consolidation	156	
7.2. Other reserves as at the end of the year	1 519 697	
8. Foreign exchange losses on the translation of subordinated companies	1 958	
9. Profit or loss from previous years as at the beginning of the year	234 530	
9.1. Profit from previous years as at the beginning of the year	238 677	
a) changes to accounting policies	34 374	
9.2. Profit from previous years as at the beginning of the year after reconciliation to comparative data	237 051	
9.3. Change of profit from previous years	-28 824	
a) increase (due to):	1 687	
- inclusion the company to consolidation	1 687	
b) decrease (due to):	30 511	
- exclusion from consolidation in connection of selling the company	30 511	
9.4. Profit from previous years as at the end of the year	244 227	
9.5. Loss brought forward as at the beginning of the year	-4 147	
a) changes to accounting policies	-2 370	
9.6. Loss brought forward as at the beginning of the year after reconciliation to comparative data	-6 517	
9.7. Change of loss brought forward	-5 688	
a) increase (due to):	-5 688	
- inclusion the company to consolidation	-5 688	
9.8. Loss brought forward as at the end of the year	-12 205	
9.9. Retained earnings or loss brought forward as at the end of the year	232 022	
10. Net profit (loss)	-6 445	
a) net profit	30 536	

b) net loss	-36 981	
II. Equity as at the end of the year (CB)	2 951 969	
III. Equity after the proposal of profit appropriation	2 720 789	

CONSOLIDATED CASH FLOW STATEMENT	**Q1 (current year)** **from 1 Jan 2002 to 31 Mar 2002**	**Q1 (previous year)** **from 1 Jan 2001 to 31 Mar 2001**
A. Net cash flows from operating activities (I+/-II) - indirect method	-678 559	
I. Net profit (loss)	-6 445	
II. Total adjustments for:	-672 114	
1. Profit (loss) of minority shareholders	2 732	
2. Participation in (profit) loss of subordinated companies priced with equity method	611	
3. Depreciation, including:	45 020	
- appropriations of goodwill of subordinates and goodwill of subordinates (negative amount)	8 729	
4. Foreign exchange gains/losses	52 010	
5. Interest and dividends	13 327	
6. (Profit) loss on investments	20 028	
7. Change in provisions	762 539	
9. Change in debt securities	-372 979	
10. Change in receivables from financial institutions	-952 080	
11. Change in receivables from clients and governmental institutions	-2 502 061	
12 . Change in receivables from acquired securities with a buy-back clause	10 574	
13. Change in shares and securities and other financial instruments	-144 261	
14. Change in liabilities to financial institutions	823 583	
15. Change in liabilities to clients and governmental institutions	828 910	
17. Change in liabilities under securities	1 334 026	
18. Change in other liabilities	539 154	
19. Change in prepayments	-617 873	
20. Change in deferred and qualified income	-524 103	
III. Net cash flows from operating activities (I+/-II) - indirect method	-678 559	

B. Net cash flows from investing activities (I-II)	-271 576	
I. Incomes	204 435	
1. Sale of shares in subsidiary companies	2	
4. Sale of other shares, securities and financial instruments	198 877	
5. Sale of intangible and tangible fixed assets	620	
7. Other incomes	4 936	
II. Expenses	476 011	
1. Purchase of shares in subsidiary companies	104 080	
3. Purchase of shares in affiliated companies	5 297	
4. Purchase of other shares, securities and financial instruments	338 131	
5. Purchase of intangible and tangible fixed assets	14 837	
6. Building and intangible assets investments	13 666	
II. Net cash flows from investing activities (I-II)	-271 576	

C. Net cash flows from financing activities (I-II)	699 005	
I. Incomes	724 734	
4. Change in subordinated liabilities in plus	724 734	
II. Expenses	25 729	
2. Long term loans repaid to other financial institutions	7 466	
11. Other financial expenses	18 263	
III. Net cash flows from financing activities (I-II)	699 005	

D. Total net cash flows (A+/-B+/-C)	-251 130	
E. Net change in cash	-251 130	
F. Cash at the beginning of the period	785 397	
G. Cash at the end of the period (F+/- D)	534 267	

QUARTERLY SHORTENED FINANCIAL STATEMENT

BALANCE SHEET [PLN'000]	As at 31 Mar 2002 end of this quarter (current year)	As at 31 Dec 2001 end of previous quarter (current year)	As at 31 Mar 2001 end of this quarter (previous year)	As at 31 Dec 2000 end of previous quarter (previous year)
A s s e t s				
I. Cash in hand and in the National Bank of Poland	487 579			
II. Debt securities eligible for refinancing at NBP	23 168			
III. Receivables from other financial institutions	3 674 948			
1. Current receivables	1 972 984			
2. Term receivables	1 701 964			
IV. Receivables from clients institutions	9 314 656			
1. Current receivables	1 538 914			
2. Term receivables	7 775 742			
V. Receivables from governmental institutions	1 017 251			
1. Current receivables	3 275			
2. Term receivables	1 013 976			
VII. Debt securities	5 009 521			
VIII. Shares in subsidiaries	779 366			
X. Shares in affiliates	31 434			
XI. Shares in other companies	20 874			
XII. Other securities and financial assets	664 427			
XIII. Intangible fixed assets, including:	202 051			
XIV. Tangible fixed assets	854 749			
XV. Other assets	2 436 935			
1. Assets acquired through debt recovery - for sale	22 887			
2. Other	2 414 048			
XVI. Prepayments	668 710			
1. Deferred income tax	622 266			
2. Other prepayments	46 444			
T o t a l a s s e t s	**25 185 669**			
L i a b i l i t i e s				
I. Liabilities to NBP	122 881			
II. Liabilities to other financial institutions	8 984 575			
1. Current liabilities	2 296 387			
2. Term liabilities	6 688 188			
III. Liabilities to clients institutions	9 846 122			
1. Saving deposits	1 389 924			

a) Current deposits	909 913			
b) Term deposits	480 011			
2. Other	8 456 198			
a) Current deposits	2 497 667			
b) Term deposits	5 958 531			
IV. Liabilities to governmental institutions	272 470			
1. Current liabilities	18 664			
2. Term liabilities	253 806			
VII. Other financial instruments liabilities	1 655 594			
VIII. Special funds and other liabilities	246 717			
IX. Accruals and deferred income	164 287			
1. Costs prepayments	8 900			
3. Other deferred and qualified income	155 387			
X. Provisions	677 159			
1. Income tax provision	624 345			
2. Other	52 814			
b) long-term	52 814			
XI. Subordinated liabilities	724 000			
XII. Share capital	91 882			
XV. Supplementary capital	748 738			
XVI. Revaluation capital	7 969			
XVII. Other reserve capital	1 247 916			
XVIII. Net profit (loss) from previous years	369 109			
XIX. Net profit (loss)	26 250			
Total liabilities	**25 185 669**			

Capital adequacy ratio	14			

Book value	2 491 864			
Number of shares	22 970 500			
Book value per share (in PLN)	108,48			

Anticipated number of shares	22 970 500			
Diluted book value per share (in PLN)	108,48			

In connextion with the lack of possibility to write down the full value of solvency ratio, we inform its value is 14,39%.

OFF-BALANCE-SHEET ITEMS	**As at 31 Mar 2002 end of this quarter (current year)**	**As at 31 Dec 2001 end of previous quarter (current year)**	**As at 31 Mar 2001 end of this quarter (previous year)**	**As at 31 Dec 2000 end of previous quarter (previous year)**
I. Contingent liabilities extended and received	7 125 352			
1. Liabilities extended	6 485 463			
a) financing	3 979 883			
b) guarantees	2 505 580			
2. Liabilities received	639 889			
a) financing	120 481			
b) guarantees	519 408			
II. Liabilities related to realised purchase/sale transactions	176 495 947			
Total off-balance-sheet items	**183 621 299**			

PROFIT AND LOSS ACCOUNT	Q1 (current year) from 1 Jan 2002 to 31 Mar 2002	Q1 (previous year) from 1 Jan 2001 to 31 Mar 2001
I. Interest income	404 027	
II. Interest expense	328 840	
III. Net interest income (I-II)	75 187	
IV. Commission income	54 690	
V. Commission expense	14 380	
VI. Net commission income (IV-V)	40 310	
VII. Profit (loss) on variable income shares, associated interests and other financial instruments	4 936	
1. From subsidiaries	978	
3. From affiliates	3 958	
VIII. Profit on financial operations	-36 228	
IX. Foreign exchange gains/losses	113 403	
X. Profit (loss) on banking activity	197 608	
XI. Other operating income	6 660	
XII. Other operating expenses	1 821	
XIII. Overheads	111 957	
XIV. Depreciation of tangible and intangible fixed assets	31 322	
XV. Appropriation for provisions and revaluation	98 017	
1 Transfer to specific provisions and to general banking risk	98 017	
XVI. Reversal of provisions and revaluation	75 317	
XVII. Difference in provisions and revaluation appropriations and reversal (XV-XVI)	22 700	
XVIII. Profit before extraordinary items	36 468	
XIX. Profit (loss) on extraordinary items	12	
1. Extraordinary gains	98	
2. Extraordinary losses	86	
XX. Gross profit (loss) before tax	36 480	
XXI. Income tax	10 230	
2. Postponed part	10 230	
XXVI. Net profit (loss)	26 250	

Net profit (loss) (for 12 months)	26 250	
Weighted average number of ordinary shares	22 970 500	
Net profit (loss) per 1 ordinary share [PLN]	1,14	
Weighted average diluted number of ordinary shares	22 970 500	
Diluted net profit (loss) per 1 ordinary share [PLN]	1,14	

MOVEMENTS IN EQUITY	Q1 (current year) from 1 Jan 2002 to 31 Mar 2002	Q1 (previous year) from 1 Jan 2001 to 31 Mar 2001
I. Equity as at the beginning of the year (OB)	2 432 684	
a) changes to accounting policies	32 929	
I.a. Equity as at the beginning of the year (OB) after reconciliation to comparative data	2 465 613	
1. Share capital as at the beginning of the year	91 882	
1.2. Share capital as at the end of the year	91 882	
-		
-		
4. Supplementary capital as at the beginning of the year	749 738	
4.2. Supplementary capital as at the end of the year	748 738	

5. Revaluation reserve as at the beginning of the year	7 969	
-		
5.2. Revaluation reserve as at the end of the year	7 969	
6. General banking risk reserve as at the beginning of the year	453 000	
6.2. General banking risk reserve as at the end of the year	453 000	
7. Other reserves as at the beginning of the year	794 916	
7.1. Movements in other reserves	724 000	
a) increase (due to):	724 000	
- transfer from the profit to supplementary capital		
- subordinated loan	724 000	
7.2. Other reserves as at the end of the year	1 518 916	
8.1. Profit from previous years as at the beginning of the year	336 180	
a) changes to accounting policies	32 929	
8.2. Profit from previous years as at the beginning of the year after reconciliation to comparative data	369 109	
8.4. Profit from previous years as at the end of the year	369 109	
-		
8.9. Retained earnings or loss brought forward as at the end of the year	369 109	
9. Net profit (loss)	26 250	
a) net profit	26 250	
II. Equity as at the end of the year (CB)	3 215 864	
III. Equity after the proposal of profit appropriation	2 984 684	

CASH FLOW STATEMENT	**Q1 (current year)** **from 1 Jan 2002 to 31 Mar 2002**	**Q1 (previous year)** **from 1 Jan 2001 to 31 Mar 2001**
A. Net cash flows from operating activities (I+/-II) - indirect method	-834 654	
I. Net profit (loss)	26 250	
II. Total adjustments for:	-860 904	
2. Depreciation	31 322	
3. Foreign exchange gains/losses	52 010	
4. Interest and dividends	13 327	
5. (Profit) loss on investments	10 697	
6. Change in provisions	669 648	
7. Change in debt securities	-401 036	
8. Change in receivables from financial institutions	-1 082 096	
9. Change in receivables from clients and governmental institutions	-501 036	
11. Change in shares and securities and other financial instruments	-22 089	
12. Change in liabilities to financial institutions	617 382	
13. Change in liabilities to clients and governmental institutions	510 876	
16. Change in other liabilities	433 665	
17. Change in prepayments	-681 799	
28. Change in deferred and qualified income	-511 775	
III. Net cash flows from operating activities (I+/-II) - indirect method	-834 654	

B. Net cash flows from investing activities (I-II)	-114 747	
I. Incomes	153 784	
4. Sale of other shares, securities and financial instruments	148 728	
5. Sale of intangible and tangible fixed assets	120	
7. Other incomes	4 936	
II. Expenses	268 531	
1. Purchase of shares in subsidiary companies	104 080	
3. Purchase of shares in affiliated companies	5 297	
4. Purchase of other shares, securities and financial instruments	134 737	
5. Purchase of intangible and tangible fixed assets	10 831	
6. Building and intangible assets investments	13 586	
II. Net cash flows from investing activities (I-II)	-114 747	

C. Net cash flows from financing activities (I-II)	698 271	
I. Incomes	724 000	
4. Change in subordinated liabilities in plus	724 000	
II. Expenses	25 729	
2. Long term loans repaid to other financial institutions	7 466	
10. Other financial expenses	18 263	
III. Net cash flows from financing activities (I-II)	698 271	

D. Total net cash flows (A+/-B+/-C)	-251 130	
E. Net change in cash	-251 130	
F. Cash at the beginning of the period	785 397	
G. Cash at the end of the period (F+/- D)	534 267	

COMMENTARY TO THE CONSOLIDATED QUARTERLY REPORT FOR THE FIRST QUARTER OF 2002

Rules adopted for purposes of drafting the consolidated quarterly report

The consolidated quarterly report includes the balance-sheet, the profit and loss account, the list of changes in own equities, and the cash flow statement, all drafted in conformity to the following:

- the Accounting Act of September 29th 1994 (*Journal of Law* No. 121 item 591, and the Act of November 9th 2001 on Amendments to the Accounting Act (*Journal of Law* No. 113 item 1186),
- the Banking Law of August 29th 1997 (*Journal of Law* No. 140 item 939 as amended),
- ordinance of the Minister of Finance of December 10th 2001 on particular accounting rules to be observed at banks (*Journal of Law* No. 149 item 1673),
- ordinance of the Minister of Finance of December 12th 2001 on the rules of drafting consolidated financial statements of banks, and consolidated statements for financial holding groups (*Journal of Law* No. 152 item 1728),
- ordinance of the Minister of Finance of December 10th 2001 on the rules of forming bank operating risk provisions (*Journal of Law* No. 149 item 1672),
- ordinance of the Minister of Finance of December 12th 2001 on detailed rules of recognition, evaluation methods, scope of disclosure, and presentation forms to be applied to financial instruments (*Journal of Law* No. 149 item 1674),
- the Corporate Income Tax Act of February 15th 1992 (*Journal of Law* No. 106 item 482 as amended),
- ordinance of the Minister of Finance of December 12th 2001 on the model chart of accounts for banks (*Journal of Law* No. 152 item 1727),
- ordinance of the Council of Ministers of October 16th 2001 on current and periodical information to be submitted by securities issuers (Journal of Law of 2001 No. 139 item 1569),
- ordinance of the Council of Ministers of October 16th 2001 on particular conditions to be met by issue prospectuses and by brief prospectus versions (*Journal of Law* No. 139 item 1568)

All data as presented in the report has been drafted in conformity to the pending accounting rules, to principles of asset and liability evaluation and of net financial result assessment as of the balance-sheet date, and in recognition of provision-related adjustments, inclusive of the provision for the income tax-related temporary difference as described in the Accounting Act, and of deductions updating the value of all asset components.

Impact of changes stemming from the adoption of new accounting rules by the capital group

In order to ensure data compatibility in the 2002 financial statement, the 2001 closing balance-sheet has been converted into the 2002 opening balance-sheet in recognition of changes introduced to the accounting rules pending.

Any adjustments potentially affecting the 2001 results – should new rules have been in force at the time – have been entered in correspondence to the previous years' performance item. Such result shall be subject to distribution inclusive of the 2002 financial result.

As of January 1st 2002, the perpetual usufruct rights to land have been transferred from the non-tangible and legal rights item to fixed assets; organisational costs incurred when expanding the stock company have been transferred to the (long-term) items carried forward and deferred.

In fixed assets, investment expenditure layout for development works has been transferred to expenditure for non-tangible and legal assets.

Former investments in progress have been recognised as fixed assets under construction.

Investments in third party fixed assets have been recognised as other fixed assets.

The amount of capitalised interest on receivables classified as regular has been transferred from the reserved income item to the previous years' performance item.

All interest collectible, both at and prior to maturity date, including capitalised interest on receivables under scrutiny, recognised as interest revenue in 2001, has been transferred to the reserved revenue item, and recognised as an expense in the previous years' performance item.

The securities portfolio was reviewed as of January 1st 2002, upon which securities have been classified by purchase intent.

Debentures have been categorised as follows:

- "Marketable", the purchase intent of which is to generate profit thanks to short-term (not exceeding three months) price fluctuations. In general, the portfolio includes securities formerly classified as trading securities;
- "Held until maturity", purchased with the intent and option of actual holding until maturity. This category covers National Bank of Poland bonds acquired following a reduction in the mandatory provision rates, such bonds not subject to provisions to Resolution No. 5/6/PPK/2002 of the Board of Directors of the National Bank of Poland of February 8th 2002;
- "Loans granted and own receivables" – acquired as a result of the counterpart (issuer) having been issued with cash funds;
- "Other tradable" debentures not conforming to the definition of instruments 'marketable and 'held until maturity', or 'loans granted and own receivables'. In general this portfolio includes debentures formerly classified as term securities.

Debentures classified as "marketable" and as "other tradable" have since January 1st 2002 been evaluated according to their fair value, whereas debentures classified as "held until maturity" and as "loans granted and own receivables" have been evaluated by depreciated cost.

Securities with equity rights have been classified by the following categories:

- "Marketable", the purchase intent of which is to generate profit thanks to short-term (not exceeding three months) price fluctuations. In general, the portfolio includes securities formerly classified as trading debentures;
- Stocks and shares held in subsidiaries (affiliated entities);
- "Other tradable" securities not classifiable according to aforementioned categories.

Securities with equity rights classified as "marketable" and as "other tradable" have since January 1st 2002 been recognised according to their fair value; should their fair value prove impossible to be determined in a credible manner, their evaluation follows depreciated cost.

As of December 31st 2001, debentures and securities with equity rights classified as "marketable" and "other tradable" were evaluated according to their fair value. The evaluation result was then referred to the previous years' performance item.

The property rights method-based evaluation of stocks and shares in subsidiaries shall be completed shortly, and presented in the financial statement for the first six months of 2002.

The form of income tax presentation has been altered. All deferred income tax-relating provision and assets are shown separately on the balance-sheet. The negative deferred income tax provision is not recognised as part of active items deferred and carried forward. Any changes in accounts – should the provision or assets relating to the deferred tax concern operations settled with own equity – shall also be referred to own equity.

All Capital Group Companies included in the consolidated financial statement have adopted uniform accounting rules applied by the dominant entity of BRE Bank SA.

Accounting rules pending for the dominant entity

Bills of Exchange Authorised for Rediscounting at the Central Bank

Bills of exchange authorised for rediscounting at the Central Bank include PLN-denominated bills of exchange, bills issued by clients in regular conditions, and bills with maturity under three months.

Receivables from the Financial, Non-financial, and Budgetary sectors

All credits and loans granted as well as other non-marketable own receivables are evaluated according to depreciated cost, whereas any discounts on regular receivables are recognised as revenues according to the straight-line method.

Receivables are shown on the balance-sheet according to their net value, i.e. their face value increased by accrued non-demandable, demandable, and capitalised interest, and decreased by target allowances formed for receivables under scrutiny, as well as for below-standard, doubtful and bad receivables.

The Bank shall not show concentrated loans and claims or loans and claims subject to factoring on the balance-sheet, should a major part of risk and benefit relating to such items be borne by the claim disposing counterpart.

Receivables/Payables Resulting from Securities Purchase/Sales Transactions with a Sales/Buyback Option Received/Granted

Sales/buyback transactions are described as securities sales and purchase operations with a buyback or reverse buyback option granted at a contractual date, and a specified contractual price. Such transactions – base assets notwithstanding – are entered on balance-sheet accounts as a deposit (sales of securities), or placement (purchase of securities) against securities. Transaction closing does not affect any changes to the securities portfolio.

Debentures and Securities with Equity Rights

Securities are shown as of the date of their purchase at cost (purchase price) increased by transaction costs, should they be substantial.

As of the balance-sheet date, the Bank shall evaluate “marketable” and “tradable” securities according to the rules listed below:

1. Securities with equity rights:
   - Securities listed on stock markets shall be evaluated according to their fair value (rate published on the given day). With regard to stock listed on the Warsaw Stock Exchange, evaluation shall follow the rate as of the closing of the trading session;
   - Securities not listed on stock markets shall be evaluated according to their fair value estimated with the use of information affording a basis to define the likely value to be obtained when selling the given security. Sources of such information can include signed securities sales agreements, tentative agreements, and other expected benefits relating to the potential sales of a given security in the future. Should there be no premise allowing for the definition of the expected security sales value, evaluation shall follow the depreciated cost method.

Other stocks and shares shall be classified as “marketable” or “tradable”, respectively, and evaluated at their fair value.

2. Debentures:
   - Listed debentures, or debentures with an active market shall be evaluated according to their fair value (current market price);
   - Debentures with no active market or with a low liquidity market shall be evaluated according to models based on discounted monthly cash flows.

Any decrease or increase in value determined as of the date of evaluation – i.e. at month-end – shall be evidenced on the books separately for every type of securities.

Results of the periodical evaluation of securities classified as “marketable” and “tradable” shall be recognised as financial operation revenue or cost, respectively.

The Bank shall assess credit risk relating to bonds issued by non-financial entities to then establish a target provision to outset such assessed risk.

A single issuer’s debentures on the Bank portfolio, such debentures purchased in different periods and at varying prices shall be sold by the Bank following the FIFO method (first in – first out: earliest purchased securities shall be the first to be disposed of).

Discounts – should the purchase price be lower than the nominal price – or issuer premiums – should the purchase price exceed the nominal price – shall be depreciated according to the straight-line method throughout the period as of the date of purchase to the sales or buyback date. The Group’s depreciation estimate according to the effective interest rate method allows to conclude that the application of such method would not greatly affect the overall financial performance. The depreciated discount or issuer’s premium shall be recognised as revenue or expense in the profit and loss account.

<u>Non-tangible and Legal Assets, and Tangible Fixed assets</u>

Non-tangible and legal assets and tangible fixed assets have been presented according to their purchase price decreased by depreciation to date. Depreciation follows the straight-line method in recognition of rules and rates conforming to the Corporate Income Tax Act. During the previous years, fixed assets were subject to periodical revaluation according to rules stipulated in relevant regulations. The revaluation-resulting reserve equity value reflects the fixed asset adjustment on the balance-sheet.

The Bank shall include the cost of successful development works as part of their non-tangible and legal assets. Such costs include expenses directly tied to the implementation of a new technology, and the justified share of costs indirectly relating to the implementation thereof. The depreciation deduction period shall not exceed 5 years.

The Bank shall apply the following depreciation rates for all the basic non-tangible and legal asset groups:

Buildings and structures	2.5% - 4.5%
Technical equipment and machines	6.0% - 12.5%
Means of transportation	20.0%
IT equipment	30.0%
Investment in third party fixed assets	2.5% - 10.0%
Office equipment, furniture	14.0% - 20.0%
Software	20.0% - 50.0%
Goodwill	10.0%

Fixed asset components with a value of under PLN 3,500.00 shall be entered into the asset register, and depreciated as a one-off entry.

Items Deferred and Carried Forward

The Bank shall make entries for active cost-related items deferred and carried forward should the respective expenses concern months immediately following the month of their incurring.

Passive cost-related items deferred and carried forward shall include costs tied to services performed for the Bank but not yet recognised as Bank payables. Moreover, items deferred and carried forward shall include revenues received in advance, and interest due to the Bank on doubtful receivables and on receivables under scrutiny until the date of their collection or write-off.

Payables

Bank payables chiefly relate to customer deposits and to deposits and loans on the interbank market. Payables are evaluated according to depreciated cost unless recognised as marketable, in which case they are evaluated according to their fair value.

Target Allowances and General Provisions

The Bank shall form target allowances for doubtful receivables in conformity to the ordinance of the Minister of Finance of December 10th 2001 on the rules of forming bank operating risk provisions, and general risk provisions in conformity to Banking Law regulations.

Deductions for the general risk provision shall be determined in conformity to Article 130 clause 2 of the Banking Law. Such deductions shall be established at a rate of 1.5% of the loan portfolio value, and calculated on the average amount of outstanding credits and money loans decreased by the amount of credits and money loans for purposes of which the Bank had formed 100% target allowances. The general risk provision can be used for purposes of unidentified banking operation risk.

The Bank shall form a provision for costs relating to pension severance applying the accrual method.

All risk- and loss-related provisions shall be taken into account when determining the financial performance of the Bank.

Deferred Tax

The Bank shall determine all and any deferred tax-relating assets, to then form a provision for temporary differences between the asset and liability value as shown in the books and their tax value, in recognition of the potential tax loss to be deducted in the future.

The deferred income tax-relating provision and assets shall be established in recognition of income tax rates pending for the relevant tax liability year.

The deferred income tax-relating provision and assets shall be shown separately on the balance-sheet.

Any changes to the deferred income tax-relating provision and assets as compared with the previous financial period shall be referred to the profit and loss account or to own equity statement should such deferred income tax-relating provision and assets relate to operations settled against own equity.

Equities

Own equities include capitals and funds formed by the Bank in conformity to pending legal regulations, i.e. to relevant acts of law and to Articles of Association.

Share equity has been shown at face value, in compliance with Articles of Association, and with the entry to the Business Register.

Revaluation reserve capital is formed against profit and the issue premium generated on stock issue. Moreover, the pre- and post-revaluation differences in the value of fixed assets sold shall be transferred to the revaluation reserve capital from the reserve capital.

Revaluation reserve capital serving purposes described in the bank's Articles of Association shall be formed against profit or issue premiums. Moreover, it can be credited with the pre- and post-revaluation differences in fixed asset values. In conformity to the Banking Law, the Bank shall also form the general risk reserve against profit deductions.

Equity following revaluation shall be credited with the pre- and post-revaluation net fixed asset difference following statutory revaluation. Such equity shall reflect the change in net fixed assets shown as part of assets following revaluation. Equity following revaluation shall be transferred to reserve capital as of the date of fixed asset disposal (sales, cession, liquidation, or deficit recognition).

The previous years' performance item contains all and any adjustments to the opening balance-sheet stemming from changes in the accounting rules applied by BRE Bank SA. This item has been credited with the amount of capitalised interest on regular receivables, with the discount on regular receivables, and with the evaluation of marketable and tradable debentures and securities with equity rights according to fair value. Moreover, the item has been debited with the amount of outstanding interest (demandable and non-demandable) on receivables under scrutiny. All adjustments recognise the deferred tax impact. The net financial performance for the fiscal year is tantamount to profit as shown in the profit and loss account. The net profit figure recognises the corporate income tax due, and changes in the reserve/settlement relating to the deferred income tax.

Foreign Currencies

All foreign currency-denominated assets and liabilities are converted to zlotys (PLN) daily according to the average National Bank of Poland rate as of the given date, including the rate pending as of the final business day of the reporting period. Exchange rate differences (realised and non-realised) have been shown in the profit and loss account for the given period.

The Bank shows the positive and negative exchange rate differences on derivative transactions in the financial result as of the evaluation date of such differences.

Off-Balance-sheet Derivative Instruments and Futures/Swaps

As of the balance-sheet date, non-balance-sheet derivative instruments and futures/swaps are evaluated. The ultimate rule applied for purposes of non-balance-sheet instrument evaluation is the current market price (fair value) rule.

All listed derivative instruments and futures/swaps are evaluated against current stock exchange listings for the given date. Other derivative instruments and futures/swaps are evaluated with the aid of mathematical models using current financial information as of the evaluation date.

The derivative instrument and futures/swaps evaluation result is always shown in the profit and loss account for the financial operations performance, or under the exchange item result.

The Bank applies the following evaluation methods for derivative instruments and futures/swaps:

"Market Risk" Instruments

- Security Warrants

Security warrants are entered off the balance-sheet according to the base asset face value. The premium generated following the sales of such warrants is shown on the balance-sheet until realisation, under the other financial instruments payables item. The security warrant evaluation result is calculated with the aid of a mathematical model, then shown on the balance-sheet in correspondence to the financial operations performance item in the profit and loss account.

- Futures Contracts

Futures contracts are shown on off-balance-sheet accounts at face value. They are evaluated against stock exchange listings. Profits and losses due to changes in the prices of such instruments are shown in the profit and loss account under the financial operations performance item in correspondence to the nostro/settlements account on the balance-sheet.

Interest Rate Instruments

- Forward Rate Agreement (FRA)

The FRA agreement involves the purchase/sale of an interest rate contract in a given currency and at a specific amount, period, and interest rate. The amount of the interest rate contract is shown off the balance-sheet at the FRA contract face value. An FRA transaction is evaluated with the aid of a mathematical model, then shown on the balance-sheet in correspondence to the financial operations performance item in the profit and loss account.

- Interest Rate Swap (IRS)

An IRS involves a swap of interest flows, interest payments for which are calculated respectively against agreed/forecast interest rates, and nominal amounts of transactions closed in varying interest subperiods, such transactions denominated in specific currencies.

Transaction amounts are shown off the balance-sheet at face value. Non-realised profits/losses on IRS transactions are evaluated with the aid of a mathematical model, then shown on the balance-sheet in correspondence to the financial operations performance item in the profit and loss account. The amount of accrued interest as of the balance-sheet date is shown on the balance-sheet in correspondence to the financial operations performance item in the profit and loss account.

In case of double-currency transactions, the nominal amount shall be evaluated in a form corresponding to that applied to swap/future transactions.

- Interest Rate Options

Interest rate options are shown at face value on off-balance-sheet accounts. Premium received/paid on option sales/purchase is shown under the other assets item or other financial instruments payables item until the date of settlement. Such options are evaluated with the aid of a mathematical model, then shown on the balance-sheet in correspondence to the financial operations performance item in the profit and loss account. Option evaluation (drop/increase in value) is shown separately for purchased and sold options.

Currency Spot/Forward Transactions

The Bank shows such transactions on off-balance-sheet accounts at face value. Currency purchase/sales options and currency warrants are evaluated with the aid of a mathematical model.

Spot transaction results are calculated by comparing the transaction rate with the average National Bank of Poland rate pending as of the evaluation date.

Forward transaction results are calculated by comparing the forward rate discounted as of the evaluation date with the average National Bank of Poland rate pending as of the evaluation date.

Any non-realised market evaluation result for spot/forward currency transactions is shown in the profit and loss account under the exchange item result.

<u>Defining the Financial Performance</u>

- Interest revenue

Such revenue includes interest received or receivable on loans, interbank deposits and securities, calculated against depreciated cost. Revenues for a given reporting period are shown in the profit and loss account with the accrual method applied.

Any interest revenue not received during the given reporting period, discounts and capitalised interest in regular receivables included, are shown in the profit and loss account, and in parallel on the balance-sheet as receivables from financial institutions, clients, and the budgetary sector.

Outstanding interest (demandable and non-demandable), capitalised interest included, on doubtful receivables and on receivables under scrutiny are shown as reserved income until the actual date of their collection.

Interest on doubtful receivables and on receivables under scrutiny are shown as revenue on a cash basis, and then shown in the profit and loss account as of the date of their collection.

Revenues collected in advance are shown on the passive items deferred and carried forward account, and presented in the profit and loss account for the period they refer to.

Interest revenue includes capital gains on the sales of debentures.

- Cost of interest

Such costs include interest paid and outstanding on customer deposits and on own securities issued; they are calculated against depreciated cost.

Interest-relating payables are calculated in accrual as of the end of each day. All costs for a given reporting period are shown in the profit and loss account on an accrual basis.

- Commissions

Commissions chiefly include amounts of revenue other than interest collected on loan and bank guarantees granted. Moreover, commissions include fees charged by the Bank on cash operations, customer account handling, money transfers, letters of credit, and others. Commissions also include brokerage service-related revenue. Commission amounts – given their minor value – or recognised as direct remuneration for services rendered, are included in the financial performance (result) at the date of payment.

Commission costs including amounts paid on loans drawn, refinancing operations, letters of credit, encashment, and exchange operations – given their minor value – are shown as cost at the date of payment.

- Revenues on stocks, shares, and other securities

Such revenue relates to dividend collected from entities, in which the Bank has share- or stockholdings. Dividends are shown in the profit and loss account at the cash operation date.

- Financial operations performance

This item covers the securities sales performance, and the cash-based result of derivative instrument operations. Moreover, this item includes drops and increases in the value of marketable and tradable securities, as well as evaluation results for market risk and interest rate derivatives.

- Exchange items result

The exchange items result covers the positive and negative exchange rate differences (realised and non-realised), as well as evaluation results for currency risk derivative instruments.

Any foreign currency-denominated realised revenues and costs are converted according to the transaction rate; any non-realised revenues and costs are converted according to the average National Bank of Poland rate as of the balance-sheet date.

- Deductions for reserves, and revaluation

Such deductions target provisions for the following:

  - Regular receivables (loans and consumer credits);
  - Doubtful receivables, and receivables under scrutiny;
  - Off-balance-sheet payables;
  - Costs to be incurred in the future;

- General risk;
- Future expenses.

Target allowances are formed to cover risk identified for the various transactions. Provisions for risk on specific transactions relate to off-balance-sheet assets and liabilities, analysed individually and classified as receivables under scrutiny, below-standard receivables, or doubtful/bad receivables.

Such classification shall conform to the ordinance of the Minister of Finance of December 10th 2001 on the rules of forming bank operating risk provisions. The general risk reserve shall be established in compliance with the Banking Law regulations.

The following rates have been applied to convert the figures shown in the report into euro:

- The individual balance-sheet assets and liabilities have been converted according to the average exchange rate of March 29th 2002 as announced by the National Bank of Poland, i.e. PLN 3.6036 / EUR 1;
- The individual items in the profit and loss account for the first three months of 2002 have been converted according to an exchange rate constituting an arithmetical average of average National Bank of Poland exchange rates pending as of the final day of each of the three months of 2002. The thus calculated average exchange rate reached PLN 3,6125 / EUR 1.

The BRE Bank S.A. Capital group Structure

Following an adjustment to the requirements of the ordinance of the Minister of Finance of December 12th 2001 on the rules of drafting consolidated financial statements of banks, and consolidated statements for financial holding groups, the structure of the BRE Bank S.A. Capital Group has been altered.

As of January 1st 2002, the Group includes all subsidiaries and affiliated entities crucial to the content of financial statements, other than entities acquired with the sole purpose of reselling. Financial information of entities forming part of the Group's consolidated financial statements for the first time have as of January 1st 2002 been shown in correspondence to the non-distributed result for previous years.

The statement does not contain benchmark data for previous periods.

The table below shows the list of entities forming part of the Group's consolidated financial statements for the first time as of March 31st 2002, and the relevant base financial information.

No.	Name of entity	Consolidation method applied	Financial Data [in PLN '000] as of March 31st 2002		
			Balance-sheet amount	Net assets	Net result
1	BRE Agent Transferowy	Full	8,294	4,977	29
2	BRE Assets Management	Full	4,517	2,521	46
3	BRE International Finance B.V.	Full	1,176,997	1,229	338
4	Polfactor SA	Full	131,087	8,554	65
5	Tele-Tech Investment Sp. z o.o.	Full	107,035	909	- 1,587
6	BRE.locum Sp. z o.o.	Property rights-based	104,923	44,066	- 654

Moreover, as of January 1st 2002 all affiliated entities classifiable as banks, crediting institutions or financial institutions as described in the Banking Law have been included in the consolidated financial statement with the full consolidation method applied. Any affiliated entities not recognised as banks, crediting institutions or financial institutions have been included in the consolidated financial statement with the ownership rights method applied. The altered method of recognising the entities listed below in the consolidated financial statement of January 1st 2002 bore no impact on the non-distributed result for previous years.

The statement does not contain benchmark data for previous periods.

The table below shows the list of entities included in the consolidated financial statement with the full consolidation method applied, formerly included against the ownership rights method for reasons of having been engaging in business operations by virtue of regulations other than those specified in the Banking Law:

No.	Name of Entity	Financial Data [in PLN '000] as of March 31st 2002		
		Balance-sheet amount	Net assets	Net result
1	PTE Skarbiec Emerytura SA	65,500	57,107	- 5,172
2	TFI Skarbiec SA	44,024	42,312	284
3	BRE Corporate Finance SA	5,315	628	- 1739
4	Intermarket Bank AG	354,269	63,217	1,721
5	Transfinance a.s.	321,575	19,941	1,466
6	BRE Leasing Sp. z o.o..	1,289,247	12,257	- 7,845
7	BRE Private Equity I Sp. z o.o.	11,002	6,709	4,792

No major sales of stocks or shares in the group of subsidiaries and affiliated entities took place during the first quarter of 2002.

As a result of equity contributions to PTE Skarbiec Emerytura S.A., BRE Bank S.A. acquired new issue stock at a value of PLN 15,000,000. Moreover, following the registration of a contribution to the share equity of BRE Leasing Sp. z o.o., the bank acquired shares for an amount of PLN 797,000, thus increasing their share in equity and votes alike to 50.001%. BRE Leasing Sp. z o.o. became a BRE Bank S.A. subsidiary.

Factors and events of major impact on the profit generated / loss incurred during the 1st quarter, and on Group achievements during the period

As of the end of the first quarter of 2002, the consolidated Capital Group asset value reached PLN 27,193,236,000. The increase in value as compared with the consolidated report published for the year 2001 chiefly stems from a growth in Bank assets (adjusted by the cross-transaction value) by 8.6%; from an estimated 17% growth in adjusted company assets consolidated with the full consolidate method applied also during the previous period; from the use of the full consolidation method for purposes of companies formerly consolidated with the ownership rights method; and from an increase due to the recognition of assets held by companies forming part of consolidated statements for the first time (see tables above).

Major changes in the structure of the consolidated balance-sheet for the first quarter of 2002 as compared with the balance-sheet structure as of the end of December 2001 (with regard to items offering a comparison option) include the following:

- a 39% growth in the financial sector receivables, chiefly resulting from a growth in short-term bank deposits (current deposits and term deposits under one month), which had shown a higher than double increase at the dominant entity;
- a 24.2% growth in receivables from the non-financial and budgetary sectors following a 5% increase in the Bank's credit campaign, the recognition of the said items totalling an estimated PLN 1.9 billion at companies currently consolidated with the full consolidation method applied (BRE Leasing, Intermarket Bank AG, Transfinance a.s , Polfactor S.A.), and a growth in the same item at Rheinhyp-BRE Mortgage Bank by approximately 25%;
- a 9.9% growth in the debentures portfolio, chiefly as a result of a 10.9% growth in commercial treasury papers at the dominant entity;
- growth in the value of stocks and shares at affiliated entities (not consolidated, and currently evaluated with the ownership rights method applied), chiefly following the purchase of shares at Midas plc, and the acquisition of shares at Skarbiec Serwis Finansowy Sp. z o.o. following a debt-for-equity swap. The drop in share and stock value at affiliated entities (evaluated as described above) has – on the other hand – stemmed from a reclassification of Szeptel S.A. and Pozmeat S.A. shares to the "other securities" category including tradable securities. The growth in the latter item has been to a great extent brought about by the purchase of Elektrim S.A. shares.

Chief changes on the liability side during the first quarter of 2002 include the following:

- a 31.6% growth in payables to the financial sector, resulting largely from a 38.6% accrual in current payables at the dominant entity (covering current accounts as well as one-day deposits), and from an increase resulting from the recognition of such liabilities (PLN 997 million, following exclusions) at companies, to whom the full consolidation method is currently applied – BRE Leasing company included;
- a 7.5% growth in payables to the non-financial sector, chiefly as a result of an increase in current payables to private individuals, such payables having grown by 10.6% during the period under review (including a considerable 46.9% growth in current accounts held by individuals with mBank);
- a substantial growth in the payables on debenture issues item has resulted from the full consolidation method having been applied to BRE International Finance B.V, a Eurobond issuer, with the Bank acting as the buyback guarantor;
- subordinated liabilities having arisen at BRE Bank S.A. as a result of the March 2002 bond issue of EUR 200 million, with the buyback date set at March 2012. The issue was acquired in full by Atlas-Vermoegensverwaltungs-Gesellschaft mbH based in Germany, a 100% subsidiary of Commerzbank AG. The Bank obtained consent of the Banking Supervision Commission to recognise the cash liability of PLN 724 million as part of their auxiliary funds for reasons of having acquired funds relating to the aforementioned issue.

The Group's own equities (inclusive of the Bank's subordinated liabilities, previous years' profits, and the loss incurred in 2002) totalled PLN 2,951,969,000 and were PLN 263,895,000 lower than the Bank's own equities. BRE Bank's non-distributed profit for previous years covers the 2001 net profit (PLN 336,180,000), and the opening balance-sheet adjustment resulting from amendments to the accounting policy rules (PLN 32,929,000). The Group has recorded lower equities for reasons of having participated in losses incurred by consolidated companies during previous years.

The value of off-balance-sheet liabilities as shown in the financial statements as of March 31st 2002 concerning purchase/sales operations totalling PLN 176.4 billion relates almost exclusively to the dominant entity. The value has been partly "overestimated" (by PLN 49.6 billion) as a result of the presentation format applied to certain items as per the *Guidelines to Bank Statement Drafting in Correspondence to the Model Chart of Accounts* issued by the National Bank of Poland, General Banking Supervision Authority. The spread format has been applied to foreign currencies, zlotys, and interest receivable items.

The "clean" off-balance-sheet item value (i.e. PLN 126.8 billion) represents the transaction face value for derivatives and interest flows applicable to the following instruments:

a) spot and forward operations (zlotys and currency to be expended) – PLN 31.7 billion;

b) Forward Rate Agreement (FRA) – PLN 51.0 billion;

c) Interest Rate Swap (IRS), interest paid – PLN 17.8 billion;

d) currency options – PLN 21.3 billion;

e) others – PLN 5.0 billion (including sell/buy back transactions – PLN 1.6 billion, futures – PLN 0.6 billion, interest rate options – PLN 0.4 billion, others – PLN 2.4 billion).

The market value of derivative transactions estimated on a current basis is determined per each balance-sheet day, and then shown in the profit and loss account as well as on relevant balance-sheet items.

The risk related to such transactions is primarily measured against sensitivity to changes in their market value. The Bank performs a day-to-day analysis of the behaviour of all relevant portfolios (so-called stress tests), as well as value at risk assessment observations.

Moreover, norms of the acceptable currency risk as determined by the Banking Supervision Commission are set alongside internal limits for open currency items.

In the first quarter of 2002, the Group incurred a loss of PLN 6,445,000. The main factors leading to such financial result included the following:

- lower margins generated on working assets (3.44% at the dominant entity as of the end of March 2002: 3.44% on zloty assets and 2.42% on currency assets, against 3.77% and 3.24%, respectively, as of the end of December 2001), and a relatively high cost of money – both that acquired on the interbank market and that from customer accounts, and in particular customers of the developing retail operations of BRE Bank S.A. In effect, growth in the loan and debenture volume portfolio does not result in a proportionally higher interest performance;
- the high rate of loan receivables provisions (dues from El-Net and the Szczecin Shipyard) as well as a), and the tradable securities discount (Elektrim: by PLN 30,485,000, Szeptel: by PLN 24,535,000, Optimus: by PLN 18,754,000);
- the relatively high overhead costs of Group company operations – this has resulted in a growth in Group costs by 42.4% in comparison with the costs of the dominant entity (of the overall amount of PLN 159.5 million, PLN 47.5 million are costs of fully consolidated companies);
- the negative profit and loss balance at fully consolidated companies (PLN 27.1 million).

In effect the Group performance as of March 31st 2002 was PLN 32.7 million lower than the performance of the dominant entity.

The main adjustments causing such difference have been as follows:

1)	negative profit and loss balance of entities consolidated in full	- PLN 27.1 million
2)	goodwill deductions on consolidation	- PLN 8.9 million
3)	other consolidation-related adjustments (exclusion of dividend received, of provisions formed/liquidated, 2002 profit/loss recorded, minority shareholder profit/loss	+ PLN 3.3 million

The income tax expense for the Group as of the end of the first quarter of 2002 was PLN 12,646,000, PLN 2,724,000 of which for current tax, and PLN 9,922,000 for deferred tax.

Options of implementing the formerly published 2002 performance forecast in light of the results presented for the first quarter 2002

In the second half of 2002, the Bank expects to close all the transactions planned in the asset management division; these transactions shall have major effect on operational income growth. Also, the Bank predicts a further growth in the loan campaign and a tightening of the operational cost discipline, which should alleviate the gap between the result planned and result forecast.

Provision-related adjustments

As of the end of the first quarter of 2002, amounts deducted by the Group for target allowances (for loans, guarantees, and financial asset revaluation) totalled PLN 118,451,000, PLN 98,017,000 of which constituted deductions by the Bank. The amount of these deductions has been decreased by consolidation adjustments (PLN 1,667,000).

The amount of target allowances and general risk reserves dissolved at the Group totalled PLN 86,466,000 (PLN 75,317,000 of which applicable to the Bank), with consolidation adjustments increasing the amount by PLN 5,835,000.

Chief events of the first quarter 2002

- On January 8th 2002, BRE Bank S.A. acquired by subscription 87,144,278 shares in CICM Midas plc based in Dublin (Ireland), a collective investment fund with variable equity, with Midas I being its only fund. The respective share value on BRE Bank S.A. books amounts to PLN 87,850,000. BRE BANK S.A. have a 100% shareholding in Midas plc, ensuring 99.9977% votes at the General Shareholders’ Assembly. The investment has been funded from BRE BANK S.A. own equity, and is considered a long-term investment.
- On January 31st 2002, Skarbiec Asset Management Holding S.A. based in Warsaw was registered by the court. BRE Bank S.A. acquired 100% of the share equity for an amount of PLN 500,000, financing the transaction with own funds entirely.
- As a result of stock exchange acquisition transactions – with the final one settled as of January 31st 2002 – BRE Bank S.A. came into ownership of ELEKTRIM S.A. shares, thus covering 9.52% of the share equity and votes at the company’s General Shareholders’ Assembly; Drugi Polski Fundusz Rozwoju – BRE Sp. z o.o., a BRE Bank S.A. subsidiary, had a shareholding of 1.11% in ELEKTRIM S.A. (1.11% of equity and votes at the General Shareholders’ Assembly). Thus BRE Bank S.A. had a (direct and indirect) holding of 8,906,089 shares in ELEKTRIM S.A., i.e. 10.63% of equity and votes at the General Shareholders’ Assembly.

- Within the framework of a package transaction settled in full on February 8th 2002, BRE Bank S.A. disposed of 1,607,727 Stomil Olsztyn S.A. shares. These shares were sold at a price of PLN 28 per share, for a total amount of PLN 45,016,356. This was a Stomil Olsztyn S.A. shareholding of 5.91% in equity and votes at the General Shareholders' Assembly.
- Conditional agreements signed by BRE Bank S.A. as of December 28th 2001 and concerning sales of 100% shareholdings in Bank subsidiaries – BRE Sp. z o.o., IT TRADER Sp. z o.o., IT ADVISER Sp. z o.o., and Leszek 3 Sp. z o.o. – to a private individual were signed with Mr. Krzysztof Borusowski resident in Opole.
- On March 27th 2002, the Bank issued bonds of a total face value of EUR 200 million, acquired in full by Atlas-Vermoegensverwaltungs-Gesellschaft mbH based in Germany, a 100% subsidiary of Commerzbank AG. The buyback date has been set for March 2012. The Bank obtained consent to recognise the cash liability of PLN 724 million as part of their auxiliary funds until March 31st 2012 for reasons of having acquired funds relating to the aforementioned bond issue.

<u>Information on major post-balance-sheet date events not recognised n the balance-sheet or in the profit and loss account</u>

- On April 10th 2002, BRE Bank S.A. signed 3 agreements with a borrower, with the value thereof exceeding 10% of the Bank's own equity. The agreements have been listed below:
  - an investment loan totalling EUR 63,600,000 (PLN 229,699,140) – repayment date: December 20th 2015;
  - a VAT credit loan totalling EUR 7,500,000 (PLN 27,002,250) – repayment date: March 31st 2003;
  - a current account overdraft loan totalling EUR 5,000,000 – repayment date: March 31st 2003.

The loans as listed shall be used for purposes of financing the acquisition, expansion, and modernisation of a power plant.

- On April 24th 2002, BRE Bank S.A., acting on provisions of a tentative agreement of September 2001, acquired shares of WONLOK S.A. based in Łódź from a private individual. The shares acquired constitute 100% of shares and equity at the company's General Shareholders' Assembly. The shares were purchased for an amount totalling PLN 10,250,000.
- On April 25th 2002, BRE Bank S.A. and the State Treasury signed a conciliation agreement by virtue of which the State Treasury shall return the investment outlay incurred by Polski Bank Rozwoju S.A. in the building based at Szucha Ave. As per the aforementioned agreement, BRE Bank S.A. have agreed to waive statutory interest accrued as of January 1st 2002 until the date of payment. The State Treasury paid dues totalling PLN 25,013,145 to BRE Bank S.A., and shall cover all outstanding costs of legal proceedings. The settlement of the above conciliation did not affect the performance for the first quarter of 2002.

Major Shareholdings

According to data held by the Bank's Board of Directors, Commerzbank AG are a shareholder with a holding exceeding 5% of the share equity and votes at the General Shareholders'

Assembly. Commerzbank AG hold 11,485,250 shares and votes at the BRE Bank S.A. General Shareholders' Assembly.

The shareholding constitutes 50% of the share equity, and authorises the holder to exercise 50% votes at the Bank's General Shareholders' Assembly.

Transactions with affiliates with a value exceeding the equivalent of EUR 500,000 not relating to current operational business (non-standard transactions)

In the first quarter of 2002, no transactions were signed with affiliates with the value exceeding the PLN equivalent of EUR 500,000 apart from those recognised as standard routine transactions based on market conditions. The nature and terms of all such transactions resulted from the current operational business engaged in by the Bank.

Loan warranties, loans, and guarantees granted with a value exceeding 10% of the Bank's own equity

In the first quarter of 2002, the Bank granted no loan warranty, loan or guarantee with a value exceeding 10% of the Bank's own equity.

Changes in share ownership status and in relevant authority – management and supervision staff

	Board of Directors	Supervisory Board
Number of shares held on December 31st 2001	174,003	76,804
Number of shares acquired in the first Quarter	0	0
Number of shares disposed in the first Quarter	0	0
Number of shares held on March 31st 2002	**174,003**	**76,804**
Number of options held on December 31st 2001	159,000	0
Number of options acquired in the fourth Quarter	0	0
Number of options disposed in the fourth Quarter	0	0
Number of options held on March 31st 2002	**170,000**	**0**

Board of Directors Members joined a management option programme, and signed agreements with BRE Bank authorising them to purchase a total of 159,000 options for BRE Bank shares (option to purchase a total of 159,000 BRE Bank shares during the new issue planned for 2003).

Changes in the ownership status of options held stem from personal changes in the Bank's Board of Directors.

Court cases

No major court proceedings at a total value exceeding 10% of the Bank's own equity and involving the Bank or any of the Bank's subsidiaries (affiliated entities) have been filed during the first quarter of 2002.