Form SAB-QSr 1/2004

(for capital group with the bank as the parent)

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 Management Board of BRE Bank S.A.
publishes this Quarterly Report for Q1 2004:

10 May 2004
(date of submital)

| | [000] PLN | | [000] EUR | |
|---|---|---|---|---|
| SELECTED FINANCIAL DATA | I Q cumulative | I Q cumulative | I Q cumulative | I Q cumulative |
| (current year) | from 1 Jan 2004 to 31 Mar 2004 | from 1 Jan 2003 to 31 Mar 2003 | from 1 Jan 2004 to 31 Mar 2004 | from 1 Jan 2003 to 31 Mar 2003 |
| I. Interest income | 324 034 | 293 923 | 67 594 | 69 201 |
| II. Commission income | 109 362 | 78 474 | 22 813 | 18 476 |
| III. Profit (loss) on banking activity | 235 250 | 170 954 | 49 074 | 40 249 |
| IV. Operating profit (loss) | 62 513 | 53 112 | 13 040 | 12 505 |
| V. Gross profit (loss) before tax | 55 918 | 46 310 | 11 665 | 10 903 |
| VI. Net profit (loss) | 39 914 | 33 841 | 8 326 | 7 967 |
| VII. Net cash from operating activities | (1 111 335) | 1 153 988 | (231 828) | 271 693 |
| VIII. Net cash from investing activities | 13 269 | 23 606 | 2 768 | 5 558 |
| IX . Net cash from financing activities | (91 004) | 133 612 | (18 984) | 31 457 |
| X. Total net cash flow | (1 189 070) | 1 311 206 | (248 043) | 308 708 |
| XI. Total assets | 31 584 669 | 28 880 658 | 6 655 709 | 6 556 038 |
| XII. Amounts due to the Central Bank | - | 1 685 | - | 383 |
| XIII. Amounts to the financial institutions | 6 717 458 | 7 196 864 | 1 415 543 | 1 633 720 |
| XIV. Amounts to the non-finanial and public sector | 11 814 157 | 9 909 337 | 2 489 549 | 2 249 464 |
| XV. Equity | 1 641 937 | 1 616 017 | 345 999 | 366 843 |
| XVI. Share capital | 91 882 | 91 882 | 19 362 | 20 858 |
| XVII. Number of shares | 22 970 500 | 22 970 500 | 22 970 500 | 22 970 500 |
| XVIII. Book value per share (in PLN/EUR) | 71.48 | 70.35 | 15.06 | 15.97 |
| XIX. Diluted book value per share (in PLN/EUR) | - | - | - | - |
| XX. Solvency ratio | 7.62 | 9.77 | 7.62 | 9.77 |
| XXI. Profit (loss) per ordinary share (in PLN/EUR) | 1.74 | 1.47 | 0.36 | 0.35 |
| XXII. Diluted profit (loss) per ordinary share (in PLN/EUR) | - | - | - | - |
| XXIII. Dividend declared or paid out per ordinary share (in PLN/EUR) | - | - | - | - |

| CONSOLIDATED BALANCE SHEET [PLN'000] | as at 31.Mar.2004 end of this quarter (2004) | as at 31.Dec.2003 end of previous quarter (2003) | as at 31.Mar.2003 end of this quarter (2003) | as at 31.Dec.2002 end of previous quarter (2002) |
|---|---|---|---|---|
| Assets | | | | |
| I. Cash and balances with the Central Bank | 610 985 | 473 982 | 497 489 | 365 819 |
| II. Debt securities eligible for rediscounting at the Central Bank | 60 888 | 52 765 | 104 684 | 49 021 |
| III. Receivables from financial institutions | 4 952 416 | 4 432 653 | 4 029 037 | 2 835 778 |
| 1. Short-term | 4 670 923 | 4 088 864 | 3 212 054 | 1 584 009 |
| a) Current | 2 743 761 | 2 092 008 | 2 114 013 | 953 579 |
| b) Other short-term | 1 927 162 | 1 996 856 | 1 098 041 | 630 430 |
| 2. Long-term | 281 493 | 343 789 | 816 983 | 1 251 769 |
| IV. Receivables from clients | 13 803 709 | 13 745 077 | 13 065 569 | 11 960 048 |
| 1. Short-term | 7 725 672 | 7 753 653 | 7 727 856 | 6 523 061 |
| a) Current | 1 591 639 | 1 509 900 | 1 712 100 | 1 952 615 |
| b) Other short-term | 6 134 033 | 6 243 753 | 6 015 756 | 4 570 446 |
| 2. Long-term | 6 078 037 | 5 991 424 | 5 337 713 | 5 436 987 |
| V. Receivables from the public sector | 1 576 016 | 1 585 554 | 51 651 | 51 637 |
| 1. Short-term | 1 553 885 | 1 556 363 | 40 093 | 41 088 |
| a) Current receivables | 6 791 | 7 726 | 7 462 | 11 427 |
| b) Other short-term | 1 547 094 | 1 548 637 | 32 631 | 29 661 |
| 2. Long-term | 22 131 | 29 191 | 11 558 | 10 549 |
| VI. Receivables under purchased securities with a buy-back clause | 1 769 | 254 318 | 17 289 | 297 613 |
| VII. Debt securities | 4 666 549 | 3 780 853 | 4 940 079 | 5 155 445 |
| VIII. Receivables from subordinated entities subject to equity accounting valuation | 34 091 | 6 163 | 17 981 | 245 |
| 1. Subsidiaries | 5 960 | 3 342 | 1 707 | 245 |
| 2. Joint-ventures | - | - | - | - |
| 3. Affiliates | 28 131 | 2 821 | 16 274 | - |
| IX. Stocks and shares in subsidiaries subject to equity accounting valuation | 100 225 | 104 790 | 89 322 | 123 197 |
| X. Stocks and shares in joint ventures subject to equity accounting valuation | - | - | - | - |
| XI. Stocks and shares in associates subject to equity accounting valuation | 4 799 | 4 700 | 25 823 | 13 782 |
| XII. Stocks or shares in other entities | 11 725 | 9 657 | 13 856 | 11 015 |
| XIII. Other securities and financial assets | 2 578 663 | 2 893 804 | 2 980 118 | 3 032 279 |
| XIV.Intangible fixed assets, including: | 265 169 | 274 338 | 300 009 | 305 590 |
| - goodwill | 87 599 | 90 801 | 100 357 | 97 586 |
| XV. Goodwill of subordinated entities | 453 805 | 460 845 | 480 903 | 492 114 |
| XVI. Tangible fixed assets | 984 183 | 979 629 | 902 086 | 902 310 |
| XVII. Other assets | 756 994 | 686 384 | 351 904 | 812 330 |
| 1.Assets taken over and held for resale | 44 | 49 | 6 286 | 2 789 |
| 2. Inventories | 74 733 | 59 539 | 52 177 | 27 675 |
| 3. Other | 682 217 | 626 796 | 293 441 | 781 866 |
| XVIII. Prepayments | 722 683 | 793 638 | 1 012 858 | 1 023 238 |
| 1. Deferred income tax assets | 627 535 | 701 913 | 929 566 | 947 436 |
| 2. Other prepaid items | 95 148 | 91 725 | 83 292 | 75 802 |
| Total assets | 31 584 669 | 30 539 150 | 28 880 658 | 27 431 461 |
| | - | - | - | - |
| Liabilities | | | | |
| I. Amounts due to the Central Bank | - | - | 1 685 | 1 532 |
| II. Amounts due to financial institutions | 6 717 458 | 7 065 042 | 7 196 864 | 7 152 563 |
| 1. Short-term | 4 386 159 | 5 096 217 | 5 233 384 | 5 195 558 |
| a) Current | 899 587 | 1 022 165 | 1 100 790 | 1 386 269 |
| b) Other short-term | 3 486 572 | 4 074 052 | 4 132 594 | 3 809 289 |
| 2. Long-term | 2 331 299 | 1 968 825 | 1 963 480 | 1 957 005 |
| III. Amounts due to clients | 11 679 301 | 12 052 470 | 9 825 821 | 10 215 397 |
| 1. Short-term | 10 876 119 | 11 295 374 | 8 788 936 | 9 161 083 |
| a) Current, including: | 6 242 147 | 5 955 134 | 4 751 804 | 4 917 942 |
| - saving deposits | 2 477 056 | 2 324 341 | 1 791 073 | 1 492 648 |
| b) Other short-term , including: | 4 633 972 | 5 340 240 | 4 037 132 | 4 243 141 |
| - saving deposits | 549 954 | 536 155 | 346 020 | 248 380 |
| 2. Long-term , including: | 803 182 | 757 096 | 1 036 885 | 1 054 314 |
| - saving deposits | 170 818 | 174 038 | 225 131 | 225 585 |
| IV. Amounts due to the public sector | 134 856 | 65 480 | 83 516 | 118 975 |
| 1. Short-term | 132 270 | 62 894 | 80 918 | 116 372 |
| a) Current | 83 603 | 48 011 | 36 586 | 69 842 |
| b) Other short-term | 48 667 | 14 883 | 44 332 | 46 530 |
| 2. Long-term | 2 586 | 2 586 | 2 598 | 2 603 |

| | | | | |
|---|---|---|---|---|
| V. Amounts due under sold securities with a buy-back clause | 2 538 839 | 1 464 997 | 2 865 545 | 1 942 315 |
| VI. Amounts due under issues of debt securities | 3 941 810 | 3 329 181 | 2 195 994 | 1 541 876 |
| 1. Short-term | 1 287 963 | 803 421 | 518 827 | 238 426 |
| 2. Long-term | 2 653 847 | 2 525 760 | 1 677 167 | 1 303 450 |
| VII. Other amounts due under financial instruments | 2 122 947 | 2 366 961 | 2 162 503 | 2 264 262 |
| VIII. Amounts due to the subordinated priced using equity method | 10 721 | 7 485 | 17 400 | 11 567 |
| 1. Subsidiaries | 8 280 | 3 872 | 16 566 | 11 173 |
| 2. Joint-ventures | - | - | - | - |
| 3. Affiliates | 2 441 | 3 613 | 834 | 394 |
| IX. Special funds and other liabilities | 494 020 | 210 604 | 439 409 | 200 325 |
| X. Accruals, deferred income and qualified income | 279 353 | 322 106 | 258 902 | 277 606 |
| 1. Prepayments | 40 735 | 66 329 | 46 636 | 76 856 |
| 2. Goodwill (negative figure) | - | - | - | - |
| 3. Other deferred and qualified income | 238 618 | 255 777 | 212 266 | 200 750 |
| XI. Goodwill of subordinated companies (negative figure) | 2 093 | 2 537 | 916 | 4 166 |
| XII. Provisions | 678 367 | 734 938 | 951 595 | 957 747 |
| 1. Defferd income tax liabilities | 539 761 | 598 079 | 806 740 | 814 450 |
| 2. Other | 138 606 | 136 859 | 144 855 | 143 297 |
| a) short-term | 9 606 | 7 386 | 16 648 | 4 285 |
| b) long-term | 129 000 | 129 473 | 128 207 | 139 012 |
| XIII. Subordinated liabilities | 1 228 774 | 1 221 340 | 1 140 888 | 1 041 213 |
| XIV. Minority interests | 114 193 | 112 252 | 123 603 | 117 556 |
| XV. Share capital | 91 882 | 91 882 | 91 882 | 91 882 |
| XVI. Subscribed share capital not paid up (negative amount) | - | - | - | - |
| XVII. Own shares (negative figure) | - | - | (4 545) | - |
| XVIII. Supplementary reserve | 658 495 | 657 157 | 655 243 | 659 013 |
| XIX. Revaluation reserve | 13 662 | (1 988) | 5 754 | (8 643) |
| XX. Other reserves | 746 543 | 746 354 | 1 357 339 | 1 358 267 |
| XXI. Foreign exchange gains/losses on the translation of subordinated companies | (236) | (244) | (1 487) | (351) |
| 1. gains | 13 298 | 12 386 | 6 778 | 1 959 |
| 2. losses | (13 534) | (12 630) | (8 265) | (2 310) |
| XXII. Retained profit (loss) | 91 677 | 85 092 | (522 010) | (134 891) |
| XXIII. Net profit (loss) | 39 914 | 5 504 | 33 841 | (380 916) |
| Total liabilities | 31 584 669 | 30 539 150 | 28 880 658 | 27 431 461 |
| | | | | |
| Solvency ratio | 7.62 | 8.23 | 9.77 | 10.01 |
| | | | | |
| Book value | 1 641 937 | 1 583 757 | 1 616 017 | 1 584 361 |
| Number of shares | 22 970 500 | 22 970 500 | 22 970 500 | 22 970 500 |
| Book value per share (in PLN) | 71.48 | 68.95 | 70.35 | 68.97 |
| | | | | |
| Diluted number of shares | - | - | - | - |
| Diluted book value per share (in PLN) | - | - | - | - |

| | as at | as at | as at | as at |
|---|---|---|---|---|
| CONSOLIDATED OFF-BALANCE-SHEET ITEMS | 31.Mar.2004 end of this quarter (2004) | 31.Dec.2003 end of prev, quarter (2003) | 31.Dec.2003 end of quarter (2003) | 31.Dec.2002 end of prev. quarter (2002) |
| I. Contingent liabilities extended and received | 7 611 068 | 6 307 936 | 6 172 102 | 6 623 770 |
| 1.Commitments granted: | 6 452 988 | 5 526 043 | 5 401 375 | 5 734 368 |
| a) financing | 5 178 878 | 4 359 305 | 4 079 603 | 4 498 741 |
| b) guarantees | 1 274 110 | 1 166 738 | 1 321 772 | 1 235 627 |
| 2. Commitments received: | 1 158 080 | 781 893 | 770 727 | 889 402 |
| a) financing | 372 249 | 185 510 | 361 928 | 356 816 |
| b) guarantees | 785 831 | 596 383 | 408 799 | 532 586 |
| II. Commitments arising from purchase/sale transactions | 218 523 995 | 183 288 838 | 164 272 576 | 146 097 417 |
| III. Other (due to) | 631 755 | 900 140 | 323 211 | 348 342 |
| - factoring receivables | 493 336 | 586 694 | 323 211 | 251 976 |
| - factoring liabilities | 138 419 | 313 446 | - | 96 366 |
| - share acquisition rights | - | - | - | - |
| Total off-balance-sheet items | 226 766 818 | 190 496 914 | 170 767 889 | 153 069 529 |

| CONSOLIDATED | I quarter (current year) | I Q cumulative (current year) | I quarter (previous year) | I Q cumulative (current year) |
|---|---|---|---|---|
| PROFIT AND LOSS ACCOUNT | from 01.Jan.2004 to 31.Mar.2004 | from 01.Jan.2004 to 31.Mar.2004 | from 01.Jan.2003 to 31.Mar.2003 | from 01.Jan.2003 to 31.Mar.2003 |
| I. Interest income | | 324 034 | | 293 923 |
| II. Interest cost | | 217 717 | | 228 954 |
| III. Net interest income (I-II) | - | 106 317 | - | 64 969 |
| IV. Commission income | | 109 362 | | 78 474 |
| V. Commission cost | | 31 020 | | 22 687 |
| VI. Net commission income (IV-V) | - | 78 342 | - | 55 787 |
| VII. Net income of goods sold | - | - | - | - |
| VIII. Cost of sold products, goods and materials | - | - | - | - |
| IX. Cost of sale | - | - | - | - |
| X. Profit on sale (VII-VIII-IX) | - | - | - | - |
| XI. Income from shares, other securities and financial instruments with variable income | - | 493 | - | 30 |
| 1. From subsidiaries | | - | | - |
| 2. From joint-ventures | | - | - | - |
| 3. From affiliates | | - | - | - |
| 4. From others | | 493 | | 30 |
| XII. Profit (loss) on financial transaction | | (646) | | 6 219 |
| XIII.Profit (loss) on foreign exchange result | | 50 744 | | 43 949 |
| XIV. Profit (loss) on banking activity | - | 235 250 | - | 170 954 |
| XV. Other operating income | | 57 297 | | 38 986 |
| XVI. Other operating expenses | | 8 102 | | 14 787 |
| XVII. Overhead costs of the bank | | 156 641 | | 138 780 |
| XVIII. Depreciation and amortisation of tangible and intangible fixed assets | | 38 139 | | 38 529 |
| XIX. Provisions and revaluation | - | 123 163 | - | 50 964 |
| 1. specific provisions and general risk provisions | | 111 019 | | 44 972 |
| 2. revaluation of financial assets | | 12 144 | | 5 992 |
| XX. Released provisions and revaluation | - | 96 011 | - | 86 232 |
| 1.Released specific provisions and general risk provisions | | 87 562 | | 77 370 |
| 2. Revaluation of financial assets | | 8 449 | | 8 862 |
| XXI. Net provisions and revaluation (XIX-XX) | - | 27 152 | - | (35 268) |
| XXII. Operating profit (loss) | - | 62 513 | - | 53 112 |
| XXIII. Profit (loss) on extraordinary items | - | - | - | 123 |
| 1. gains | | 31 | | 284 |
| 2. losses | | 31 | | 161 |
| XXIV. Deduction of subordinated goodwill | | 7 038 | | 7 629 |
| XXV. Deduction of subordinated goodwill (negative amount) | | 443 | | 704 |
| XXVI. Profit (loss) before tax | - | 55 918 | - | 46 310 |
| XXVII. Corporate income tax | - | 15 964 | - | 13 365 |
| 1. current part | | 3 649 | | 3 199 |
| 2. postponed part | | 12 315 | | 10 166 |
| XXVIII. Other obligatory profit appropriations (loss increase) | - | - | | - |
| XXIX. Net gain (loss) on share in subordinated valued using equity method | | 2 828 | | (716) |
| XXX. (Profit) loss of minority | | (2 868) | | 1 612 |
| XXXI. Net profit (loss) | - | 39 914 | - | 33 841 |

| | | | | |
|---|---|---|---|---|
| Net profit (loss) (for 12 months) | 11 577 | | (340 630) | |
| Weighted average number of ordinary shares | 22 970 500 | | 22 970 500 | |
| Net profit (loss) per 1 ordinary share [PLN] | 0.50 | | (14.83) | |
| Weighted average number of ordinary shares | - | | - | |
| Diluted net profit (loss) per 1 ordinary share [PLN] | - | | - | - |

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| MOVEMENTS IN CONSOLIDATED EQUITY | I quarter (current year) | I Q cumulative (current year) | I quarter (previous year) | I Q cumulative (current year) |
|---|---|---|---|---|
| | from 01.Jan.2004 to 31.Mar.2004 | from 01.Jan.2004 to 31.Mar.2004 | from 01.Jan.2003 to 31.Mar.2003 | from 01.Jan.2003 to 31.Mar.2003 |
| I. Equity as at the beginning of the period (OB) | | 1 583 757 | | 1 581 306 |
| a) changes to accounting policy | - | 3 315 | | |
| b) adjustment of key miscalculation | - | (1 103) | - | - |
| I.a. Equity as at the beginning of the period (OB) after reconciliation to comparative data | - | 1 585 969 | - | 1 581 306 |
| I. Share capital as at the beginning of the period | | 91 882 | | 91 882 |
| 1.1 Changes in share capital | - | - | - | - |
| a) increase (due to): | - | - | - | - |
| -issue of shares | - | - | - | - |
| | - | | | |
| | - | | | |
| b) decrease (due to): | - | - | - | - |
| -cancellation of shares | - | - | - | - |
| | - | | | |
| | - | | | |
| 1.2. Share capital as at the end of the period | - | 91 882 | - | 91 882 |
| 2. Payments for share capital as at the beginning of the period | - | - | - | - |
| 2.1 Changes in payments for share capital | - | - | - | - |
| a) increase (due to): | - | - | - | - |
| b) decrease (due to): | - | - | - | - |
| 2.2 Payments for share capital at the end of the period | - | - | - | - |
| 3. Own shares as at the beginning of the period | | | | |
| a) increase (due to): | - | - | | (4 545) |
| b) decrease (due to): | - | - | - | - |
| 3.1 Own shares at the end of the period | - | - | - | (4 545) |
| 4. Supplementary capital as at the beginning of the period | | 657 157 | | 659 013 |
| 4.1. Movements in the supplementary capital | - | 1 338 | - | (3 770) |
| a) increase (due to): | - | 1 338 | | 115 |
| - issue of shares above nominal value | - | - | - | - |
| - allocation of the profit (statutory) | - | 1 336 | - | |
| - allocation of the profit (above minimal value up to statutory) | - | - | - | - |
| - exclusion from consolidation following disposal of a company | - | - | - | - |
| - supplememtary charge of partners | - | - | - | - |
| - consolidation of company | - | - | - | |
| - reclassification from reserve capital | - | - | - | |
| - other | - | 2 | | 115 |
| b) decrease (due to): | - | - | - | 3 885 |
| - loss coverage | - | | - | - |
| - correction of agio due to change of consolidation method | - | - | - | - |
| - termination of capital in case of payment to shareholders | - | - | - | |
| - exclusion from consolidation following disposal of a company | - | | | 3 885 |
| - correction of agio due to payment to shareholders | - | - | - | |
| - foreign exchange gains/losses | - | - | - | - |
| - other | - | - | - | - |
| 4.2. Supplementary capital as at the end of the period | - | 658 495 | - | 655 243 |
| 5. Revaluation reserve as at the beginning of the period | | (1 988) | | (8 643) |
| 5.1. Movements in revaluation reserve | - | 15 650 | - | 14 397 |
| a) increase (due to) | - | 26 807 | - | 27 122 |
| - foreign exchange gains/losses | - | 2 971 | | 5 310 |
| - deferred income tax | - | - | | 476 |
| - revaluation of securities avaible to sale | - | 23 404 | | 13 770 |
| - revaluation of tabgible fixed assets | - | - | | 1 092 |
| - exclusion from consolidation following disposal of a company | - | - | | 6 463 |
| - other | - | 432 | | 11 |
| b) decrease (due to) | - | 11 157 | - | 12 725 |
| - disposal of fixed assets | - | 2 | | - |
| - deferred income tax | - | 3 334 | | 2 104 |
| - foreign exchange gains/losses | - | 2 288 | | 1 |
| - exclusion from consolidation following disposal of a company | - | - | | 754 |
| - revaluation of tangible fixed assets | - | - | | 2 127 |
| - revaluation of securities for disposal | - | 5 204 | | 7 739 |
| - other | - | 329 | | |
| 5.2. Revaluation reserve as at the end of the period | - | 13 662 | - | 5 754 |

| | | | | |
|---|---|---|---|---|
| 6. General banking risk reserve as at the beginning of the period | | 558 000 | | 558 000 |
| 6.1. Movements in general banking risk reserve | - | - | - | - |
| a) increase (due to) | - | - | - | - |
| - appropriation of retained earnings | - | - | | |
| | | | | - |
| | | | | - |
| b) decrease (due to) | - | - | - | - |
| - | | | | |
| - | | | | |
| | | | | |
| 6.2. General banking risk reserve as at the end of the period | - | 558 000 | - | 558 000 |
| 7. Other supplementary capitals as at the beginning of the period | | 188 354 | | 800 267 |
| 7.1. Changes in other supplementary capitals | - | 189 | - | (928) |
| a) increase (due to): | - | 191 | - | 1 056 |
| - deduction of profit for supplementary capital | | 189 | | |
| - inclusion for consolidation | | - | | |
| - capital decrease reserve | | - | | |
| - dividend payment | | | | 1 056 |
| - other | | 2 | | |
| b) decrease (due to) | - | 2 | - | 1 984 |
| - reclassification to reserve capital | | - | | |
| - dividend payment | | | | - |
| - dividend payment by way of advance | | - | | |
| - exclusion from consolidation following disposal of a company | | | | 1 984 |
| - loss coverage | | | | - |
| - other | | 2 | | |
| 7.2. Other suplementary capital as at the end of the period | - | 188 543 | - | 799 339 |
| 8. Foreign exchange gains/losses on the translation of subordinated companies | | (236) | | (1 487) |
| 9. Retained earnings (accumulated losses) as at the beginning of the period | | 90 596 | | (518 862) |
| 9.1. Retained earnings as at beginning of the period | | 100 409 | | 98 819 |
| a) changes to accounting policy | | 3 315 | - | |
| b) adjustment of key miscalculation | | - | - | - |
| 9.2. Retained earnings as at the beginning of the period after reconciliation to comparative data | - | 103 724 | - | 98 819 |
| 9.3. Change in retained earnings | - | (1 131) | - | (3 148) |
| a) increase (due to): | - | 673 | - | - |
| - allocation of retained earnings | | | - | - |
| - inclusion the company to consolidation (full method) | | | - | |
| - stake increased through a subholding | | | - | - |
| - foreign exchange gains/losses | | | | - |
| - other | | 673 | - | |
| b) decrease (due to): | - | 1 804 | - | 3 148 |
| - exclusion from consolidation in connection of selling the company | | | | - |
| - deduction of profit for general banking risk reserve | | | | - |
| - profit allocation to supplementary capital | | 189 | | 1 056 |
| - profit allocation to reserve capital | | 1 336 | | - |
| - profit allocation to shareholder dividend | | | | - |
| - transfer to the Social Fund | | | | - |
| - foreign exchange gains/losses | | | | 2 092 |
| - other | | 279 | - | - |
| 9.4. Retained earnings as at the end of the period | - | 102 593 | - | 95 671 |
| 9.5. Accumulated losses at the beginning of the period | | (9 813) | | (617 681) |
| a) changes to accounting policies | | - | - | |
| b) adjustment of key miscalculation | | (1 103) | - | - |
| 9.6. Accumulated losses as at the beginning of the period after reconciliation to comparative data | - | (10 916) | - | (617 681) |
| 9.7. Change in accumulated losses | - | - | - | - |
| a) increase (due to): | - | - | - | - |
| - loss to be covered brought forward from previous years | | | - | - |
| - inclusion the company to consolidation | | | - | |
| - other | | | | |
| b) decrease (due to): | - | - | - | - |
| - coverage from reserves | | | - | - |
| - exclusion from consolidation in connection of selling the company | - | - | | |
| - coverage from supplementary capital | | | - | - |
| 9.8. Accumulated losses as at the end of period | - | (10 916) | - | (617 681) |
| 9.9. Retained earnings (accumulated losses) as at the end of period | - | 91 677 | - | (522 010) |
| 10. Net profit/loss | - | 39 914 | - | 33 841 |
| a) net loss | | 39 914 | | 33 841 |
| b) net profit | | | | |
| II. Equity as at the end of the period (CB ) | - | 1 641 937 | - | 1 616 017 |

| | | | | |
|---|---|---|---|---|
| III. Equity including proposed profit distribution (coverage of loss) | - | 1 641 937 | - | 1 616 017 |

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| CONSOLIDATED CASH FLOW STATEMENT | I quarter (current year) | I Q cumulative (current year) | I quarter (previous year) | I Q cumulative (current year) |
|---|---|---|---|---|
| | from 01.Jan.2004 to 31.Mar.2004 | from 01.Jan.2004 to 31.Mar.2004 | from 01.Jan.2003 to 31.Mar.2003 | from 01.Jan.2003 to 31.Mar.2003 |
| A. Net cash flows from operating activities - indirect method | - | (1 111 335) | - | 1 153 988 |
| I. Net profit (loss) | - | 39 914 | | 33 841 |
| II. Total adjustments for: | - | (1 151 249) | - | 1 120 147 |
| 1. Profit (loss) of minority shareholders | | 2 868 | | 1 612 |
| 2. Participation in profit (loss) of subordinated companies valued with equity method | | (2 828) | | 716 |
| 3. Depreciation, including: | | 44 734 | | 45 454 |
| - appropriations of goodwill of subordinates and goodwill of subordinates (negative amount) | | 6 595 | | (6 925) |
| 4. Foreign exchange gains/losses | | (5 092) | | 88 371 |
| 5. Interest and dividends | | 16 034 | | 29 535 |
| 6. (Profit) loss on investments | | (7 459) | | (1 322) |
| 7. Change in provisions | | (59 813) | | (32 898) |
| 8.Change in reserves | | - | | - |
| 9. Change in debt securities | | (893 819) | | 42 774 |
| 10. Change in receivables from the financial institutions | | (1 873 532) | | (32 208) |
| 11. Change in receivables from the clients and public sector | | (90 594) | | (1 126 411) |
| 12 . Change in amounts due to purchase of securities with a buy-back clause | | 252 549 | | 280 324 |
| 13. Change in stocks or shares and securities and other financial instruments | | 326 394 | | 53 327 |
| 14. Change in liabilities to financial institutions | | (249 976) | | 50 287 |
| 15. Change in liabilities to clients and public sector | | (303 793) | | (425 035) |
| 16. Change in liabilities due to sold securities with a buy-back clause | | 1 073 842 | | 923 230 |
| 17. Change in liabilities due to securities | | 593 528 | | 651 116 |
| 18. Change in other liabilities | | 7 474 | | 579 599 |
| 19. Change in prepayments | | 45 361 | | (19 840) |
| 20. Change in deferred and qualified income | | (27 127) | | 11 516 |
| 21. Other | - | - | | - |
| III. Net cash flows from operating activities (I - II) - indirect method | - | (1 111 335) | - | 1 153 988 |
| B. Net cash flows from investment operations (I-II) | - | 13 269 | - | 23 606 |
| I. Incomes | - | 64 622 | - | 59 457 |
| 1. Sale of stocks or shares in subsidiaries | | | | 313 |
| 2. Sale of stocks or shares in joint ventures | | - | | - |
| 3. Sale of stocks or shares in affiliates | | | | - |
| 4. Sale of other stocks or shares, securities and financial instruments | | 62 942 | | 58 571 |
| 5. Sale of intangible and tangible fixed assets | | 1 670 | | 573 |
| 6. Sale of investment in real estate and intangible assets | | - | | - |
| 7. Other investment incomes | | 10 | - | - |

| | | | | |
|---|---|---|---|---|
| II. Expenses | - | 51 353 | - | 35 851 |
| 1. Purchase of stocks or shares in subsidiaries | | 1 | | 3 384 |
| 2. Purchase of stocks or shares in joint ventures | | | | - |
| 3. Purchase of shares in affiliated | | | | - |
| 4. Purchase of other stocks or shares, securities and financial instruments | | 14 085 | | 4 667 |
| 5. Purchase of intangible and tangible fixed assets | | 9 005 | | 14 436 |
| 6. Investment in real estate and intangible assets | | 28 262 | | 13 364 |
| 7. Other investments' expenses | | - | | - |
| III. Net cash flow from investment operations (I-II) | - | 13 269 | - | 23 606 |
| | | | | |
| C. Net cash flow from financing activities (I-II) | - | (91 004) | - | 133 612 |
| I. Incomes | - | 120 000 | - | 175 716 |
| 1. Long term loans received from other banks | | 120 000 | | 52 378 |
| 2. Long term loans received from financial institutions, excluding banks | | | | - |
| 3. Issue of debt securities | | | | 119 931 |
| 4. Change in subordinated liabilities in plus | | | | 3 407 |
| 5. Net cash from shares' issue and payment to capital | | - | | - |
| 6. Other | | - | | - |
| II. Expenses | - | 211 004 | - | 42 104 |
| 1. Long term loans repaid to other banks | | 183 807 | | - |
| 2. Long term loans repaid to financial institutions, excluding banks | | - | | 8 024 |
| 3. Redemption of securities | | - | | - |
| 4. Due to other financial liabilities | | - | | - |
| 5. Payments due to financial leasing liabilities | | - | | - |
| 6. Decrease of subholding liabilities | | | | - |
| 7. Dividends and other payments to owners | | - | | - |
| 8. Dividends and other participation in profit payments for minority | | - | | - |
| 9. Payments for allocation of the profit (diferrent from payments to owners) | | - | | - |
| 10. Acquisition of own shares | | | | 4 545 |
| 11. Other financial expenses | | 27 197 | | 29 535 |
| 12. Other expenses | | - | | - |
| III. Net cash flows from financing activities (I-II) | - | (91 004) | - | 133 612 |
| | | | | |
| D. Total net cash flows (A+/-B+/-C) | - | (1 189 070) | - | 1 311 206 |
| E. Net change in cash | - | (1 189 070) | - | 1 311 206 |
| - including change in cash due to foreign exchange gains/losses | | 16 468 | | 16 041 |
| F. Cash at the beginning of the period | | 5 056 245 | | 1 418 263 |
| G. Cash at the end of the period (F+/- D) | - | 3 867 175 | - | 2 729 469 |

QUATERLY SHORTENED FINANCIAL STATMENT

| | as at | as at | as at | as at |
|---|---|---|---|---|
| BALANCE SHEET [PLN'000] | 31.Mar.2004 end of this quarter (2004) | 31.Dec.2003 end of previous quarter (2003) | 31.Mar.2003 end of this quarter (2003) | 31.Dec.2002 end of previous quarter (2002) |
| A s s e t s | | | | |
| I. Cash and balances with the Central Bank | 610 138 | 473 243 | 497 351 | 360 538 |
| II. Debt securities eligible for refinancing at Central Bank | 60 888 | 52 765 | 75 632 | 49 021 |
| III. Amounts due from the financial institutions | 5 294 162 | 4 957 906 | 4 432 526 | 3 265 405 |
| 1. Current | 2 747 697 | 2 130 704 | 2 132 478 | 921 877 |
| 2. Term | 2 546 465 | 2 827 202 | 2 300 048 | 2 343 528 |
| IV. Amounts from clients | 9 767 589 | 9 635 845 | 9 311 655 | 9 275 400 |
| 1. Current | 1 591 639 | 1 509 900 | 1 712 100 | 1 668 859 |
| 2. Term | 8 175 950 | 8 125 945 | 7 599 555 | 7 606 541 |
| V. Amounts due from the public sector | 1 576 016 | 1 585 554 | 51 651 | 50 367 |
| 1. Current | 6 791 | 7 726 | 7 462 | 11 427 |
| 2. Term | 1 569 225 | 1 577 828 | 44 189 | 38 940 |
| VI. Amounts due in respect of purchase of securities with a buy back clause | 1 769 | 254 318 | 3 119 | 283 731 |
| VII Debt securities | 4 777 951 | 3 945 658 | 4 919 569 | 5 312 796 |
| VIII. Stocks or shares in subsidiaries | 919 326 | 899 270 | 863 716 | 871 089 |
| IX Stocks or shares in joint ventures | - | - | - | - |
| X. Stocks or shares in affiliates | (1 391) | 358 | 22 637 | 3 924 |
| XI. Stocks or shares in other companies | 9 412 | 9 287 | 13 371 | 12 830 |
| XII. Other securities and financial assets | 2 479 596 | 2 833 777 | 2 959 801 | 3 040 788 |
| XIII. Intangible assets, including: | 219 817 | 226 632 | 253 224 | 259 258 |
| - goodwill | 52 337 | 55 061 | 63 181 | 60 140 |
| XIV. Tangible fixed assets | 944 739 | 939 710 | 873 662 | 874 989 |
| XV. Other assets | 399 207 | 381 355 | 283 600 | 278 569 |
| 1. Assets acquired through debt recovery - for sale | 44 | 49 | 2 809 | 2 736 |
| 2. Other | 399 163 | 381 306 | 280 791 | 275 833 |
| XVI. Prepayments | 600 391 | 666 719 | 870 474 | 910 861 |
| 1. Deferred income tax | 562 456 | 634 802 | 856 129 | 904 236 |
| 2. Other prepayments | 37 935 | 31 917 | 14 345 | 6 625 |
| T o t a l a s s e t s | 27 659 610 | 26 862 397 | 25 431 988 | 24 849 566 |
| | - | - | - | - |
| Liabilities | | | | |
| I. Amounts due to Central Bank | - | - | 1 685 | 1 532 |
| II. Liabilities to the financial institutions | 7 098 085 | 7 205 743 | 6 588 450 | 6 690 955 |
| 1. Current | 1 069 473 | 1 095 470 | 936 007 | 1 408 358 |
| 2. Term | 6 028 612 | 6 110 273 | 5 652 443 | 5 282 597 |
| III. Liabilities to the clients sector | 11 339 116 | 11 779 674 | 9 420 276 | 10 009 117 |
| 1. Saving deposits | 3 197 828 | 2 987 016 | 2 362 224 | 1 958 640 |
| a) Current | 2 477 056 | 2 324 341 | 1 791 073 | 1 484 675 |
| b) Term | 720 772 | 662 675 | 571 151 | 473 965 |
| 2. Other | 8 141 288 | 8 792 658 | 7 058 052 | 8 050 477 |
| a) Current | 3 619 936 | 3 542 926 | 2 965 209 | 3 289 887 |
| b) Term | 4 521 352 | 5 249 732 | 4 092 843 | 4 760 590 |
| IV. Liabilities to the public institutions | 134 856 | 65 480 | 83 469 | 118 554 |
| 1. Current liabilities | 83 603 | 48 011 | 36 586 | 69 683 |
| 2. Term liabilities | 51 253 | 17 469 | 46 883 | 48 871 |
| V. Amounts due under sold securities with a buy-back clause | 2 538 839 | 1 464 997 | 2 865 545 | 1 942 315 |
| VI. Liabilities due to issue of debt securities | 400 908 | 165 298 | 177 916 | 25 286 |
| 1. Short-term | 321 666 | 106 218 | 174 882 | 25 286 |
| 2. Long-term | 79 242 | 59 080 | 3 034 | - |
| VII. Other liabilities due to financial instruments | 2 099 157 | 2 346 443 | 2 117 950 | 2 233 465 |
| VIII. Special funds and other liabilities | 360 255 | 113 393 | 349 665 | 98 957 |

| | | | | |
|---|---|---|---|---|
| IX. Accruals, deferred income and qualified income | 241 122 | 282 711 | 224 560 | 222 392 |
| 1. Costs prepayments | 22 119 | 46 992 | 22 936 | 45 712 |
| 2. Goodwill (negative figure) | - | - | - | - |
| 3. Other deferred and qualified income | 219 003 | 235 719 | 201 624 | 176 680 |
| X. Reserves | 619 431 | 675 896 | 882 209 | 918 972 |
| 1. Income tax reserves | 502 384 | 559 356 | 754 122 | 789 122 |
| 2. Other reserves | 117 047 | 116 540 | 128 087 | 129 850 |
| a) short-term | - | - | - | - |
| b) long-term | 117 047 | 116 540 | 128 087 | 129 850 |
| XI. Subordinated liabilities | 1 186 658 | 1 179 475 | 1 101 792 | 1 005 524 |
| XII. Share capital | 91 882 | 91 882 | 91 882 | 91 882 |
| XIII Payment for share capital (negative figure) | - | - | - | - |
| XIV. Own shares (negative figure) | - | - | (4 545) | - |
| XV. Supplementary capital | 748 739 | 748 739 | 748 738 | 748 738 |
| XVI. Revaluation capital | 14 341 | (1 636) | 5 632 | (3 045) |
| XVII. Other reserve capital | 744 922 | 744 922 | 1 352 915 | 1 352 915 |
| XVIII. Net Retained earnings (Accumulated losses) | 1 592 | (2 456) | (607 993) | (228 772) |
| XIX. Net profit (loss) | 39 707 | 1 836 | 31 842 | (379 221) |
| Total liabilities | 27 659 610 | 26 862 397 | 25 431 988 | 24 849 566 |
| | | | | |
| Capital adequacy ratio | 8.71 | 9.45 | 9.77 | 10.01 |
| | | | | |
| Book value | 1 641 183 | 1 583 287 | 1 618 471 | 1 582 497 |
| Number of shares | 22 970 500 | 22 970 500 | 22 970 500 | 22 970 500 |
| Book value per share (in PLN) | 71.45 | 68.93 | 70.46 | 68.89 |
| | | | | |
| Diluted number of shares | - | - | - | - |
| Diluted book value per share (in PLN) | - | - | - | - |

| | as at | as at | as at | as at |
|---|---|---|---|---|
| OFF-BALANCE-SHEET ITEMS | 31.Mar.2004 end of this quarter (2004) | 31.Dec.2003 end of previous quarter (2003) | 31.Mar.2003 end of this quarter (2003) | 31.Dec.2002 end of previous quarter (2002) |
| I. Off-balance-sheet liabilities extended and received | 9 105 388 | 8 059 446 | 6 948 486 | 7 247 668 |
| 1. Liabilities extended | 8 576 640 | 7 554 045 | 6 449 060 | 6 660 149 |
| a) financing | 4 771 004 | 3 866 943 | 3 682 503 | 4 135 993 |
| b) guarantees | 3 805 636 | 3 687 102 | 2 766 557 | 2 524 156 |
| 2. Liabilities received | 528 748 | 505 401 | 499 426 | 587 519 |
| a) financing | 109 235 | 108 634 | 147 071 | 134 654 |
| b) guarantees | 419 513 | 396 767 | 352 355 | 452 865 |
| II. Liabilities related to realised purchase/sale transactions | 220 382 398 | 184 177 234 | 164 093 823 | 145 902 647 |
| III. Other | - | - | - | - |
| - | | | | |
| - | | | | |
| Total off-balance-sheet items | 229 487 786 | 192 236 680 | 171 042 309 | 153 150 315 |

| PROFIT AND LOSS ACCOUNT | I quarter (current year) | I Q cumulative (current year) | I quarter (previous year) | I Q cumulative (current year) |
|---|---|---|---|---|
| | from 01.Jan.2004 to 31.Mar.2004 | from 01.Jan.2004 to 31.Mar.2004 | from 01.Jan.2003 to 31.Mar.2003 | from 01.Jan.2003 to 31.Mar.2003 |
| I. Interest income | | 247 827 | | 235 311 |
| II. Interest expense | | 168 545 | | 199 429 |
| III. Net interest income (I-II) | - | 79 282 | - | 35 882 |
| IV. Commission income | | 74 182 | | 59 311 |
| V. Commission expense | | 21 710 | | 18 765 |
| VI. Net commission income (IV-V) | - | 52 472 | - | 40 546 |
| VII. Profit (loss) stocks or shares, other securities and financial instruments of variable income | - | 16 415 | - | - |
| 1. From subsidiaries | | 15 953 | | - |
| 2. From joint ventures | | - | | - |
| 3. From affiliates | | 10 | | - |
| 4. From others | | 452 | | - |
| VIII. Profit on financial operations | | (3 098) | | 1 403 |
| IX. Exchange gains/losses | | 48 620 | | 54 551 |
| X. Profit (loss) on banking operations | - | 193 691 | - | 132 382 |
| XI. Other operating income | | 29 912 | | 16 088 |
| XII. Other operating expenses | | 4 515 | | 7 198 |
| XIII. Overheads | | 103 120 | | 90 205 |
| XIV. Depreciation of tangible and intangible fixed assets | | 33 171 | | 34 025 |
| XV. Provisions and write-downs | - | 107 305 | - | 41 506 |
| 1. for specific provisions and to general banking risk | | 107 092 | | 41 506 |
| 2. revaluation of financial assets | | 213 | | - |
| XVI. Reversal of provisions and revaluation | - | 87 448 | - | 76 170 |
| 1. Release of provisions and general banking risk reserve | | 86 377 | | 76 170 |
| 2. Revaluation of financial assets | | 1 071 | | - |
| XVII. Difference in provisions and revaluation appropriations and reversal | - | 19 857 | - | (34 664) |
| XVIII. Operating profit (loss) | - | 62 940 | - | 51 706 |
| XIX. Profit (loss) on extraordinary items | - | - | - | 13 |
| 1. Extraordinary gains | | | | 13 |
| 2. Extraordinary losses | | | | - |
| XX. Gross profit (loss) before tax | - | 62 940 | - | 51 719 |
| XXI. Income tax | | 12 040 | - | 11 289 |
| 1. Current part | | | | - |
| 2. Postponed part | | 12 040 | | 11 289 |
| XXII. Other obligatory deductions of profit (increase of loss) | - | - | - | - |
| XXIII. Participation in net profit (loss) of subordinated to equity method valuation | | (11 193) | | (8 588) |
| XXIV. Net profit (loss) | - | 39 707 | - | 31 842 |
| | | | | |
| Net profit (loss) (for 12 months) | 9 701 | | (373 629) | |
| Weighted average number of ordinary shares | 22 970 500 | | 22 970 500 | |
| Net profit (loss) per 1 ordinary share [PLN] | 0.42 | | (16.27) | |
| Weighted average diluted number of ordinary shares | - | | - | |
| Diluted net profit (loss) per 1 ordinary share [PLN] | - | | - | - |

| MOVEMENTS IN EQUITY | I quarter (current year) | I Q cumulative (current year) | I quarter (previous year) | I Q cumulative (current year) |
|---|---|---|---|---|
| | from 01.Jan.2004 to 31.Mar.2004 | from 01.Jan.2004 to 31.Mar.2004 | from 01.Jan.2003 to 31.Mar.2003 | from 01.Jan.2003 to 31.Mar.2003 |
| I. Equity as at the beginning of the period (OB) | 1 583 287 | 1 583 287 | 1 582 497 | 1 582 497 |
| a) changes to accounting policies | 3 315 | 3 315 | | |
| b) adjustment of key miscalculation | (1 103) | (1 103) | - | - |
| I.a. Equity as at the beginning of the period (OB) after reconciliation to comparative data | 1 585 499 | 1 585 499 | 1 582 497 | 1 582 497 |
| 1. Share capital as at the beginning of the period | 91 882 | 91 882 | 91 882 | 91 882 |
| 1.1 Movements in share capital | - | - | | - |
| a) increase (due to) | - | - | | - |
| - issue of shares | - | - | | - |
| | | | | |
| | | | | |
| b) decrease (due to): | - | - | | - |
| - cancellation of shares | - | - | | |
| | | | | |
| | | | | |
| 1.2. Share capital as at the end of the period | 91 882 | 91 882 | 91 882 | 91 882 |
| 2. Payments for share capital at the beginning of the period | - | - | - | - |
| 2.1 Movements in payments for share capital | - | - | - | - |
| a) increase (due to): | - | | - | |
| b) decrease (due to): | - | | | |
| 2.2 Payments for share capital at the end of the period | - | - | - | - |
| 3. Own shares as at the beginning of the period | - | - | - | - |
| a) increase (due to): | - | - | (4 545) | (4 545) |
| - purchase | - | - | (4 545) | (4 545) |
| b) decrease (due to): | - | - | - | - |
| - give out to shareholders due to merge | - | - | | |
| 3.1 Own shares at the end of the period | - | - | (4 545) | (4 545) |
| 4. Supplementary capital as at the beginning of the period | 748 739 | 748 739 | 748 738 | 748 738 |
| 4.1. Movements in the supplementary capital | - | - | | - |
| a) increase (due to): | - | - | - | - |
| - issue of shares above nominal value | - | - | - | - |
| - allocation of the profit (statutory) | - | - | - | - |
| - allocation of the profit (above minimal value up to statutory) | - | - | - | - |
| - other | - | - | - | - |
| b) decrease (due to): | - | - | - | - |
| - loss coverage | - | - | | - |
| 4.2. Supplementary capital as at the end of the period | 748 739 | 748 739 | 748 738 | 748 738 |
| 5. Revaluation capital as at the beginning of the period | (1 636) | (1 636) | (3 045) | (3 045) |
| 5.1. Movements in revaluation reserve | 15 977 | 15 977 | 8 677 | 8 677 |
| a) increase (due to) | 26 863 | 26 863 | 20 648 | 20 648 |
| - foreign exchanges gains/losses | 2 960 | 2 960 | 5 310 | 5 310 |
| - deferred income tax | - | - | 476 | 476 |
| - revaluation of tangible assets | 1 152 | 1 152 | 1 092 | 1 092 |
| - revaluation of securities for sale | 22 751 | 22 751 | 13 770 | 13 770 |
| b) decrease (due to) | 10 886 | 10 886 | 11 971 | 11 971 |
| - revaluation of tangible assets | 60 | 60 | 2 127 | 2 127 |
| - revaluation of securities for sale | 5 204 | 5 204 | 7 739 | 7 739 |
| - deferred income tax | 3 334 | 3 334 | 2 104 | 2 104 |
| - foreign exchanges gains/losses | 2 288 | 2 288 | 1 | 1 |
| 5.2. Revaluation reserve as at the end of the period | 14 341 | 14 341 | 5 632 | 5 632 |

| | | | | |
|---|---|---|---|---|
| 6. General banking risk reserve as at the beginning of the period | 558 000 | 558 000 | 558 000 | 558 000 |
| 6.1. Movements in general banking risk reserve | - | - | - | - |
| a) increase (due to) | - | - | - | - |
| - appropriation of retained earnings | - | - | | |
| | - | | - | |
| | - | | - | |
| b) decrease (due to) | - | - | - | - |
| | - | | | |
| | - | | | |
| | - | | | |
| 6.2. General banking risk reserve as at the end of the period | 558 000 | 558 000 | 558 000 | 558 000 |
| 7. Other reserves as at the beginning of the period | 186 922 | 186 922 | 794 915 | 794 915 |
| 7.1. Movements in other reserves | - | - | - | - |
| a) increase (due to): | - | - | - | - |
| - profit allocation to supplementary capital | - | | - | - |
| - appropriation of profit | - | | - | - |
| b) decrease (due to) | - | - | - | - |
| - loss coverage | - | - | - | - |
| - other | - | | - | - |
| | | | | |
| | | | | |
| 7.2. Other reserves as at the end of the period | 186 922 | 186 922 | 794 915 | 794 915 |
| 8. Retained earnings (accumulated losses) as at the end of the period | (620) | (620) | (607 993) | (607 993) |
| 8.1Profit from previous years as at the beginning of the period | 1 836 | 1 836 | - | - |
| a) changes to accounting policy | 3 315 | 3 315 | - | - |
| b) adjustment of key miscalculation | - | | - | |
| 8.2 Retained earnings as at the beginning of the period | 5 151 | 5 151 | - | - |
| 8.3. Changes in retained earnings | - | - | - | - |
| a) increase (due to): | - | - | - | - |
| - allocation of retained earnings | - | - | - | - |
| | | | | |
| | | | | |
| b) decrease (due to): | - | - | - | - |
| - deduction to supplementary capital | - | - | | |
| - deduction to general banking risk reserve | - | - | | |
| - transfer to the Social Fund | - | - | | |
| - profit allocation to shareholder dividend | - | - | | |
| 8.4 Retained earnings as at the end of the period | 5 151 | 5 151 | - | - |
| 8.5 Accumulated losses as at the beginning of the period | (2 456) | (2 456) | (607 993) | (607 993) |
| a) changes to accounting policy | | - | - | - |
| b) adjustment of key miscalculation | (1 103) | (1 103) | | |
| 8.6. Accumulated losses as at the beginning of the period | (3 559) | (3 559) | (607 993) | (607 993) |
| 8.7 Movements of loss from previous years | - | - | - | - |
| a) increase (due to): | - | - | - | - |
| - loss allocation from previous years for coverage | - | - | - | |
| - | | | - | |
| b) decrease (due to): | - | - | - | - |
| - coverage from reserve capital | - | - | - | |
| - | | | - | |
| 8.8 Accumulated losses as at the end of the period | (3 559) | (3 559) | (607 993) | (607 993) |
| 8.9 Retained earnings (accumulated losses) as at the end of the period | 1 592 | 1 592 | (607 993) | (607 993) |
| 9. Net profit (loss) | 39 707 | 39 707 | 31 842 | 31 842 |
| a) net profit | 39 707 | 39 707 | | |
| b) net loss | | | 31 842 | 31 842 |
| II. Equity as at the end of the period (CB ) | 1 641 183 | 1 641 183 | 1 618 471 | 1 618 471 |
| III Equity including proposed profit distribution (coverage of loss) | 1 641 183 | 1 641 183 | 1 618 471 | 1 618 471 |

| CASH FLOW STATEMENT | I quarter (current year) | I Q cumulative (current year) | I quarter (previous year) | I Q cumulative (current year) |
|---|---|---|---|---|
| | from 01.Jan.2004 to 31.Mar.2004 | from 01.Jan.2004 to 31.Mar.2004 | from 01.Jan.2003 to 31.Mar.2003 | from 01.Jan.2003 to 31.Mar.2003 |
| | - | (1 197 748) | - | 1 296 234 |
| I. Net profit (loss) | - | 39 707 | - | 31 842 |
| II. Total adjustments for: | - | (1 237 455) | - | 1 264 392 |
| 1. Participation in profit (loss) of subordinated companies priced with equity method | - | 11 193 | | 8 588 |
| 2. Depreciation | - | 33 171 | | 34 025 |
| 3. Foreign exchange gains/losses | - | (5 343) | | 82 375 |
| 4. Interest and dividends | - | 8 190 | | 29 535 |
| 5. (Profit) loss on investments | - | (7 318) | | (1 328) |
| 6. Change in reserves | - | (59 706) | | (63 509) |
| 7. Change in debt securities | - | (840 416) | | 366 616 |
| 8. Change in receivables from the financial institutions | - | (1 709 305) | | 51 225 |
| 9. Change in receivables from the clients and public sector | - | (122 206) | | (58 415) |
| 10. Change in amounts due in respect of purchase of securities with a buy back clause | - | 252 549 | | 280 612 |
| 11. Change in stocks or shares and securities and other financial instruments | - | 315 573 | | 6 043 |
| 12. Change in liabilities to the financial institutions | - | (30 117) | | (144 129) |
| 13. Change in liabilities to the clients and public sector | - | (371 182) | | (623 926) |
| 14. Change in liabilities due to sold securities with a buy-back clause | - | 1 073 842 | | 923 230 |
| 15. Change in liabilities due to securities | - | 216 509 | | 149 628 |
| 16. Change in other liabilities | - | (27 628) | | 202 812 |
| 17. Change in prepayments | - | 41 455 | | (3 934) |
| 18. Change in deferred and qualified income | - | (16 716) | | 24 944 |
| 19. Other | - | - | | |
| III. Net cash flows from operating activities (I +/- II) - indirect method | - | (1 197 748) | - | 1 296 234 |
| | | | | |
| B. Net cash flows from investment operations (I-II) | - | 16 317 | - | 46 167 |
| I. Incomes | - | 64 398 | - | 85 147 |
| 1. Sale of stocks or shares in subsidiaries | - | - | | 313 |
| 2. Sale of stocks or shares in joint ventures | - | - | - | - |
| 3. Sale of stocks or shares in affiliates | - | - | - | - |
| 4. Sale of other stocks or shares, securities and other financial assets | - | 62 942 | | 84 499 |
| 5. Sale of intangible and tangible fixed assets | - | 1 456 | | 335 |
| 6. Sale of investment in real estate and intangible assets | - | - | - | - |
| 7. Other incomes | - | - | - | - |
| II. Expenses | - | 48 081 | - | 38 980 |
| 1. Purchase of stocks or shares in subsidiaries | - | 3 | | 3 384 |
| 2. Purchase of stocks or shares in joint ventures | - | - | - | - |
| 3. Purchase of shares in affiliated | - | - | | 9 815 |
| 4. Purchase of other stocks or shares, securities and financial instruments | - | 14 093 | | 4 667 |
| 5. Purchase of intangible and tangible fixed assets | - | 5 723 | | 7 773 |
| 6. Investment in real estate and intangible assets | - | 28 262 | | 13 341 |
| 7. Other investments' expenses | - | - | - | - |

| | | | | |
|---|---|---|---|---|
| III. Net cash flows from investment operations (I-II) | - | 16 317 | - | 46 167 |
| | | | | |
| C. Net cash flows from financing activities | - | (54 957) | - | 13 274 |
| I. Incomes | - | 20 000 | - | 55 378 |
| 1. Long term loans received from other banks | - | - | | 52 378 |
| 2. Long term loans received from financial institutions, excluding banks | - | - | - | - |
| 3. Issue of debt securities | - | 20 000 | | 3 000 |
| 4. Change in subordinated liabilities in plus | - | - | - | - |
| 5. Net cash from shares' issue and payment to capital | - | - | - | - |
| 6. Other incomes | - | - | - | - |
| II. Expenses | - | 74 957 | - | 42 104 |
| 1. Long term loans repaid to other banks | - | 46 977 | - | - |
| 2. Long term loans repaid to financial institutions, excluding banks | - | 8 636 | | 8 024 |
| 3. Redemption of securities | - | - | - | - |
| 4. Due to other financial liabilities | - | - | - | - |
| 5. Payments due to financial leasing liabilities | - | - | - | - |
| 6. Decrease of subholding liabilities | - | - | - | - |
| 7. Dividends and other payments to owners | - | - | - | - |
| 8. Payments for allocation of the profit (diferrent than payments to owners) | - | - | - | - |
| 9. Acquisition of own shares | - | - | | 4 545 |
| 10. Other financial expenses | - | 19 344 | | 29 535 |
| III. Net cash flows from financing activities (I-II) | - | (54 957) | - | 13 274 |
| | | | | |
| D. Total net cash flows (A+B+C) | - | (1 236 388) | - | 1 355 675 |
| E. Net change in cash | - | (1 236 388) | - | 1 355 675 |
| - including change in cash due to foreign exchange | - | 16 476 | | 16 041 |
| F. Cash at the beginning of the period | - | 5 043 433 | | 1 372 576 |
| G. Cash at the end of the period (F+ D) | - | 3 807 045 | - | 2 728 251 |

**COMMENTARY**
**TO THE CONSOLIDATED QUARTERLY REPORT**
**Q1 2004**

***Methodology Used in the Consolidated Quarterly Report***

The Consolidated Quarterly Report comprises the balance sheet, the income statement, the statement of change in the equity and the cash flow statement prepared in accordance with the following:

- Accountancy Act of 29 September 1994 (Journal of Laws No 121 item 591, as amended),
- Banking Law dated 29 August 1997 (Journal of Laws No 140 item 939, as amended),
- Regulation of the Minister of Finance dated 10 December 2001 concerning specific accounting rules for banks (Journal of Laws No 149 item 1673) as amended,
- Regulation of the Minister of Finance dated 12 December 2001 concerning rules of drawing up consolidated financial statements of banks and consolidated financial statements of financial holdings (Journal of Laws No 152 item 1728),
- Regulation of the Minister of Finance dated 10 December 2003 concerning rules of provisioning against the risk related to banks' operations (Journal of Laws No 218 item 2147),
- Regulation of the Minister of Finance dated 12 December 2001 concerning specific rules of recognition, methods of valuation, scope of disclosure and mode of presentation of financial instruments (Journal of Laws No 149 item 1674 as amended),
- Corporate Income Tax Law dated 15 February 1992 (Journal of Laws No 106 item 482 as amended),
- Regulation of the Minister of Finance dated 12 December 2001 concerning the model chart of accounts for banks (Journal of Laws No 152 item 1727),
- Regulation of the Council of Ministers dated 16 October 2001 concerning current and periodic reports submitted by issuers of securities (Journal of Laws of 2001 No 139, item 1569 as amended),
- Regulation of the Council of Ministers dated 16 October 2001 concerning specific conditions to be met by issues prospectuses and abridged prospectuses (Journal of Laws No 139, item 1568 as amended).

The data contained in the Report were prepared in line with binding accounting regulations, according to the rules of valuation of assets and liabilities and measurement of the net financial profit as at the balance sheet date, taking account of adjustments in respect of provisions, including the deferred income tax provisions mentioned in the Accountancy Act and asset revaluation appropriations.

A detailed description of the accounting policies and the valuation methodology used by the BRE Bank SA Group ("Group") was presented in the Consolidated Report for 2003 published on 15 March 2004.

In the year 2004, additionally to changes resulting from the Regulation of the Minister of Finance effective since 1 January 2004 and dated 10 December 2003 concerning the rules of provisioning against the risk related to banks' operations, BRE Bank has implemented principles concerning accounting for hedging since 1 January 2004.

***Accounting for hedging***

The Bank uses special accounting principles for hedging with respect to some transactions where all of the following conditions are met jointly:

1. upon the establishment of hedge, a formal set of documents concerning hedging relationship is prepared, which specifies the risk management objective assumed by an unit and the strategy for establishing hedging. The set of documents indicate a hedging instrument, hedged position or transaction, term of hedging, risk against which the Bank is wishing to be hedged and the measure to evaluate efficiency of the hedging instrument in compensating threats regarding changes in the fair value of the hedged position or of changes in the cash flow concerning the hedged transaction to the extent in which this threat may be assigned to the risk against which the Bank wishes to be hedged,
2. it is expected that the collateral will present high effectiveness in compensating changes in the fair value or in cash flow affected by the risk against which the Bank is hedged following documented risk management strategy concerning this specific hedging relationship,
3. the effectiveness level is deemed to be high if according to the accepted assumptions within the whole period of hedging almost the total amount of changes in the fair value of a hedged position or related cash flow is compensated by the changes in the fair value or cash flow of the hedging instrument and the actually obtained level of the hedge effectiveness is within the range from 80% to 125%,
4. in case of hedging the cash flow, a forecasted transaction which is to be hedged by the Bank is very probable and this transaction is subject to potential threats resulting from changes in the cash flow level which could have an overall effect on the net profit or loss,
5. effectiveness of hedging can be evaluated in a reliable way, which means that it is possible to perform a reliable evaluation of changes in the fair value of both the hedged position or cash flow resulting from this position and of the hedging instrument,
6. the hedge is subject to periodical evaluation and its high efficiency has been confirmed during the whole financial term as well as during the whole term of hedging.

**Rules for indicating a hedging instrument**

A hedging instrument can be any derivative if its fair value can be established in a reliable way. Hedging instruments cannot be in the form of options issued by a unit, with the exception of these options which have been used in order to close a position of purchased options, including also those incorporated in other financial instrument.

Financial assets **or financial liabilities which are not** derivatives may be used as hedging instruments only if they hedge foreign currency risk. Financial assets kept till maturity and valuated at their adjusted purchase price may be accepted as an instrument hedging the risk of foreign currency exchange rate changes. .

A single hedging instrument may be treated as security against more than one kind of risk related to the same position hedged if each of these risks can be identified, it is possible to establish a relationship between the hedging instrument and each of the hedged risks and the effectiveness of the hedge against each risk can be measured in a reliable way.

A portion of assets or liabilities selected by an unit, which assets or liabilities meet requirements set forth under these principles can be accepted as a hedging instrument. Assets or liabilities may not be a hedging instrument if they are to serve as interim security only through some time of their being in the possession of the unit.

The hedging instrument fair value is indivisible and is settled in its whole amount in the way specified in this chapter. However, the following may be split:

1. intrinsic value of option and its value in time, assuming that only the intrinsic value constitutes a hedging instrument,
2. outright price (spot) and interest rate of a forward contract, assuming that only outright (spot) price constitutes a hedging instrument.

**Principles for indicating hedged positions**

A hedged position can be a single asset or liability from a unit's assets and liabilities recorded in the accounting books or probable future liabilities not recorded in the books or a planned transaction.

A hedged position can be also a group of assets, liabilities, probable future liabilities or planned transactions if each item from this group is related to a specified risk of a similar nature which has been subject to hedge. Items included in a group are identified and documented prior to the commencing of hedging. In the event if any of the items constituting a group is excluded from the accounting books within the period covered by hedge, the unit should cease using the provisions of this chapter with respect to the whole group.

If the hedged position is formed by financial assets or financial liabilities of an unit or a group of such assets or liabilities then the security may concern one of the risks constituting a threat of changes in the fair value or in the cash flow, provided that the hedging effectiveness against such a risk can be measured in a reliable way.

A hedged position may not be constituted by:

1. derivatives,
2. financial assets categorised as kept till maturity – if the hedge purpose is the interest rate risk, irrespective of whether the risk is related to a change in the fair value of the fixed interest rate instruments or to a change in cash flow related to the variable interest rate instruments,
3. assets valuated with the use of equity method – if the aim is to hedge the fair value,
4. probable future liabilities to acquire other unit as a result of commercial companies merger, with the exception of hedging the foreign currency risk related to this transaction.

If there is a foreign currency risk associated with the assets or liabilities not classified as financial instruments then they can be treated as positions hedged against this type of risk. In other cases hedging of a position occurs against all types of risk jointly.

**Hedging relationships**

There are three types of hedging relationships used by the Bank:

1. Hedging fair value, i.e., hedge against threat of change in the fair value of a recorded asset or liability which can be assigned to a specific type of risk and which affects the financial result shown.
2. Hedging cash flow: hedge against the threat of variable cash flows which

1/ can be assigned to a specific type of risk related to future cash flows resulting from recorded assets or liabilities or not yet recorded forecasted transactions or probable liabilities and

2/ will affect financial result shown.

3. Hedging net investment in a foreign entity, which is hedging interest of a unit preparing the financial statements in net assets of an unit operating abroad, the operations of which unit do not constitute an integral part of operations of the unit preparing the financial statements.

Hedging of fair value which meets within the requirements of the accounting for hedging during the financial term is settled in the following way:

1. gain or loss on evaluation of a hedging derivative to fair value assumed to be an effective part of the hedge is recorded and presented together with the corresponding change in the fair value of a hedged position which is assigned to a specific risk, under the same position of an income statement as revenues/costs of a hedged position. A part of gain or loss generated as a result of a revaluation of a hedging derivative to the fair value which has been considered to be ineffective (inefficient) hedge is recorded under a relevant item of an income statement in accordance with the Bank's general accounting principles,
2. gain or loss on a hedged position to which a risk can be assigned against which the Bank wishes to be hedged adjusts the balance sheet value of a hedged position and is recorded in the income statement. This principle is also used when under other circumstances this hedged position is valuated at the amount of costs (at the purchase price) as well as when the results of the hedged position revaluation are reflected on the revaluation reserve.

Hedging of cash flows which during the financial year meets the requirements of accounting for hedging is settled in the following way:

1. a part of gain or loss generated as a result of a hedging instrument revaluation to its fair value, which has been assumed to be effective hedge, is recorded directly under item "Revaluation reserve",
2. a part of gain or loss generated as a result of a hedging instrument revaluation to its fair value, which has been assumed to be an ineffective hedge, is recorded under respective item of the income statement following the Bank general accounting principles,
3. if future hedged liability or a hedged forecasted transaction results in creation of an asset or a liability then as at the day upon which the asset or the liability is recorded in the accounting books, gains or losses related to such an asset or liability resulting from revaluation of a hedging instrument which were previously recorded directly under the revaluation reserve are written off from the reserve and added up respectively to the initial purchase price or an initial balance sheet value of the asset or the liability specified in any other way,
4. gains or losses on a hedging instrument which were taken into account in the initial valuation of a purchase price or in any other balance sheet value of an asset or a liability

are then recorded in the income statement when a given asset or liability affects the net profit or loss,

5. changes in the fair value of a hedging derivative which were shown under the item “revaluation reserve” are credited to the income statement and classified as revenues or costs within the terms during which the hedge position affects the income statement.

Hedging of a net investment in a foreign entity, which investment meets the requirements of accounting for hedging within the financial year, is settled in the following way:

1. a part of gain or loss generated as a result of a hedging instrument revaluation to its fair value, which has been assumed to be effective hedge, is recorded directly under equity,
2. a part of gain or loss generated as a result of a hedging instrument revaluation to its fair value, which has been assumed to be ineffective hedge:

1/ if a hedging instrument is a derivative then this part of gain or loss is immediately shown under a relevant item of the income statement according to the Bank’s general accounting principles, or

2/ if a hedging instrument is not a derivative then this part of gain or loss is shown under “Revaluation reserve” until the sale of the hedged investment when it should be shown as revenue or cost.

The Bank stops applying the accounting for hedging principles with respect to hedge of the fair value if one of the following events occurs:

1. a hedging instrument expires or is sold, its usage is close to the end or this instrument is realised. Replacing one hedging instrument with another or extending validity of a given hedging instrument is not deemed to be an expiry or termination of use in this context if such a replacement or an extension constitutes a part of a documented hedging strategy accepted by the unit,
2. a hedge is no longer meeting the criteria of the accounting for hedging principles indicated in the initial part of the document and applied to it.

The Bank stops applying the accounting for hedging principles with respect to hedge of cash flow if one of the following events occurs:

1. a hedging instrument expires or is sold, its usage is close to the end or this instrument is realised. Replacing one hedging instrument with another or extending validity of a given hedging instrument is not thought to be an expiry or termination of use in this context if such a replacement or an extension constitutes a part of documented hedging strategy accepted by the unit. In this case total gain or loss on a hedging instrument initially shown under “Revaluation reserve”, if the hedge was effective, is still shown individually under this item till the occurrence of the forecasted transaction,
2. a hedge is no longer meeting the criteria of the accounting for hedging principles indicated in the initial part of the document and applied to it. In this case upon the occurrence of the forecasted transaction, amounts which have been recorded directly under “Revaluation reserve” are accounted for in the net profit or loss in the same period or in the periods in which a future probable liability or a hedged forecasted transaction are posted to the accounting books,
3. in the Bank’s opinion the planned transaction or the probable future liability will not be performed, therefore the accumulated net profit or loss, which were shown directly in the equity must be shown in the net profit or loss for a given period.

### *EUR Exchange Rates Used for Conversion*

The following exchange rates were used for conversions into EUR of data presented in the Report :
- the balance sheet assets and liabilities items were converted into EUR with the use of the mid fix rate prevailing on 31 March 2004 as announced by the National Bank of Poland (NBP), i.e., 4.7455 PLN for 1 EUR; (data as at 31 March 2003 respectively converted according to the exchange rate 4.4052 PLN for 1 EUR),
- the income statement items for 3 months of 2004 were converted into EUR with the use of the exchange rate being an arithmetic mean of the NBP mid fix exchange rates prevailing on the last day of each of 3 months of the year 2004. The mid exchange rate calculated in the above way was 4.7938 PLN for 1 EUR.
(Data as of 31 March 2003 respectively converted according to the exchange rate 4.2474 PLN for 1 EUR).

### *Structure of the BRE Bank SA Group*

Pursuant to the requirements of the Accountancy Act, the Group comprises all subsidiaries and affiliates important from the viewpoint of financial statements, other than those acquired with the sole purpose to be sold.
Pursuant to the requirements of the Regulation of the Minister of Finance dated 12 December 2001 concerning rules of drawing up consolidated financial statements of banks and consolidated financial statements of financial holdings, those subsidiaries and affiliates which meet the criteria of classification as banks, credit institutions, or financial institutions in the sense of the Banking Law are covered by the consolidated financial statements.

Apart from the BRE Bank as the main unit the financial statements as at 31 March 2004 covers the following companies:

| Company’s name | Share in votes (direct and indirect) Consolidation method | Consolidation method |
|---|---|---|
| • Dom Inwestycyjny BRE Banku SA | 100% | full |
| • BRE Leasing Sp. z o.o. | 50.004% | full |
| • Skarbiec Emerytura SA | 100% | full |
| • Skarbiec Asset Management Holding SA | 100% | full |
| • RHEINHYP BRE Bank Hipoteczny SA | 50% | full |
| • BRE Corporate Finance SA | 100% | full |
| • Polfactor SA | 77.42% | full |
| • Tele-Tech Investment Sp. z o.o. | 24% | full |
| • BRE International Finance | 100% | full |
| • Intermarket Bank AG | 54,84% | full |
| • Transfinance a.s. | 77.42% | full |
| • Magyar Factor Rt. | 77.42% | full |

| | | |
|---|---|---|
| • BRE Finance France SA | 99.98% | full |
| • TV-TECH Investment Sp. z o.o. | 40% | full |
| • CERI Sp. z o.o. | 100% | full |

The Group covered by the consolidated financial statements for Q1 2004 is more numerous than it was in the same period of 2003. In the last quarter of 2003, the Group was extended by three companies, i.e., BRE Finance France SA, TV-TECH Investment Sp. z o.o. and CERI Sp. z o.o. (Core businesses of these companies were presented in details in the Introduction to the Consolidated Financial Report for 2003 published on 15 March 2004).

***Comparability of Financial Data***

Data presented in the statements (other than differences due to changes in the Group structure in 2003) are comparable.

***Factors and Events that Materially Affected the Profitability of the Group Q1 2004.***

In Q1 this year both the Group and the holding company noted the highest quarterly growth in the net result within the period of 2 years. The Group showed the financial net result in the amount of PLN 39,914 thousand and the holding company (BRE Bank SA) the result amounting to PLN 39,707 thousand.

The most important factors contributing to generating such a result for Q1 2004 are the following:

**- Net interest income** – in 1$^{st}$ quarter the Group interest income was almost 2 times higher than the one generated in the last quarter of 2003 and by around 64% higher than in Q1 last year. This level of income results both from the increase in the interest income (by around 12% as compared to generated in the last quarter and by around 10% as compared to the same period of last year) and the decrease in the costs of interest paid (by around 7% and 5% as compared to their level in Q4 and Q1 last year respectively). In Q1 BRE Bank experienced clear growth in the average level of the interest income generating assets (by over 15% as compared to the previous quarter and by around 18% as compared to the same period of last year, including the growth in the average loan portfolio level by around 22% and 26% respectively). There was also a clear increase in the interest margin from 1.39% at the end of December 2003 to 2.33% at the end of Q1 this year on the Polish zloty assets and from 0.99% to 1.40% respectively on the foreign currency assets. The increase in the margin on assets was mainly stimulated by the improved situation at the securities market, the increase in the debt securities rates enabled the realisation (classified as interest) of capital gains on the sale of these securities. The capital income on the sale of securities improved the interest income by around PLN 53 million as compared to the negative result of the previous quarter. There was no significant increase noted in the interest margin generated on loan operations, yet a clear

growth in the average level of the loan portfolio and improvement of its quality resulted in the increase of the interest income on this item by over 9%.
Traditionally the following companies are among those significantly contributing to the Group interest income: BRE Leasing (around PLN 11 million), Rheinhyp-BRE Bank Hipoteczny (around PLN 6.8 million), Intermarket Bank AG (4.9 million). The interest paid to the investors by BRE International Finance in the amount of (PLN 10.1 million) and BRE Finance France (PLN 6.1 million) charged against the Group interest income are also considerable.

**- Net commission income –** is also higher in Q1 this year as compared to those generated in previous periods (in this by around 28% higher than in the previous quarter and by over 40% higher than a year ago). Amounts of commission on credits, loans, guarantees, letters of credit were higher in the BRE Bank as compared to previous periods. The following generated significant commission income (after accounting for the consolidation exclusions): Dom Inwestycyjny (PLN 6.1 million), Intermarket Bank (PLN 5.7 million), BRE Leasing (PLN 3.2 million).

**- Result on financial transactions** – Negative result on financial transactions in Q1 2004 was significantly influenced by recording under this item a loss of around PLN 17 million resulting from irregularities in executing capital market transactions due to the wilful misconduct of the Bank's employee. On the other hand, income due from the insurance policy covering this type of risk was recorded under the item "Other operating income".
Level of this item is also affected by the result on sale of the Elektrim SA shares in Q1 2004 in the amount of PLN 11.3 million.

**- Result on foreign exchange transactions** - The result on foreign exchange transactions includes interest income and costs generated on the FX swap transactions. If they were treated as interest income then the result on the Bank's FX transactions would be lower by PLN 23.1 to the advantage of the interest income.

**- Other operating income –** Higher level of this item in the BRE Bank than it was in previous periods results from the said income due from the insurance policy covering the banking risk. Significantly higher level of this position in the consolidated statements compared to data for the holding company results from the income generated by Skarbiec Asset Management Holding (around PLN 14 million), which was mainly due to the asset management performed by the holding companies, and the income generated by PTE Skarbiec Emerytura (around PLN 9 million).

**- Operating costs of the Group** – The operating costs in Q1 this year are significantly, i.e., by around 30% lower than the costs of the previous quarter (which is, however, usually characterised by higher level compared to other periods) and by around 13% higher than the costs incurred in the same period of last year. In BRE Bank these ratios were 34% and 7.5% respectively. The increase in costs as compared to the same period of last year is related mainly to the administrative costs such as rents and costs of premises utilisation, security services for the Bank outlets and other costs related to operating activities (materials and services essential for the day-to-day operations), which increased in BRE Bank by around 28%, which is related to the development of retail banking, mainly to the Multibank outlets development.

- **Charges of the income tax against the Group result** at the end of Q1 2004 amount to PLN 15,964 thousand, in which the current part of the charges equals PLN 3,649 thousand whereas the deferred part amounts to PLN 12,315 thousand. The holding company result was not charged with the current income tax as the taxable basis were reduced with a half of the 2002 tax loss and a part of the 2003 tax loss. Since the tax loss for year 2002-2003 was used in the previous years as basis for calculating deferred asset for income tax, therefore this reduction of the taxable basis by this amount resulted in releasing of this asset. The level of the amount charged against the Bank result was also affected by the interim negative differences occurring in the previous financial periods and creating of provisions, and the asset due on the deferred income tax on interim positive and negative differences occurring in 2004.

Selected positions of the income statement for Q1 2004 in the split into the BRE BANK SA Group business lines are presented in the table on page 16.

The Group assets increased by 3.4%, and those of the holding company by 3% in Q1 this year.

The following are the most significant factors influencing changes in the balance sheet items in the quarter in question.

The increase in amounts due to the Group from financial sector amounting to around 12% was mainly due to the significant growth in the receivables classified as current, i.e., overnight deposits and the balances of the Nostro account held in the BRE Bank by around 30%. The amounts due from financial sector significantly increased also in other companies of the Group (by around 20%), yet the impact of this item on the consolidated values is not very high (around 5%).

The loan portfolio volume presented in the balance sheet as at 31 March this year did not increase compared to the previous period, yet if the average level of the loan portfolio is taken into consideration (calculated based upon daily balances) then in Q1 it is higher by almost 22% than at the end of the previous quarter, and at the same time the average portfolio of PLN loans was higher by almost 36% and of foreign currency loans by around 6%. The quality of the loan portfolio was improved. The share of irregular loans in the BRE Bank portfolio was 16.8% at the end of March this year compared to 21.1% at the end of the previous period. The consolidated portfolio is affected mostly by loans granted by Rheinhyp-BRE Bank Hipoteczny (PLN 1.6 billion), receivables of BRE Leasing (PLN 1.6 billion) and Intermarket Bank AG (PLN 556 million).

The debt securities portfolio increased only in BRE Bank and this was mainly due to the growth in agreed repurchase (repo) securities sale deals. The amount of securities in this type of transactions increased by almost 2 times reaching the level of around PLN 2.3 billion at the end of Q1.

In the category of liabilities the highest increase (by 73.3%) occurred in the liabilities due to the securities sold in agreed repurchase securities sale deals. This type of liability is present only in BRE Bank and is created in relation to the item “Debt securities” in the assets category where the value of securities constituting the object of transaction is booked, whereas in the category of liabilities, the value of the Bank’s liability resulting from that transaction is posted.

Fall in the liabilities to the financial sector occurred both in BRE Bank and the Group Companies. BRE Bank noted a 7.4% decrease in liabilities expressed in Polish zloty and also a reduction in the amount of liabilities resulting from the loans acquired by the Bank. The fall in this category of liabilities was noted by the majority of the Group Companies (in total by 4.5% compared to the level from the previous quarter).

In Q1 there was also a drop in the Group's liabilities towards the non-financial sector, which is highly influenced by the decrease in deposits in BRE Bank, where the corporate deposits fell by over 10%. This drop was not compensated by the increase in deposits of individuals, which deposits increased by over 5% in the previous quarter (in this number of mBank by 5.6%, of Multibank by 15.5%, of the Private Banking customers by 4.3%). Liabilities towards the Group Companies customers increased by around 25%, yet they impact on the consolidated results is not very high (around 3%).

Significantly higher level of liabilities resulting from the issuing of debt securities in the consolidated version as compared to the level of these liabilities in the holding company is affected by the value of Eurobonds issued by the BRE International Finance B.V. companies and the BRE Finance France Company for the amounts of EUR 325 million and EUR 200 million. Also it is affected in a significant way by the securities (mortgage bonds and bonds) issued by Rheinhyp-BRE Bank Hipoteczny for the total amount of around PLN 1 billion.

***Solvency ratio***

Pursuant to the applicable law, BRE Bank SA calculated consolidated solvency ratio of the Bank as at 31 March 2004. The consolidated solvency ratio as of that day amounted to 7.62%. As a result it was necessary to inform the Banking Supervision Commission about this fact.

The main reason for the decrease of the solvency ratio is the modification of regulations on capital adequacy defining the Bank's regulatory equity.

A significant increase of the solvency ratio will follow from the performance of the resolution of the General Meeting of the BRE Bank SA Shareholders dated 21 April 2004 – the Bank's equity will be soon increased by around PLN 550 million.

It should be stressed that compared to Q4 2003 the economic equity of the Bank was not changed and it still remains on the same high level ensuring full safety of funds entrusted to the Bank and the stand-alone solvency ratio as at 31 March 2004 totalled 8.71%.

***Off-balance Sheet Liabilities***

The value presented in the financial statements as at 31 March 2004 of the off-balance sheet liabilities related to the performed purchase/sale transaction in the amount of PLN 218,5 billion reflects mainly the holding company liabilities adjusted by the value of inter Group mutual transactions. It is partially "overstated" (by around PLN 67 billion) as some items are not netted off pursuant to the Instructions for Drafting Banks' Reports in Conjunction with the Model Chart of Accounts issued by NBP's General Inspectorate of Banking Supervision. This applies to foreign currencies and zlotys as well as interest to be received.
The netted value of off balance sheet items i.e., PLN 153.4 billion, represents the nominal value of derivative transactions and interest streams related to the following instruments:

a) Spot and forward transactions (PLN and FX to be paid out) – PLN 24.1 billion,
b) Forward Rate Agreement (FRA) – PLN 73.6 billion,

c) Interest Rate Swap (IRS) interest paid – PLN 43.1 billion,
d) FX options – PLN 9.1 billion,
e) Other – PLN 3.5 billion.

The market value of derivative transactions is estimated at each balance sheet day and reported in the income statement and under relevant balance sheet items.

The risk related to those transactions is mainly measured as sensitivity to the volatility in their market value. The Bank performs a regular analysis of the behaviour of relevant portfolios (stress-testing) and uses the value-at-risk assessment methodology.

The Bank also complies with the norm of acceptable FX risk set by the Banking Supervision Commission as well as internal limits of open FX positions.

***Adjustments for Provisions***

At the end of Q1 of this year, amounts written off by the Group as specific provisions for loans and guarantees and the revaluation of financial assets amounted to PLN 123,163 thousand, including PLN 111,019 thousand written off as specific provisions (for loans, guarantees and securities classified as liabilities purchased on the primary market) and PLN 12,144 thousand written off as revaluation of financial assets. Provisions released by the Group at the end of Q1 of this year were PLN 96,011 thousand, including specific provisions for loans and guarantees and general risk of PLN 87,562 thousand and for revaluation of financial assets PLN 8,499 thousand.

At the end of Q1 this year, at BRE Bank SA, total write-offs for provisions amounted to PLN 107,305 thousand, including PLN 107,092 thousand written off as specific provisions (for purposes given above) and PLN 213 thousand written off as revaluation of financial assets. Total provisions released were PLN 87,448 thousand, including PLN 86,377 thousand for loans, guarantees and general risk and PLN 1,071 thousand for revaluation of financial assets.

***Cash Flow Statement***

“Other financial expenses” in cash flow statements, both stand-alone and consolidated, record interest paid on liabilities due on long-term loans and subordinated liabilities. This resulted in exceeding 5% of the total financial expenses by 19.62% in the holding company and by 3.74% in the Group.

***Major Events of Q1 2004***

- On 15 January 2004, BRE Bank executed with a potential investor in Zakłady Mięsne Pozmeat SA with the registered office in Poznań a framework agreement setting forth the terms and conditions on co-operation with respect to the restructuring the company’s debt.
- On 26 January 2004, BRE Bank issued 479,500 of A class registered bonds with the nominal value of 1 (one) grosz each and with the pre-emptive right to subscribe the BRE Bank ordinary bearer’s shares and the maturity date of 3 July 2006. As a result of these bonds issue, the management options scheme fulfilment will be possible.
- On 29 January 2004, Tele –Tech Investment Sp. z o.o., in place of BRE Bank, purchased from Elektrim Telekomunikacja Sp. z o.o. (ET Sp. z o.o.) 100% of shares at the EL-Net SA company and 100% of the EL Sp. z o.o. shares. Purchase of the above stock and shares resulted from the performance of preliminary agreement executed on 30 June 2003 between BRE Bank and ET Sp. z o.o. Pursuant to the agreement concluded on 23 January 2004, the Bank and Tele-Tech Investment Sp. z o.o. sold the receivables payable to EL-

Net SA, EL Sp. z o.o. and Telefonia Regionalna Sp. z o.o. companies and the El-Net SA stock, and the shares in EL Sp. z o.o. and Telefonia Regionalna Sp. z o.o., to Netia Ventures Sp. z o.o. and Tedec Sp. z o.o. on 29 January 2004.

- On 29 January. BRE Bank SA and Eurohypo AG signed a conditional preliminary share sale agreement on the BRE Bank purchase of 50% of shares of Rheinhyp-BRE Bank Hipoteczny SA ("Rheinhyp-BRE") with the nominal value of PLN 67,500,000. The sale price will be calculated by the Parties on the basis of the Rheinhyp-BRE book value. BRE Bank and Eurohypo AG agreed that they will execute the final agreement on the sale of the Rheinhyp-BRE shares after the fulfilment of conditions set forth under the conditional preliminary share sale agreement. If these conditions are not fulfilled till 31 July 2004, the conditional preliminary share sale agreement will expire. At the same time BRE Bank and Eurohypo AG will undertake all necessary activities aimed at BRE Bank's taking over all Eurohypo receivables resulting from the subordinate loan granted to Rheinhyp-BRE, upon terms and conditions accepted by the Banking Supervisory Commission.
- On 1 March 2004, BRE Bank SA granted a subordinate loan to Dom Inwestycyjny BRE Banku SA. The loan amount totals PLN 2 million. The repayment date is scheduled for 31 March 2009 or later, however, not later than 30 October 2013. The loan was granted in order to increase the equity of the brokerage house, which funds according to applicable regulations must be relevant to the size of business operations performed and to the maximum level of credits, loans and own debt securities issued.
- On 1 March 2004, BRE Bank signed with Tele-Tech Investment Sp. z o.o. ("TTI"), a BRE Bank affiliate, a sale agreement for the sale to BRE Bank of 2,216,221 shares (with the nominal value of PLN 1 each) of OPTIMUS IC SA ("Company") representing 51.78% of the share capital and votes on the Company's General Meeting of Shareholders. The transaction value is PLN 8,430,626. For the Bank the purchase of Company's shares is a short-term investment. After the transaction, BRE Bank holds shares constituting 100% of the share capital and votes on the General Meeting of Shareholders.
- On 6 February 2003, BRE Bank signed two agreement for sale of the Elektrim SA shares with TCF Sp. z o.o. and Polsat Media SA. On 22 July 2003 and 10 November 2003 the Elektrim SA shares in the amount of 8,221,092 and 4,610,547 respectively were sold to Polsat Media SA. The second agreement on the sale of the Elektrim SA to TCF Sp. z o.o. was not performed by this company. Therefore the planned profit on the sale of the Elektrim SA shares amounting to PLN 20.3 million was not realised in 2003. The Elektrim SA shares sold in 2003 under the agreement with Polsat Media Sp. z o.o. generated profit of PLN 7.9 million. In March 2004, the agreement with TCF Sp. z o.o. on the sale of the Elektrim SA shares was terminated. As a result of stock exchange transactions performed in March 2004, BRE Bank disposed of all the Elektrim SA shares it held. The BRE Bank SA capital gain generated as the result of the stock exchange transactions performed in March 2004 amounted to PLN 11.3 million. The total profit on the sale of the Elektrim SA shares in 2003 and 2004 amounted to PLN 19.2 million.
- On 12 March 2004, the company ITI Holdings repurchased from BRE Bank 278 bonds of ITI Holdings with a total value of USD 13,900,000 (equivalent of PLN 54,045,980 calculated according to the NBP mid fix rate announced on 12 March 2004) by paying to the BRE Bank account the nominal value of the repurchased bonds increased by the interest accrued since 12 March 2004. After this transaction, BRE Bank holds the ITI Holdings shares with the nominal value of USD 28,050,000. Pursuant to the terms and conditions of the restructuring agreement these bonds will be converted into a new issue

of long-term bonds issued by the ITI Holdings SA subsidiary with a four year maturity, secured on the shares in TVN Sp. z o.o. and guaranteed by ITI Holdings SA.

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

- On 21 April 2004, BRE Bank SA granted a subordinate loan to Dom Inwestycyjny BRE Banku SA. The loan amount totals PLN 4 million. The repayment date is scheduled for 31 March 2009 or later, however, not later than 30 October 2013. The loan was granted in order to increase the equity of the brokerage house, which funds according to relevant regulations must be relevant to the size of business operations performed and maximum level of credits, loans and own debt securities issued.

***Material Share Packages***

Commerzbank AG is a shareholder holding over 5% of the share capital and votes at the General Meeting of Shareholders and it currently holds 72.16% of the share capital and votes at the BRE Bank SA General Meeting of Shareholders.

***Change in Shares and Options Held by Managers and Supervisors***

| | **Bank's Management Board** | **Supervisory Board** |
|---|---|---|
| Number of shares held as at 31 December 2003 | 97,915 | 20,368 |
| Number of shares acquired in Q1 | 0 | |
| Number of shares sold in Q1 | 0 | 1.200 |
| **Number of shares held as at 31 March 2004** | **97,915** | **19,168** |
| Number of options held as at 31 December 2003. | 168,600 | 0 |
| Number of options acquired in Q1 | 0 | |
| Number of options sold in Q1 | 0 | |
| **Number of options held as at 31 March 2004** | **168,600** | **0** |

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

The total value of the Ban's liabilities or receivables disputed in proceedings before a court, an arbitration body or a public administration authority is less then 10% of the Bank's equity. As a creditor, the Bank takes part in bankruptcy, restructuring and bill of exchange proceedings with the total value (including interest) of PLN 452,995 thousand.

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

In Q1 2004 there were no transactions with associated entities in excess of the PLN equivalent of EUR 500,000 other than typical and regular transaction at market prices, whose nature or parameters would be unrelated to regular business operations of the Bank.

### *Credit and Loan Guarantees, Other Guarantees Granted in Excess of 10% of the Equity*

The Bank's exposure in excess of 10% of the equity at 31 March 2004 was related to:
- two guarantees of the redemption of eurobonds issued by order of BRE International Finance B.V. (issuer of eurobonds) a 100% owned subsidiary of BRE Bank SA, totalling EUR 325 million. The first guarantee of EUR 200 million took effect in June 2000 and its term is indefinite. The other guarantee of EUR 125 million expires in November 2004.
- a guarantee of the redemption of eurobonds issued by order of BRE Finance France SA (issuer of eurobonds), a subsidiary of BRE Bank SA. The guarantee for the amount of EUR 200 million took effect in November 2003 and expires in November 2006.

### *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 2004.

**BRE Bank SA Group**
**At 31 March 2004**

## Income Statement by Business Line

PLN'000

| | Corporate Banking | Investment Banking | Strategic Investment | Proprietary Investments | Private Banking & Retail Banking | Other not assigned to segments | Consolidation adjustment excl. mutual transactions | Total BRE Bank Group |
|---|---|---|---|---|---|---|---|---|
| **1. Result on banking operations incl. provisions** | 86 749 | 86 770 | 3 938 | 28 014 | 35 322 | (15 887) | (16 807) | 208 098 |
| **2. Operating costs and depreciation** | 83 405 | 28 922 | 25 774 | 2 852 | 46 618 | 19 527 | (12 319) | 194 780 |
| **3. Gross proft (loss)** | 12 235 | 61 446 | 1 736 | 25 062 | (6 021) | (16 465) | (22 074) | 55 918 |
| **4. Income tax** | | | | | | | | 15 964 |
| **5. Share in the profit/loss of subsidiaries subject to equity accounting valuation** | 0 | 0 | (12 834) | 1 720 | 0 | 0 | 13 943 | 2 828 |
| **6. Net profit (loss)** | | | | | | | | 39 914 |