BRE Bank SA Group

IFRS Consolidated Financial Statements for the third quarter of 2006

Contents

(PLN '000s)

Selected financial data

SELECTED FINANCIAL DATA FOR THE GROUP		in PLN '000		in EUR '000	
		3 quarters 2006 from 2006-01-01 to 2006-09-30	3 quarters 2005 from 2005-01-01 to 2005-09-30	3 quarters 2006 from 2006-01-01 to 2006-09-30	3 quarters 2005 from 2005-01-01 to 2005-09-30
I.	Interest income	**1 231 495**	**1 178 334**	**314 389**	**290 352**
II.	Fee and commission income	**504 966**	**395 190**	**128 913**	**97 378**
III.	Net trading income	**286 954**	**153 848**	**73 257**	**37 909**
IV.	Operating profit	**403 480**	**273 730**	**103 005**	**67 449**
V.	Profit before income tax	**403 368**	**273 470**	**102 976**	**67 385**
VI.	Net profit (loss) attributable to minority interest	**18 675**	**12 277**	**4 768**	**3 025**
VII.	Net profit (loss)	**306 046**	**200 438**	**78 131**	**49 390**
VIII.	Cash flows from operating activities	**(3 519 296)**	**(564 405)**	**(898 444)**	**(139 074)**
IX.	Cash flows from investing activities	**(116 704)**	**(71 604)**	**(29 794)**	**(17 644)**
X.	Cash flows from financing activities	**1 733 829**	**263 962**	**442 631**	**65 043**
XI.	Net increase / decrease in cash and cash equivalents	**(1 902 171)**	**(372 047)**	**(485 607)**	**(91 675)**
XII.	Total assets	**39 335 531**	**32 598 581**	**9 874 616**	**8 323 184**
XIII.	Amounts due to the Central Bank	**1 084**	**-**	**272**	**-**
XIV.	Amounts due to other banks	**6 795 342**	**5 295 880**	**1 705 872**	**1 352 163**
XV.	Amounts due to customers	**22 748 486**	**18 857 070**	**5 710 678**	**4 814 653**
XVI.	Capital and reserves attributable to the Company's equity holders	**2 400 795**	**1 968 841**	**602 685**	**502 691**
XVII.	Minority interest	**86 187**	**61 443**	**21 636**	**15 688**
XVIII.	Share capital	**117 838**	**115 233**	**29 582**	**29 422**
XIX.	Number of shares	**29 459 506**	**28 808 238**	**29 459 506**	**28 808 238**
XX.	Book value per share (in PLN/EUR per share)	**81.49**	**68.34**	**20.46**	**17.45**
XXI.	Diluted book value per share (in PLN/EUR per share)	**81.17**	**68.11**	**20.38**	**17.39**
XXII.	Capital adequacy ratio	**9.95**	**10.34**	**9.95**	**10.34**
XXIII.	Earnings per 1 ordinary share (in PLN/EUR per share) (for 9 months)	**10.45**	**6.98**	**2.67**	**1.72**
XXIV.	Diluted earnings per 1 ordinary share (in PLN/EUR per share) (for 9 months)	**10.38**	**6.95**	**2.65**	**1.71**
XXV.	Declared or paid dividend per share (in PLN/EUR per share)	**-**	**-**	**-**	**-**

SELECTED FINANCIAL DATA FOR THE BANK		in'000 PLN		in'000 EUR	
		3 quarters 2006 from 2006-01-01 to 2006-09-30	3 quarters 2005 from 2005-01-01 to 2005-09-30	3 quarters 2006 from 2006-01-01 to 2006-09-30	3 quarters 2005 from 2005-01-01 to 2005-09-30
I.	Interest income	**964 843**	**1 007 243**	**246 316**	**248 193**
II.	Fee and commission income	**287 594**	**240 843**	**73 420**	**59 346**
III.	Net trading income	**274 894**	**148 842**	**70 178**	**36 676**
IV.	Operating profit	**265 096**	**217 954**	**67 677**	**53 706**
V.	Profit before income tax	**265 096**	**217 954**	**67 677**	**53 706**
VI.	Net profit (loss)	**221 273**	**176 058**	**56 489**	**43 382**
VII.	Cash flows from operating activities	**(3 329 914)**	**(775 693)**	**(850 097)**	**(191 137)**
VIII.	Cash flows from investing activities	**(263 724)**	**(81 444)**	**(67 326)**	**(20 069)**
IX.	Cash flows from financing activities	**1 633 063**	**437 672**	**416 906**	**107 846**
X.	Net increase / decrease in cash and cash equivalents	**(1 960 575)**	**(419 465)**	**(500 517)**	**(103 360)**
XI.	Total assets	**34 330 977**	**29 838 900**	**8 618 295**	**7 618 572**
XII.	Amounts due to the Central Bank	**1 084**	**-**	**272**	**-**
XIII.	Amounts due to other banks	**4 266 649**	**3 367 937**	**1 071 080**	**859 913**
XIV.	Amounts due to customers	**24 910 150**	**21 119 875**	**6 253 332**	**5 392 400**
XV.	Equity	**2 235 402**	**1 903 882**	**561 165**	**486 106**
XVI.	Share capital	**117 838**	**115 233**	**29 582**	**29 422**
XVII.	Number of shares	**29 459 506**	**28 808 238**	**29 459 506**	**28 808 238**
XVIII.	Book value per share (in PLN/EUR per share)	**75.88**	**66.09**	**19.05**	**16.87**
XIX.	Diluted book value per share (in PLN/EUR per share)	**75.58**	**65.86**	**18.97**	**16.82**
XX.	Capital adequacy ratio	**10.69**	**12.37**	**10.69**	**12.37**
XXI.	Earnings per 1 ordinary share (in PLN/EUR per share) (for 9 months)	**7.55**	**6.13**	**1.93**	**1.51**
XXII.	Diluted earnings per 1 ordinary share (in PLN/EUR per share) (for 9 months)	**7.51**	**6.11**	**1.92**	**1.50**
XXIII.	Declared or paid dividend per share (in PLN/EUR per share)	**-**	**-**	**-**	**-**

Introduction

The BRE Bank Group generated a profit before tax of PLN 403.4 million in Q1-3 2006, up 47.5% year on year (PLN 273.5 million in Q1-3 2005). The consolidated pre-tax profit was PLN 154.2 million in Q3 2006 alone, the highest quarterly figure in 2006. The Bank's performance in Q3 2006 was particularly strong while the Group subsidiaries reported results close to the previous periods. The higher profitability was possible thanks to above-average growth in income from the core business (net interest and commission income) as well as lower loan impairment provisions.

The BRE Bank Group's profitability and efficiency ratios improved quarter by quarter. The ratios were both up year on year and ahead of the 2006 financial goals and targets.

- The Group's pre-tax ROE (profit before tax to average own funds) was 25.24% p.a. at the end of September 2006, more than the Q1-3 2005 ROE (19.83%) and the H1 2006 ROE (23.6% p.a.), and well ahead of the current ROE target (18%).
- The Group's C/I ratio (overhead costs including amortisation/depreciation to income including net other operating income and costs) stood at 64.02% at the end of September 2006, compared to 67.9% in Q1-3 2005 and the annual target of 66%.

The key profit drivers included:

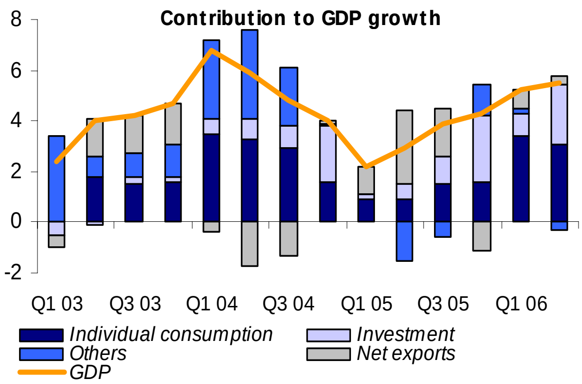
- Continued increase in the loan portfolio and customer deposits thanks to retail banking expansion and a recovery in the corporate loans market, improving the balance sheet structure in terms of profitability. The share of the loan portfolio in the balance sheet total grew by 10 percentage points in Q1-3 2006 and reached 57.7%.
- Continued positive trends in the financial and fx markets, helping the high profitability of the trading business, including the particularly high share of the foreign exchange income in he Group's total income.
- Significant contribution of the subsidiaries to the Group's results (40% share in pre-tax profit, 35% share in net profit) thanks to growing profitability and the integration of BRE Bank Hipoteczny (BBH). BBH's contribution to the pre-tax profit of the Group was 8% at 30 September 2006. BBH's contribution to the balance sheet was mainly under loans and advances (a share of approximately 10%) and liabilities under issued securities (a share of over 30%). BBH's contribution to the P&L was mainly under the net interest income (a share of 8.8%) and overhead costs (a share of 3.3%).
- A strict cost regime at the Bank and the subsidiaries.
- High quality of the risk portfolio with a default ratio at 3.0%, stable after H1 2006 (compared to 3.5% in Q1 2006), ensuring a relatively low cost of loans impairment to the Group's P&L.

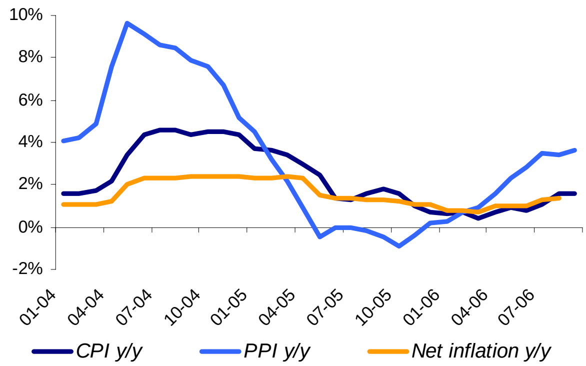
In view of the BRE Bank Group's financial results at the end of September 2006, the Management Board of BRE Bank SA confirms that the annual pre-tax profit target of PLN 380 million and the annual pre-tax ROE target of 18% will be exceeded. At present the Management Board expects that it will possible to achieve the annual pre-tax profit of PLN 490 million, the annual pre-tax ROE of 23%, C/I ratio at the level of 66% and the capital adequacy ratio at the level of approximately 10%. The higher performance will be possible mainly thanks to higher income on the core activity helped by advantageous market conditions, as well as to a significant improvement in the quality of the loan portfolio and the resulting lower cost of credit provisions.

Macroeconomics in Q3 2006

Gross Domestic Product

Official GDP estimates for H1 2006 and available macroeconomic data for Q3 2006 suggest that fast economic growth continues. According to the Polish Statistical Office GUS, the GDP growth rate was 5.2% in Q1 2006 and 5.5% in Q2 2006. The higher economic growth was accompanied by a change in the GDP structure, mainly through fast growing investments. In Q2 2006, investments were up 14.4%, the highest growth in investment in fixed assets since the mid-1990s. Combined with the prevailing fast growth in private consumption (up 4.9% in Q2 2006) and the continued fast growth in exports (up 23.4% in August 2006), GDP growth has stable foundations and may continue into subsequent periods. Available Q3 data, including the growth in industrial output and retail sales at more than 10% month on month as well as favourable current market conditions, suggest that growth has stabilised slightly below the H1 2006 level. According to our forecast, GDP growth in Q3 was approximately 5%, mainly driven by the continuing high growth in investments and private consumption.





Labour Market

Thanks to prevailing economic recovery, the labour market continued to improve. The official unemployment rate fell from 16% at the end of Q2 to 15.2% at the end of September 2006. Employment in the corporate sector was up 3.5% year in year in August and September 2006, the highest growth in the entire transition period. The improving labour market has seen a relatively high growth in wages and salaries. The average gross wage in the corporate sector was up 5.3% year on year in Q3 2006.

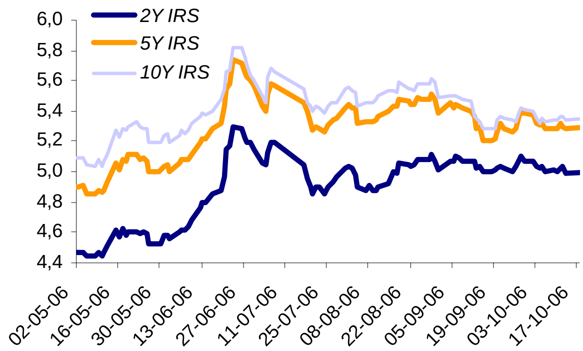
A fast increase in household income coupled with a high growth in household loans and complemented by foreign transfers gives the foundation of fast growth in private consumption. Productivity in the processing industry keeps growing higher than wages and salaries, but the overall economy enjoys a less favourable trend as the unit labour cost grew steadily over the past quarters.

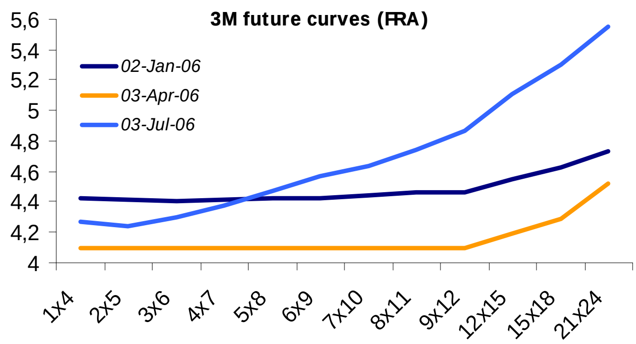
Inflation and Interest Rates

The CPI was 1.6% year on year at the end of Q3 2006, above the floor of the NBP inflation target deviation band. The CPI growth was accompanied by steadily growing net inflation, up from 1.0% in June to 1.4% year on year in August 2006. The inflation pressure augmented also through the fast growing PPI, up 3.6% year on year in September (compared to 2.8% in June). While the current inflation ratios grew quite significantly, the Monetary Policy Council did not decide to hike the official interest rates, probably attributing higher prices to supply-side factors which did not pose a mid-term threat to the inflation target. However, financial instrument prices and opinions of most analysts suggests that the interest rates may be hiked in Q1 2007 when the CPI approaches the MPP target.

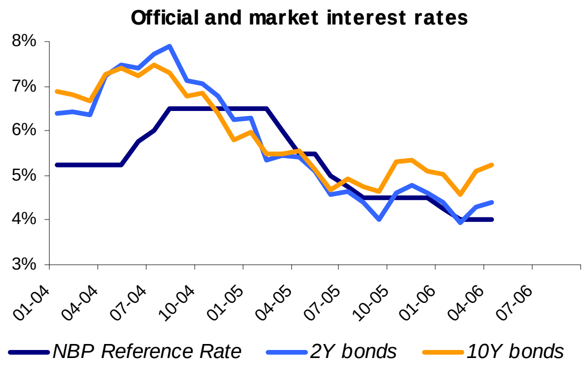
Financial Markets

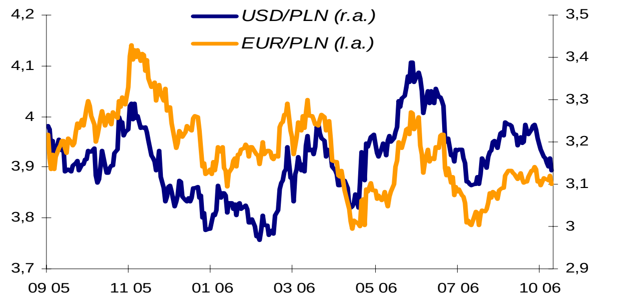
The turbulent political scene in Q3 2006 did not cause a major deterioration in financial market sentiments. The zloty strengthened by nearly 2% against the US dollar and by 2.5% against the euro in Q3. The bond markets sentiments also improved despite growing current inflation and a less favourable balance of risks to future inflation. Market players welcomed publications on the successful implementation of 2006 budget targets. Thanks to a good regime of budget spending and a strong revenue base, the budget deficit was at only 47.4% of the annual target after Q3 2006.





Investor interest in Polish and regional markets (as well as emerging markets in general) was also boosted by developments in the base markets, in particular the end of the US interest rate hike cycle and eurozone macroeconomic results exceeding expectations.



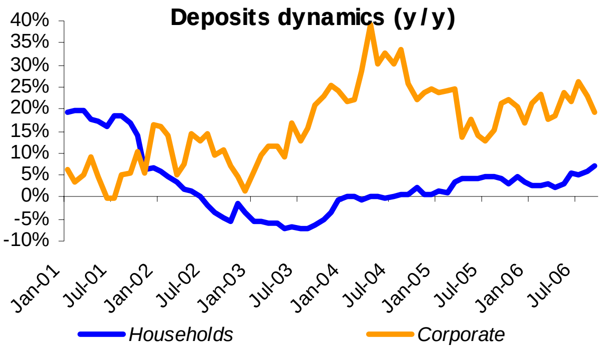


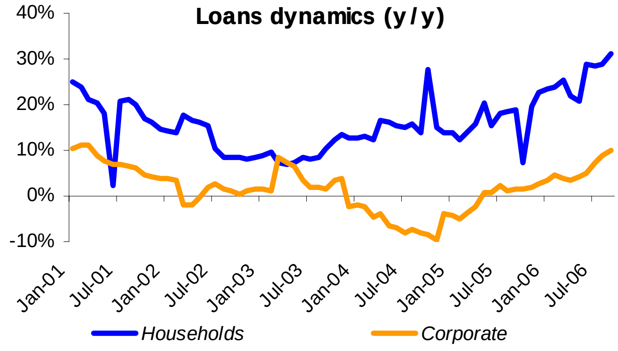
Banking Sector

Very high growth in household loans continued in Q3 2006. Household loans were up 31.2% year on year at the end of September. Housing loans were the fastest-growing category while interest in PLN housing loans rose sharply (their share in total loans was 33.5% in August 2006). This was a result of new restrictive regulations in force after July 2006 (Recommendation S) as well as a shrinking interest rate differential between Poland on the one hand and Switzerland and the eurozone on the other. Consumer loans continued to grow fast and so did credit card debt.

Interest in corporate bank loans continued to rise over the past months. Their growth was close to 10% year on year in September, the highest rate in years. This suggests that investments continue to grow fast, which should sustain interest in corporate loans for several months more.

At the same time, companies still have a high cash surplus. Corporate deposits with banks were over PLN 111 billion, up by almost 20% year on year at the end of September. This was certainly helped by strong corporate performance in H1 2006 (net profit of non-financial companies was PLN 18.9 billion in Q2, the highest ever). Household deposits keep growing but at a lower rate, up 7.3% year on year.





Main Factors Affecting the Results of the BRE Bank Group in Q3 2006

Balance Sheet

The BRE Bank Group's balance sheet total was PLN 39.3 billion at 30 September 2006, up 20.7% year on year and up 19.8% year to date. Credits and loans grew the fastest, by 42.7% and 46.7% respectively, up by PLN 6.8-7.2 billion. This high growth continued in Q3 2006 when loans were up approximately 4% quarter on quarter, a high contribution to the growth in the balance sheet total. Thanks to this fast growth, much above that of the balance sheet total, credits and loans accounted for 57.7% of the total assets, compared to 48.8% at the end of September 2005.

The high growth in the credit portfolio was mainly driven by the expansion of retail banking, the addition of BBH's mortgage loans portfolio, and the recovery in the corporate loans market. The growth in the Bank's lending was 30.1% year on year and 34.8% year to date while the retail loans portfolio doubled year on year.

Very liquid assets (loans and advances to banks, securities available for sale) remained stable, ensuring high safety of the business. The structure of this item changed: the share of interbank placements decreased in favour of trading and investment securities. This change occurred at the Bank thanks to management of the balance sheet structure in terms of the solvency and profitability of business.

The highest growth by value among sources of financing was reported for amounts due to customers, up by PLN 3.9 billion or over 20% year on year. As a result, their share in total liabilities remained stable at 61.7%.
The fastest growth in income (up 50%) was in debt securities in issue thanks to the consolidation of the balance sheet of BBH which mainly uses debt securities to finance its business.

Amounts due to other banks also grew over the past months as BRE Bank received Commerzbank loans in CHF as a source of financing its fast-growing CHF loans portfolio. The amounts due to other banks were up 28.3% year on year and 59.6% year to date.

The share of equity in sources of funding remained stable at approximately 6% of the total liabilities and equity.

The capital adequacy ratio fell to 9.95% at the end of Q3 2006, compared to 10.39% at the end of Q2 2006. This was mainly due to a relatively high increase in the capital requirement compared to the growth in equity following the dynamic expansion in lending, including both retail and corporate loans.

Profit and Loss Account

The BRE Bank Group generated a profit before tax of PLN 403.4 million in Q1-3 2006, up 47.5% year on year.

The net interest income remained the major P&L item. It was PLN 527.4 million at the end of September 2006, compared to PLN 498 million in Q1-3 2005. The higher net interest income was mainly helped by the income earned in Q3 by the Bank and the subsidiaries. The BRE Bank Group's interest margin (net interest income to average interest-earning assets) was 2.09% p.a. compared to 2.05% p.a. in H1 2006 and 2.19% at the end of 2005.

The net interest income in 2006 was helped by changes in the BRE Bank Group balance sheet structure. A more effective balance sheet structure was possible through a higher contribution of the Retail Banking Line to the Bank's assets and liabilities, as well as a growing portfolio of mortgage loans (including the BBH portfolio) and corporate loans. The growing income from lending and a positive change in the structure of financing set off the negative trends of lower profitability of securities prevailing in Q2 2006.

The contribution of Corporate Banking Line and the Retail Banking Line to the BRE Bank Group's net interest income grew to 52% and 39%, respectively, compared to 46% and 30% in Q1-3 2005. The contribution of the Investment Banking Line to the Group's net interest income fell from 30% at 30 September 2005 to 12% at 30 September 2006.

Trading income was the fastest-growing item of the BRE Bank Group's P&L in Q1-3 2006, up 86.5% year on year. This growth in trading income was reported by the subsidiaries as well as the Bank whose contribution to the Group's trading income was at a high 95%.
The Bank's high trading income set off the relatively lower growth in its net interest income year on year.

The net commission income grew relatively fast by 25.1%. The item provided the second largest contribution to the Group's income. It stood at PLN 359.3 million, compared to PLN 287.3 million in Q1-3 2005. The investment banking subsidiaries, the asset management subsidiaries, and the Bank's retail banking business reported the highest growth in the net commission income.

Despite a lower growth rate, the Corporate Banking Line again made the largest contribution to the net commission income (55.5%), followed by the Asset Management Line (20%). The Investment Banking Line reported growth in the net commission income by a factor of 3 thanks to active investor trading on the Warsaw Stock Exchange and the resulting high profitability of BRE Bank SA Securities. Thanks to a high growth at almost 75% year on year, the contribution of the Retail Banking Line to the Group's net commission income grew steadily to over 16% at the end of September 2006.

Impairment losses on loans and advances were PLN 40.2 million at the end of September 2006, including PLN 25.6 million for BRE Bank. The cost of credit risk was comparable to Q1-3 2005 at the Bank and down by approximately PLN 11 million in the subsidiaries.

Consolidated overhead costs were up by PLN 100 million or 17.7% year on year in Q1-Q3 2006. The highest growth occurred in maintenance costs, after three quarters up by PLN 33 million or 13.2%, and payroll costs which grew by ca. PLN 60 million of 25.1%. Overhead costs grew by PLN 54 million at the Bank and by PLN 46 million in the subsidiaries in Q1-Q3 2006. The high growth in costs was a result of the consolidation of BRE Bank Hipoteczny, not yet consolidated in 2005. BBH's overhead costs were PLN 22 million in Q1-Q3 2006. The subsidiaries reported growth mainly in payroll costs as a result of business expansion and increasing headcount. The high growth in maintenance costs was due to the branch network expansion and the growing operations of the Bank and the subsidiaries, including mainly growing lending, in particular mortgage loans, as well as leasing and brokerage.

Quality of the Credit Portfolio

The Bank applies the provisions of the International Financial Reporting Standards (IFRS) as of 1 January 2005. The credit risk portfolio is stated under the provisions of IAS 39 and IAS 37.

The default ratio for the credit risk portfolio under IAS 39 and IAS 37 was 3.5% at the end of Q1 2006 and 3.0% at the end of Q2 and Q3 2006.

The default ratio for the balance-sheet credit risk portfolio (credit receivables less interest) was 4.7% at the end of Q3 2006 (down from 5.8% at the end of Q1 2006 and 4.9% at the end of Q2 2006).

The quality of the credit risk portfolio under the Polish Accounting Standards (rating of loans under the Regulation of the Finance Minister dated 10 December 2003) improved in Q3 2006. Irregular loans were 5.6% of the balance-sheet credit risk portfolio, compared to 6.1% at 30 June 2006.

The main factor of improvement in the quality of the credit risk portfolio in Q3 2006 was a significant improvement in the financial standing of companies, growth in the credit risk portfolio, and unexpected repayments of default loans.

The ratio of provisions to default credit exposure dropped slightly from 77.4% at the end of Q2 2006 to 75.4% at the end of Q3 2006 for the whole credit portfolio, and from 77.9% to 77.4% for the balance-sheet portfolio.

Although the credit risk portfolio grew, the portfolio provision (IBNR) for the non-default portfolio fell from PLN 119 million at the end of Q2 2006 to PLN 111 million at the end of Q3 2006. The portfolio provision was lower thanks to the improving quality of the credit portfolio as demonstrated by the improvement in credit rating, as well as the reduced PD (probability of default) of particular credit ratings.

Performance of the Business Lines

Retail Banking and Private Banking

Financial Results

The Retail Banking Line, which was growing the fastest, reported a profit before tax of PLN 67.3 million at the end of September 2006, compared to PLN 18.3 million in Q1-3 2005. The contribution of the Business Line to the Group's pre-tax profit was up from 6.7% in Q1-3 2005 to 16.7% in Q1-3 2006. Both its net interest income (up 39.6%) and net commission income (up 74.7%) grew faster than the Group average.

The Business Line's contribution to the Group's total net interest and commission income grew from 23.2% in Q1-3 2005 to 30% at the end of September 2006.

Thanks to dynamic expansion of the branch network, the Retail Banking Business reported a significant increase in overhead costs by approximately 56%, more than the Group's average but less than the growth rate of income. The costs also grew due to allocated costs, almost twice as high as last year since the Line's share in the Bank's overheads increased.

Profitability grew sharply in Q3 2006 when the pre-tax profit was PLN 43.6 million, nearly 65% of the total profit.

The significant growth in profit was greatly helped by the dynamic growth in the credit portfolio, mainly the portfolio of mortgage loans carrying low credit risk (up by over 90% year on year and over 18% quarter on quarter) which set off the ongoing credit margin squeeze.

Customers and Accounts

BRE Bank's Retail Banking Line had 1 536.1 thousand customers at the end of September 2006 (including 1 218.2 thousand at mBank and 317.9 thousand at MultiBank). The Line acquired over 80.5 thousand new customers in Q3 (63.5 thousand at mBank, 17.0 thousand at MultiBank). There were almost 176 thousand microenterprise customers at the end of September 2006 (127.9 thousand at mBank, 48 thousand at MultiBank). The number of microenterprise customers grew by 8.8 thousand in Q3 2006 (6.8 thousand at mBank, 2.0 thousand at MultiBank).

The Retail Banking Line had 1 799.8 thousand accounts at the end of September 2006 (1 601.2 thousand at mBank, 198.6 thousand at MultiBank). The number of accounts grew by 104.2 thousand in Q3 2006 (92.2 thousand at mBank, 13 thousand at MultiBank). The number of microenterprise accounts grew by 10.1 thousand in Q3 2006 (7.8 thousand at mBank, 2.2 thousand at MultiBank). There were 210.2 thousand microenterprise accounts (162.1 thousand at mBank, 48.1 thousand at MultiBank) at the end of Q3 2006.

(PLN '000s)

Deposits

The Retail Banking Line had deposits of PLN 6 503.9 million at the end of September 2006 (PLN 4 971.9 million at mBank, PLN 1 532.0 million at MultiBank). The deposits grew by PLN 428.8 million in Q3 2006 (PLN 270.3 million at mBank, PLN 158.5 million at MultiBank).

Investment Funds

BRE Bank's retail customers' assets in investment funds were PLN 1 244.7 million at the end of September 2006 (PLN 955.7 million at mBank, PLN 289 million at MultiBank). Investment fund assets grew by PLN 167.3 million in Q3 2006 (PLN 124.5 million at mBank, PLN 42.8 million at MultiBank).

Loans

Balance-sheet retail loans were PLN 7 103.6 million at the end of September 2006 (PLN 2 514.2 million at mBank, PLN 4 589.4 million at MultiBank). Retail loans grew by PLN 1 204.3 million in Q3 2006 (PLN 561.4 million at mBank, PLN 642.9 million at MultiBank).

Loans portfolio structure

mBank: 85.1% mortgage loans (PLN 2 139.5 million), 5.7% credit lines (PLN 143.6 million), 3.4% credit cards (PLN 84.9 million), 5.8% other (PLN 145.8 million);

MultiBank: 85.2% mortgage loans (PLN 3 909.0 million), 7.2% credit lines (PLN 332.1 million), 2.1% credit cards (PLN 95.1 million), 5.5% other (PLN 253.3 million).

The Retail Banking Line's balance-sheet mortgage loans were PLN 6 048.5 million at the end of Q3 2006 (mBank PLN 2 139.5 million, MultiBank PLN 3 909.0 million). Balance-sheet mortgage loans grew by PLN 1 088.2 million in Q3 2006 (PLN 513.9 million at mBank, PLN 574.3 million at MultiBank). Retail mortgage loans were PLN 5 710.8 million at the end of September 2006 (PLN 2 135.1 million at mBank, PLN 3 575.71 million at MultiBank). FX loans (mainly CHF) were 82.6% of balance-sheet mortgage loans (92.6% at mBank, 77% at MultiBank).

Retail Mortgage Loans	*Total*	*PLN*	*FX*
Balance-sheet value (PLN bn)	5.7	0.7	5.0
Average maturity (years)	22.4	18.2	23.0
Average value (PLN'000)	157.0	185.9	155.8
Average LTV (%)	68.22%	56.07%	70.12%
NPL (%)	0.5%	1.6%	0.4%

The Retail Banking Line's share in the mortgage loans market grew dynamically. According to the Polish Banks Association, BRE Bank's market share in granted mortgage loans was 12.2% at the end of August 2006, up 0.8 percentage points compared to the end of May 2006.

Microenterprise loans were PLN 637.3 million at the end of Q3 2006 (PLN 31.6 million at mBank, PLN 605.7 million at MultiBank), 53% of which were mortgage loans (14.3% at mBank, 55% at MultiBank). Microenterprise mortgage loans were PLN 337.8 million (PLN 4.5 million at mBank, PLN 333.3 million at MultiBank).

Cards

BRE Bank's Retail Banking Line had issued 925.2 thousand debit cards by the end of September 2006 (681.2 thousand at mBank, 246 thousand at MultiBank), up 63 thousand in Q3 2006 (41.3 thousand at mBank, 21.7 thousand at MultiBank).

(PLN '000s)

BRE Bank's Retail Banking Line had issued 131.4 thousand credit cards by the end of September 2006 (74.5 thousand at mBank, 56.9 thousand at MultiBank), up 13.4 thousand in Q3 2006 (9.6 thousand at mBank, 3.8 thousand at MultiBank).

Corporate Banking

Financial Results

The pre-tax profit of BRE Bank's Corporate Banking Line was PLN 154 million at the end of September 2006, up by approximately PLN 7 million year on year, mainly due to the Bank's higher net interest income following expansion of lending. The assets of the Line grew by ca. 22% or PLN 2.7 billion year on year.

The Line's financial results in 2006 were also affected by the consolidation of BBH with its high contribution to the Group's balance sheet and income items. The contribution of the subsidiaries to the profitability of the Business Line, taking into account carry costs and consolidation adjustments, reached 46% of the pre-tax profit. The largest contribution was that of BBH, BRE Leasing Sp. z o.o., and Intermarket Bank AG.

Profitability grew the fastest, by PLN 64.6 million, in Q3 2006, mainly thanks to the growing profitability at the Bank (PLN 37.6 million), as well as an above-average net interest income from loans. The Corporate Banking subsidiaries continued to grow fast in Q3 2006, as demonstrated in particular by their high net commission income (PLN 49 million) and net interest income (PLN 22 million).

Corporate Customers

The Bank's active customer acquisition produced positive results in Q1-3 2006. BRE Bank acquired over 1.7 thousand new corporate customers, 23% more than in Q1-3 2005. The net change in the number of corporate customers was a positive 863 (849 from K2 and K3 customer segments), of which 74% were K3 customers, 24% K2 customers and 2% K1 customers.

Service Packages: An Effective Customer Acquisition Tool

The Bank acquired nearly 989 new customers who bought service packages in Q1-3 2006, up 56% year on year. The average Q1-3 2006 growth in the number of SME customers per month was 26% higher than the 2005 monthly average.

The sales of packages including credit products, such as EFFECT Plus and EFFECT Investments, were growing. There were nearly 2.5 times as many active credit packages in Q1-3 2006 as in Q1-3 2005.

Corporate Banking Customers

	31.12.2005	*30.09.2006*	*Change*
*K1**	928	942	14
*K2**	3 179	3 387	208
*K3**	5 926	6 567	641

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

Corporate Deposits

BRE Bank's corporate customers' deposits (including deposits of enterprises) were PLN 15.3 billion at the end of September 2006, up by approximately 6.7% year to date. The market share of BRE Bank's corporate deposits was 8.6%, compared to 8.4% in June 2006.

Corporate Loans

Corporate customers' interest in loans increased sharply in Q1-3 2006, especially in the case of K2 and K3 customers. As a result, BRE Bank's corporate customers loans portfolio grew 9.4% year to date and was PLN 10.5 billion. The market share of BRE Bank's corporate loans was 6.4% at the end of September 2006, compared to 6.3% at the end of June 2006 and 5.8% at the end of 2005.

Strategic Product Lines

Cash Management
Ongoing expansion of the cash management service supports long-term customer relationships and helps to grow the volume of transactions involving the identification of payments (direct debits, identification of mass payments, identification of trade payments). The number of direct debits processed in Q1-3 2006 was 979 thousand, up 58% year on year. The number of identifications of mass payments processed in Q1-3 2006 was over 68.6 million, up more than 9% year on year. The number of identifications of trade payments was nearly 1 750 thousand in Q1-3 2006, up by over 11% year on year.

Foreign Trade Transactions
BRE Bank's leading position in the market of foreign trade transactions, especially its close co-operation with exporters, helped to grow the number of foreign trade services opened and advised, by 12.2% year on year for letters of credit and by 6.9% for collections. This in turn grew the fee and commission income by 3.6% for letters of credit and by 15.3% for collections (year on year).

BRE Leasing

Leasing contracts executed by BRE Leasing in Q1-3 2006 totalled PLN 1.64 billion (up 36.5% year on year). BRE Leasing ranks second in the market by the value of assets leased from January to September 2006. BRE Leasing generated a pre-tax profit of PLN 21.3 million in Q1-3 2006, up 45.9% year on year.

Factoring – The Intermarket Group

The sales of the Intermarket Group companies consolidated by BRE Bank totalled EUR 3.5 billion in Q1-3 2006, up 18% year on year. The Group companies generated a pre-tax profit of PLN 38.5 million, up 13.7% year on year. Polfactor's sales were PLN 2.1 billion, up 21% year on year.

BRE Bank Hipoteczny (BBH)

BBH's balance and off-balance sheet loans portfolio was PLN 3.05 billion at the end of September 2006 (up 25.9% year on year). BBH's Q1-3 2006 profit before tax was PLN 31.4 million, up 60.2% year on year. The profit grew mainly thanks to a higher net interest income, helped by significantly higher lending, and lower administrative costs. The volume of loans granted was PLN 994.9 million in Q1-3 2006, up 45% year on year.

Investment Banking

Financial Results

The Investment Banking Line generated a pre-tax profit of PLN 166.7 million at the end of September 2006, up by approximately PLN 50 million (42.3%) year on year. The increase in the profitability was largely possible thanks to the Bank's growing trading income; the Line's net interest income was, however, lower than in 2005. The decrease in the net interest income was caused by a lower profitability of debt securities.

Favourable conditions in fx markets allowed for above-average profits on fx transactions and on fx financial instruments in 2006. In addition, the Line's pre-tax profit was helped by the release of credit provisions in the Project Finance segment in Q2 2006 following the repayment of overdue debt.

DI BRE reported a 70% year-on-year growth in the net commission income, which was crucial to the Investment Banking Line's income.

The main contribution to the Line's profit once again came from the Bank (92%).

Market Position

BRE Bank holds the first place in the market of banks' bonds and the second place of commercial papers with a share of approximately 27.4% and 12.6.%, respectively. BRE Bank ranks third in short-term corporate debt. Besides BRE Bank has achieved the first place in dealers' ranking organized by Ministry of Finance (Q2 2006 ranking list).

PZU SA, Vectra SA, Novitus SA – dividends

During the last quarter BRE Bank received dividends from the companies from the proprietary investments portfolio such as PZU and Novitus at the total amount of PLN 10.5 million gross. The dividend from Vectra at the amount of PLN 2 million gross will be paid out until the end of October.

Vectra SA – BRE Bank's share in the nominal capital

The BRE Bank's share in the nominal equity of the company increased from 18.89% to 19.95%, because the court registered the change of the nominal equity, via depreciation of 2 553 447 of shares, which had belonged to Vectra.

Proprietary Investments Portfolio

At the end of Q3 2006, the proprietary investments portfolio stood at PLN 279.1 million at cost. The portfolio was reduced by PLN 97.1 million (down 25.8%) year to date. The reduction followed the sale of stocks and shares (Zachodni Fundusz Inwestycyjny, Novitus) as well as ITI Bond Finance bonds. Compared to the last quarter the change of the proprietary investments portfolio at cost is insignificant.

Dom Inwestycyjny BRE

Currently DI BRE market share in options trading exceeds 34%. With a market share of 12.6% in Q3 2006, DI BRE was the second largest broker of futures. DI BRE is steadily growing its market share in equities trading: 6.6% of all transactions in equities in Q3 2006 were traded by DI BRE.

Asset Management

Financial Results

The Asset Management Line reported a pre-tax profit of PLN 16.6 million in Q1-3 2006, compared to a PLN 9.9 million loss in Q1-3 2005. The fast-growing net commission income was decisive to the year-on-year increase in the Line's operating profit.

The financial standing of the holding's subsidiaries and the financial results of the holding were helped by the positive trends which began in Q1 and Q2 2006 and continued or advanced even further. The assets under management of TFI and SIM grew 47% year to date thanks to increasing net sales and a growing market value of the assets.

The Bank signed an agreement to sell SAMH to Polish Enterprise Fund V; the transaction will be closed not earlier than 8 January 2007. The Group's consolidated gross profit on the sale is forecasted at ca. PLN 100 million in 2007.

(PLN '000s)

Consolidated Profit and Loss Account

Consolidated Profit and Loss for the third quarter of 2006 and the third quarter 2005

	Note	III Quarter (curent year) from 01-07-2006 to 30-09-2006	III Quarters cumulative (curent year) from 01-01-2006 to 30-09-2006	III Quarter (previous year) from 01-07-2005 to 30-09-2005	III Quarters cumulative (previous year) from 01-01-2005 to 30-09-2005
Interest income		440 682	1 231 495	387 652	1 178 334
Interest expense		(245 760)	(704 078)	(225 437)	(680 293)
Net interest income	5	**194 922**	**527 417**	**162 215**	**498 041**
Fee and commission income		177 612	504 966	141 143	395 190
Fee and commission expense		(47 528)	(145 696)	(39 464)	(107 920)
Net fee and commission income	6	**130 084**	**359 270**	**101 679**	**287 270**
Dividend income	7	10 738	15 762	106	21 846
Net trading income, including:	8	90 855	286 954	55 531	153 848
Foreign exchange result		71 965	256 654	75 620	163 663
Other trading income		18 890	30 300	(20 089)	(9 815)
Gains less losses from investment securities	9	1 274	11 858	143	11 968
Other operating income	10	42 733	189 767	24 551	64 515
Impairment losses on loans and advances	11	(7 408)	(40 200)	(40 468)	(51 103)
Overhead costs	12	(229 875)	(666 324)	(175 484)	(566 134)
Amortization and depreciation		(41 684)	(122 971)	(32 678)	(98 449)
Other operating expenses	13	(37 390)	(158 053)	(18 697)	(48 072)
Operating profit		**154 249**	**403 480**	**76 898**	**273 730**
Share of profit of associates		-	(112)	(90)	(260)
Profit before income tax		**154 249**	**403 368**	**76 808**	**273 470**
Income tax expense		(24 018)	(78 647)	(16 880)	(60 755)
Net profit (loss) including minority interest, of which:		**130 231**	**324 721**	**59 928**	**212 715**
Net profit (loss) attributable to minority interest		4 584	18 675	4 028	12 277
Net profit (loss)		**125 647**	**306 046**	**55 900**	**200 438**
Net profit (loss) attributable to the Company's equity holders		**306 046**		**200 438**	
Weighted average number of ordinary shares	14	**29 294 433**		**28 730 879**	
Earnings per 1 ordinary share (in PLN per share)	14	**10.45**		**6.98**	
Weighted average number of ordinary shares for diluted earnings	14	**29 475 772**		**28 830 019**	
Diluted earnings per 1 ordinary share (in PLN per share)	14	**10.38**		**6.95**	

(PLN '000s)

Consolidated Balance Sheet

Consolidated Balance Sheet as at 30 September 2006, 31 December 2005 and 30 September 2005

	Note	30.09.2006	31.12.2005	30.09.2005
ASSETS				
Cash and balances with Central Bank		1 254 468	1 778 457	1 028 913
Debt securities eligible for rediscounting at the Central Bank		27 964	37 464	36 368
Loans and advances to banks		2 808 297	4 668 474	6 940 692
Trading securities	15	3 741 156	5 011 960	2 574 943
Derivative financial instruments		1 256 772	1 264 500	1 512 023
Other financial instruments at fair value through profit or loss		-	-	74 660
Loans and advances to customers	16	22 682 681	15 463 514	15 899 980
Investment securities	17	3 621 791	1 124 832	894 801
- Available for sale		3 621 791	1 124 832	864 125
- Held to maturity		-	-	30 676
Non-current assets held for sale	18	317 063	317 349	-
Pledged assets	15, 17	2 042 321	1 516 212	1 695 033
Investments in associated undertakings		5 573	6 477	2 358
Intangible assets		403 515	406 380	679 374
Tangible fixed assets		565 274	558 535	509 057
Deferred income tax assets		83 128	117 048	141 847
Other assets		525 528	555 437	608 532
Total assets		**39 335 531**	**32 826 639**	**32 598 581**
EQUITY AND LIABILITIES				
Amounts due to the Central Bank		1 084	-	-
Amounts due to other banks		6 795 342	4 256 749	5 295 880
Derivative financial instruments and other trading liabilities		1 042 894	1 271 206	1 663 866
Amounts due to customers	19	22 748 486	20 436 844	18 857 070
Debt securities in issue		4 183 006	2 731 157	2 758 888
Subordinated liabilities		1 409 189	1 362 528	1 381 769
Other liabilities		568 329	563 021	510 281
Current income tax liabilities		10 603	3 529	6 250
Provisions for deferred income tax		213	161	180
Provisions		83 161	86 135	94 113
Libilities held for sale	20	6 242	6 839	-
Total liabilities		**36 848 549**	**30 718 169**	**30 568 297**
Equity				
Capital and reserves attributable to the Company's equity holders		**2 400 795**	**2 035 239**	**1 968 841**
Share capital:		**1 488 940**	**1 423 843**	**1 399 486**
- Registered share capital		117 838	115 936	115 233
- Share premium		1 371 102	1 307 907	1 284 253
Other capital and reserves		**(3 663)**	**(2 975)**	**745**
Retained earnings:		**915 518**	**614 371**	**568 610**
- Profit (loss) from the previous year		609 472	366 828	368 172
- Profit (loss) for the current year		306 046	247 543	200 438
Minority interest		86 187	73 231	61 443
Total equity		**2 486 982**	**2 108 470**	**2 030 284**
Total equity and liabilities		**39 335 531**	**32 826 639**	**32 598 581**
Capital adequacy ratio		**9.95**	**11.10**	**10.34**
Book value		**2 400 795**	**2 035 239**	**1 968 841**
Number of shares		**29 459 506**	**28 983 972**	**28 808 238**
Book value per share (in PLN)		**81.49**	**70.22**	**68.34**
Diluted number of shares		**29 577 506**	**29 082 134**	**28 907 378**
Diluted book value per share (in PLN)		**81.17**	**69.98**	**68.11**

(PLN '000s)

Statements of changes in consolidated equity

Changes in equity from 1 January 2006 to 30 September 2006

Changes in consolidated equity from 1 January 2006 to 30 September 2006	Share capital		Other capital and reserves	Retained earnings					Minority interest	Total
	Registered share capital	Share premium (aggio)		Other supplementary capital	Other reserve capital	General risk fund	Profit (loss) from the previous year	Profit (loss) for the current year		
Equity as at 1 January 2006	**115 936**	**1 307 907**	**(2 975)**	**-**	**(4 304)**	**558 000**	**60 675**	**-**	**73 231**	**2 108 470**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-	**-**
- changes to accounting policies	-	-	-	-	-	-	-	-	-	**-**
- adjustment of errors	-	-	-	-	-	-	-	-	-	**-**
Adjusted equity as at 1 January 2006	**115 936**	**1 307 907**	**(2 975)**	**-**	**(4 304)**	**558 000**	**60 675**	**-**	**73 231**	**2 108 470**
Net change in investments available for sale, net of tax	-	-	(3 704)	-	-	-	-	-	-	(3 704)
Net change in cash flow hedges, net of tax	-	-	321	-	-	-	-	-	320	641
Currency translation differences	-	-	2 695	-	-	-	-	-	1 258	3 953
Net profit not recognised in the profit & loss account	**-**	**-**	**(688)**	**-**	**-**	**-**	**-**	**-**	**1 578**	**890**
Net profit (loss)	-	-	-	-	-	-	-	**306 046**	**18 675**	**324 721**
Total profit recognised in current year	**-**	**-**	**(688)**	**-**	**-**	**-**	**-**	**306 046**	**20 253**	**325 611**
Dividends paid	-	-	-	-	-	-	-	-	(4 437)	(4 437)
Transfer to General Banking Risk Fund	-	-	-	-	-	-	-	-	-	-
Transfer to reserve capital	-	-	-	-	32 594	-	(32 594)	-	-	-
Transfer to supplementary capital	-	-	-	9 298	-	-	(9 298)	-	-	-
Loss coverage with reserve capital	-	-	-	-	-	-	-	-	-	-
Loss coverage with supplementary capital	-	-	-	-	-	-	-	-	-	-
Issue of shares	1 902	58 021	-	-	-	-	-	-	-	59 923
Redemption of shares	-	-	-	-	-	-	-	-	-	-
Purchase/sale of own shares	-	-	-	-	-	-	-	-	-	-
Issue expenses	-	-	-	-	-	-	-	-	-	-
Additional shareholder payments	-	-	-	-	-	-	-	-	(2 418)	(2 418)
Sale of fixed assets	-	-	-	-	-	-	-	-	-	-
Change in the scope of consolidation	-	-	-	-	-	-	(918)	-	(660)	(1 578)
Increase of share in consolidated company	-	-	-	-	-	-	-	-	-	-
Other changes	-	(160)	-	156	(465)	-	2	-	218	(249)
Stock option program for employees	**-**	**5 334**	**-**	**-**	**(3 674)**	**-**	**-**	**-**	**-**	**1 660**
- value of services provided by the employees	-	-	-	-	1 660	-	-	-	-	1 660
- settlement of exercised options	-	5 334	-	-	(5 334)	-	-	-	-	-
Equity as at 30 September 2006	**117 838**	**1 371 102**	**(3 663)**	**9 454**	**24 151**	**558 000**	**17 867**	**306 046**	**86 187**	**2 486 982**

(PLN '000s)

Changes in equity from 1 January 2005 to 31 December 2005

Changes in consolidated equity from 1 January 2005 to 31 December 2005	Share capital		Other capital and reserves	Retained earnings					Minority interest	Total
	Registered share capital	Share premium (aggio)		Other supplementary capital	Other reserve capital	General risk fund	Profit (loss) from the previous year	Profit (loss) for the current year		
Equity as at 1 January 2005	**114 853**	**1 271 164**	**1 568**	**8 303**	**206 049**	**558 000**	**(315 192)**	**-**	**62 656**	**1 907 401**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	(86 879)	-	(2 809)	(89 688)
- adjustment of errors	-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2005	**114 853**	**1 271 164**	**1 568**	**8 303**	**206 049**	**558 000**	**(402 071)**	**-**	**59 847**	**1 817 713**
Net change in investments available for sale, net of tax	-	-	(2 444)	-	-	-	-	-	-	(2 444)
Net change in cash flow hedges, net of tax	-	-	2 616	-	-	-	-	-	2 616	5 232
Currency translation differences	-	-	(4 715)	-	-	-	-	-	(2 655)	(7 370)
Net profit not recognised in the profit & loss account	**-**	**-**	**(4 543)**	**-**	**-**	**-**	**-**	**-**	**(39)**	**(4 582)**
Net profit (loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**247 543**	**20 362**	**267 905**
Total profit recognised in current year	**-**	**-**	**(4 543)**	**-**	**-**	**-**	**-**	**247 543**	**20 323**	**263 323**
Dividends paid	-	-	-	-	-	-	-	-	(1 967)	(1 967)
Transfer to General Banking Risk Fund	-	-	-	-	-	-	-	-	-	-
Transfer to reserve capital	-	-	-	-	-	-	-	-	-	-
Transfer to supplementary capital	-	-	-	10 006	-	-	(10 006)	-	-	-
Loss coverage with reserve capital	-	-	-	-	(208 301)	-	208 301	-	-	-
Loss coverage with supplementary capital	-	-	-	(18 309)	-	-	18 309	-	-	-
Issue of shares	1 083	29 834	-	-	-	-	-	-	-	30 917
Redemption of shares	-	-	-	-	-	-	-	-	-	-
Purchase/sale of own shares	-	-	-	-	-	-	-	-	-	-
Issue expenses	-	-	-	-	-	-	-	-	-	-
Additional shareholder payments	-	-	-	-	-	-	-	-	(8 996)	(8 996)
Sale of fixed assets	-	-	-	-	-	-	-	-	-	-
Change in the scope of consolidation	-	-	-	-	-	-	-	-	-	-
Increase of share in consolidated company	-	-	-	-	-	-	-	-	3 803	3 803
Other changes	-	-	-	-	321	-	(1 401)	-	221	(859)
Stock option program for employees	**-**	**6 909**	**-**	**-**	**(2 373)**	**-**	**-**	**-**	**-**	**4 536**
- value of services provided by the employees	-	-	-	-	4 536	-	-	-	-	4 536
- settlement of exercised options	-	6 909	-	-	(6 909)	-	-	-	-	-
Equity as at 31 December 2005	**115 936**	**1 307 907**	**(2 975)**	**-**	**(4 304)**	**558 000**	**(186 868)**	**247 543**	**73 231**	**2 108 470**

(*PLN '000s)*

Changes in equity from 1 January 2005 to 30 September 2005

Changes in consolidated equity from 1 January 2005 to 30 September 2005	Share capital		Other capital and reserves	Retained earnings					Minority interest	Total
	Registered share capital	Share premium (aggio)		Other supplementary capital	Other reserve capital	General risk fund	Profit (loss) from the previous year	Profit (loss) for the current year		
Equity as at 1 January 2005	**114 853**	**1 271 164**	**1 568**	**8 303**	**206 049**	**558 000**	**(315 192)**	**-**	**62 656**	**1 907 401**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	(86 879)	-	(2 809)	(89 688)
- adjustment of errors	-	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2005	**114 853**	**1 271 164**	**1 568**	**8 303**	**206 049**	**558 000**	**(402 071)**	**-**	**59 847**	**1 817 713**
Net change in investments available for sale, net of tax	-	-	535	-	-	-	-	-	-	535
Net change in cash flow hedges, net of tax	-	-	2 133	-	-	-	-	-	2 132	4 265
Currency translation differences	-	-	(3 491)	-	-	-	-	-	(2 125)	(5 616)
Net profit not recognised in income statement	**-**	**-**	**(823)**	**-**	**-**	**-**	**-**	**-**	**7**	**(816)**
Net profit (loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**200 438**	**12 277**	**212 715**
Total profit recognised in current year	**-**	**-**	**(823)**	**-**	**-**	**-**	**-**	**200 438**	**12 284**	**211 899**
Dividends paid	-	-	-	-	-	-	-	-	(1 987)	(1 987)
Transfer to General Banking Risk Fund	-	-	-	-	-	-	-	-	-	-
Transfer to reserve capital	-	-	-	-	26	-	(26)	-	-	-
Transfer to supplementary capital	-	-	-	10 006	-	-	(10 006)	-	-	-
Loss coverage with reserve capital	-	-	-	-	(208 302)	-	208 302	-	-	-
Loss coverage with supplementary capital	-	-	-	(18 309)	-	-	18 309	-	-	-
Issue of shares	380	8 765	-	-	-	-	-	-	-	9 145
Redemption of shares	-	-	-	-	-	-	-	-	-	-
Purchase/sale of own shares	-	-	-	-	-	-	-	-	-	-
Issue expenses	-	-	-	-	-	-	-	-	-	-
Additional shareholder payments	-	-	-	-	-	-	-	-	(8 996)	(8 996)
Sale of fixed assets	-	-	-	-	-	-	-	-	-	-
Change in the scope of consolidation	-	-	-	-	-	-	-	-	-	-
Increase of share in consolidated company	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	(1 130)	-	295	(835)
Stock option program for employees	**-**	**4 324**	**-**	**-**	**(979)**	**-**	**-**	**-**	**-**	**3 345**
- value of services provided by the employees	-	-	-	-	3 345	-	-	-	-	3 345
- settlement of exercised options	-	4 324	-	-	(4 324)	-	-	-	-	-
Equity as at 30 September 2005	**115 233**	**1 284 253**	**745**	**-**	**(3 206)**	**558 000**	**(186 622)**	**200 438**	**61 443**	**2 030 284**

(PLN '000s)

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement for the third quarter 2006 and the third quarter 2005

	Quarter ended 30 September	
	2006	*2005*
A. Cash flow from operating activities - indirect method	**(3 519 296)**	**(564 405)**
Profit before income tax	**403 368**	**273 470**
Adjustments:	**(3 922 664)**	**(837 875)**
Income taxes paid (negative amount)	(1 895)	(56 837)
Amortisation	122 971	98 449
Foreign exchange gains (losses)	68 969	(87 969)
Gains (losses) on investing activities	(1 878)	(86)
Impairment of financial assets	1 295	612
Dividends received	(13 392)	(21 151)
Interest paid	723 772	502 937
Change in loans and advances to banks	(4 729)	(457 547)
Change in trading securities	985 123	(360 779)
Change in derivative financial instruments	4 485	284 801
Change in other financial instruments at fair value	-	(74 660)
Change in loans and advances to customers	(5 281 178)	(1 571 350)
Change in investment securities	(2 493 392)	(314 693)
Change in other assets	(28 841)	40 870
Change in amounts due to other banks	273 005	(96 443)
Change in financial instruments and other trading liabilities	(228 196)	43 153
Change in amounts due to customers	1 624 942	1 447 390
Change in debt securities in issue	333 148	(354 749)
Change in provisions	(8 982)	1 583
Change in other liabilities	2 109	138 594
Net cash from operating activities	**(3 519 296)**	**(564 405)**
B.Cash flows from investing activities	**(116 704)**	**(71 604)**
Investing activity inflows	**41 024**	**74 919**
Disposal of shares in associates	10 944	-
Disposal of shares in subsidiaries, net of cash disposed	3 909	14 230
Proceeds from sale of intangible assets and tangible fixed assets	12 779	3 197
Other investing inflows	13 392	57 492
Investing activity outflows	**157 728**	**146 523**
Acquisition of associates	38	-
Acquisition of subsidiaries, net of cash acquired	9 280	11 123
Purchase of intangible assets and tangible fixed assets	92 767	81 491
Other investing outflows	55 643	53 909
Net cash used in investing activities	**(116 704)**	**(71 604)**

(*PLN '000s)*

	Quarter ended 30 September	
	2006	*2005*
C. Cash flows from financing activities	**1 733 829**	**263 962**
Financing activity inflows	**7 753 502**	**2 587 859**
Proceeds from loans and advances from other banks	3 301 030	757 558
Proceeds from other loans and advances	13 807	131 631
Issue of debt securities	4 378 740	1 279 371
Increase of subordinated liabilities	-	405 830
Issue of ordinary shares	59 925	13 469
Financing activity outflows	**6 019 673**	**2 323 897**
Repayments of loans and advances from other banks	1 369 658	869 410
Repayments of other loans and advances	79 277	-
Redemption of debt securities	4 360 120	1 268 820
Other financial liabilities	-	18 905
Dividends and other payments to shareholders	5 273	-
Other financing outflows	205 345	166 762
Net cash from financing activities	**1 733 829**	**263 962**
Net increase / decrease in cash and cash equivalents (A+B+C)	**(1 902 171)**	**(372 047)**
(Decrease)/increase in cash and cash equivalents in respect of foreign exchange gains and losses	6	(12 649)
Cash and cash equivalents at the beginning of the reporting period	8 163 420	10 047 287
Cash and cash equivalents at the end of the reporting period	**6 261 255**	**9 662 591**

(PLN '000s)

Consolidated Contingent Liabilities and Commitments

Contingent Liabilities and Commitments as at 30 September 2006, 31 December 2005 and 30 September 2005

	30.09.2006	31.12.2005	30.09.2005
Contingent laibilities granted and received	**12 416 963**	**10 622 729**	**9 585 715**
Liabilities granted	**11 127 039**	**9 510 093**	**8 439 306**
- financing	8 900 661	7 769 140	6 705 466
- guarantees	2 226 378	1 740 953	1 733 840
Liabilities received	**1 289 924**	**1 112 636**	**1 146 409**
- financing	224 534	552 679	613 522
- guarantees	1 065 390	559 957	532 887
Liabilities arising from purchase/sale operations	**549 596 919**	**394 123 899**	**430 842 182**
Other liabilities	**1 225 454**	**1 373 322**	**985 357**
- factoring receivables	744 542	760 417	556 856
- factoring payables	205 701	334 242	126 707
- other	275 211	278 663	301 794
Total off-balance-sheet items	**563 239 336**	**406 119 950**	**441 413 254**

(PLN '000s)

BRE Bank SA Stand Alone Financial Statements

1. Profit and Loss Account

Profit and Loss Account from 1 January 2006 to 30 September 2006 and from 1 January 2005 to 30 September 2005

	III Quarter (curent year) from 01-07-2006 to 30-09-2006	III Quarters cumulative (curent year) from 01-01-2006 to 30-09-2006	III Quarter (previous year) from 01-07-2005 to 30-09-2005	III Quarters cumulative (previous year) from 01-01-2005 to 30-09-2005
Interest income	346 135	964 843	318 100	1 007 243
Interest expense	(203 409)	(579 197)	(183 649)	(588 404)
Net interest income	**142 726**	**385 646**	**134 451**	**418 839**
Fee and commission income	99 164	287 594	85 975	240 843
Fee and commission expense	(29 136)	(94 995)	(23 861)	(67 254)
Net fee and commission income	**70 028**	**192 599**	**62 114**	**173 589**
Dividend income	12 365	35 694	(22)	36 853
Net trading income	87 387	274 894	53 056	148 842
Foreign exchange result	77 114	247 333	73 418	160 059
Other trading income	10 273	27 561	(20 362)	(11 217)
Gains less losses from investment securities	1 497	10 884	(1)	1 907
Other operating income	32 455	51 558	18 520	32 710
Impairment losses on loans and advances	(3 045)	(25 612)	(30 001)	(25 152)
Overhead costs	(175 059)	(506 105)	(139 996)	(451 833)
Amortization and depreciation	(33 524)	(100 210)	(29 703)	(86 657)
Other operating expenses	(21 355)	(54 252)	(15 488)	(31 144)
Operating profit	**113 475**	**265 096**	**52 930**	**217 954**
Profit before income tax	**113 475**	**265 096**	**52 930**	**217 954**
Income tax expense	(11 327)	(43 823)	(11 109)	(41 896)
Net profit (loss)	**102 148**	**221 273**	**41 821**	**176 058**
Net profit (loss)	**221 273**		**176 058**	
Weighted average number of ordinary shares	**29 294 433**		**28 730 879**	
Earnings per 1 ordinary share (in PLN per share)	**7.55**		**6.13**	
Weighted average number of ordinary shares for diluted earnings	**29 475 772**		**28 830 019**	
Diluted earnings per 1 ordinary share (in PLN per share)	**7.51**		**6.11**	

(PLN '000s)

2. Balance Sheet

Balance Sheet as at 30 September 2006, 31 December 2005 and 30 September 2005

	30.09.2006	31.12.2005	30.09.2005
ASSETS			
Cash and balances with Central Bank	1 248 623	1 776 340	1 028 833
Debt securities eligible for rediscounting at the Central Bank	27 964	37 464	36 368
Loans and advances to banks	3 065 490	4 689 765	6 978 219
Trading securities	3 811 056	5 014 653	2 507 071
Derivative financial instruments	1 260 695	1 264 500	1 512 169
Other financial instruments at fair value through profit or loss	-	-	74 660
Loans and advances to customers	17 495 549	12 979 559	13 450 180
Investment securities	3 227 474	1 055 174	773 941
- Available for sale	3 227 474	1 055 174	773 941
Non-current assets held for sale	310 821	310 510	-
Pledged assets	2 041 971	1 516 212	1 695 033
Investments in subsidiaries	822 119	285 251	647 471
Investments in associated undertakings	-	5 649	826
Intangible assets	353 841	368 504	364 502
Tangible fixed assets	463 311	484 071	476 856
Deferred income tax assets	30 401	83 950	106 563
Other assets	171 662	264 543	186 208
Total assets	**34 330 977**	**30 136 145**	**29 838 900**
EQUITY AND LIABILITIES			
Amounts due to the Central Bank	1 084	-	-
Amounts due to other banks	4 266 649	2 265 852	3 367 937
Derivative financial instruments and other trading liabilities	1 053 463	1 270 414	1 661 880
Amounts due to customers	24 910 150	22 747 932	21 119 875
Debt securities in issue	46 325	91 545	91 191
Subordinated liabilities	1 409 189	1 362 528	1 381 769
Other liabilities	334 864	364 894	241 680
Current income tax liabilities	10	-	1 298
Provisions	73 841	78 109	69 388
Total liabilities	**32 095 575**	**28 181 274**	**27 935 018**
Equity			
Share capital	**1 488 940**	**1 423 843**	**1 399 486**
- Registered share capital	117 838	115 936	115 233
- Share premium	1 371 102	1 307 907	1 284 253
Other capital and reserves	**(4 803)**	**(2 637)**	**589**
Retained earnings:	**751 265**	**533 665**	**503 807**
- Profit (loss) for the previous year	529 992	326 355	327 749
- Net profit (loss) for the current year	221 273	207 310	176 058
Total equity	**2 235 402**	**1 954 871**	**1 903 882**
Total equity and liabilities	**34 330 977**	**30 136 145**	**29 838 900**
Capital adequacy ratio	**10.69**	**12.87**	**12.37**
Book value	**2 235 402**	**1 954 871**	**1 903 882**
Number of shares	**29 459 506**	**28 983 972**	**28 808 238**
Book value per share (in PLN)	**75.88**	**67.45**	**66.09**
Diluted number of shares	**29 577 506**	**29 082 134**	**28 907 378**
Diluted book value per share (in PLN)	**75.58**	**67.22**	**65.86**

(PLN '000s)

3. Statements of changes in equity

Changes in equity from 1 January 2006 to 30 September 2006

Changes in equity from 1 January 2006 to 30 September 2006	Share capital		Other capital and reserves	Retained earnings					Total
	Registered share capital	Share premium (aggio)		Supplementary capital	Other reserve capital	General risk fund	Profit (loss) from previous year	Profit (loss) for the current year	
Equity as at 1 January 2006	**115 936**	**1 307 907**	**(2 637)**	**12 388**	**12 967**	**558 000**	**(49 690)**	**-**	**1 954 871**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	-	-	-
- adjustment of errors	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2006	**115 936**	**1 307 907**	**(2 637)**	**12 388**	**12 967**	**558 000**	**(49 690)**	**-**	**1 954 871**
Net change in investments available for sale, net of tax	-	-	(3 890)	-	-	-	-	-	(3 890)
Net change in cash flow hedges, net of tax	-	-	-	-	-	-	-	-	-
Currency translation differences	-	-	1 724	-	-	-	-	-	1 724
Net profit not recognised in income statement	**-**	**-**	**(2 166)**	**-**	**-**	**-**	**-**	**-**	**(2 166)**
Net profit (loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**221 273**	**221 273**
Total profit recognised in current year	**-**	**-**	**(2 166)**	**-**	**-**	**-**	**-**	**221 273**	**219 107**
Dividends paid	-	-	-	-	-	-	-	-	-
Transfer to General Banking Risk Fund	-	-	-	-	-	-	-	-	-
Transfer to reserve capital	-	-	-	-	-	-	-	-	-
Transfer to supplementary capital	-	-	-	-	-	-	-	-	-
Loss coverage with reserve capital	-	-	-	-	-	-	-	-	-
Loss coverage with supplementary capital	-	-	-	-	-	-	-	-	-
Issue of shares	1 902	58 021	-	-	-	-	-	-	59 923
Redemption of shares	-	-	-	-	-	-	-	-	-
Purchase/sale of own shares	-	-	-	-	-	-	-	-	-
Issue expenses	-	-	-	-	-	-	-	-	-
Additional shareholder payments	-	-	-	-	-	-	-	-	-
Sale of fixed assets	-	-	-	-	-	-	-	-	-
Change in the scope of consolidation	-	-	-	-	-	-	-	-	-
Increase of share in consolidated company	-	-	-	-	-	-	-	-	-
Other changes	-	(160)	-	-	-	-	1	-	(159)
Stock option program for employees	**-**	**5 334**	**-**	**-**	**(3 674)**	**-**	**-**	**-**	**1 660**
- value of services provided by the employees	-	-	-	-	1 660	-	-	-	1 660
- settlement of exercised options	-	5 334	-	-	(5 334)	-	-	-	-
Equity as at 30 September 2006	**117 838**	**1 371 102**	**(4 803)**	**12 388**	**9 293**	**558 000**	**(49 689)**	**221 273**	**2 235 402**

(PLN '000s)

Changes in equity from 1 January 2005 to 31 December 2005

Changes in equity from 1 January 2005 to 31 December 2005	Share capital		Other capital and reserves	Retained earnings					Total
	Registered share capital	Share premium (aggio)		Supplementary capital	Other reserve capital	General risk fund	Profit (loss) from previous year	Profit (loss) for the current year	
Equity as at 1 January 2005	**114 853**	**1 271 164**	**3 460**	**12 388**	**204 097**	**558 000**	**(361 661)**	**-**	**1 802 301**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	(84 070)	-	(84 070)
- adjustment of errors	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2005	**114 853**	**1 271 164**	**3 460**	**12 388**	**204 097**	**558 000**	**(445 731)**	**-**	**1 718 231**
Net change in investments available for sale, net of tax	-	-	(3 107)	-	-	-	-	-	(3 107)
Net change in cash flow hedges, net of tax	-	-	-	-	-	-	-	-	-
Currency translation differences	-	-	(2 990)	-	-	-	-	-	(2 990)
Net profit not recognised in income statement	**-**	**-**	**(6 097)**	**-**	**-**	**-**	**-**	**-**	**(6 097)**
Net profit (loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**207 310**	**207 310**
Total profit recognised in current year	**-**	**-**	**(6 097)**	**-**	**-**	**-**	**-**	**207 310**	**201 213**
Dividends paid	-	-	-	-	-	-	-	-	-
Transfer to General Banking Risk Fund	-	-	-	-	-	-	-	-	-
Transfer to reserve capital	-	-	-	-	-	-	-	-	-
Transfer to supplementary capital	-	-	-	-	-	-	-	-	-
Loss coverage with reserve capital	-	-	-	-	(188 757)	-	188 757	-	-
Loss coverage with supplementary capital	-	-	-	-	-	-	-	-	-
Issue of shares	1 083	29 834	-	-	-	-	-	-	30 917
Redemption of shares	-	-	-	-	-	-	-	-	-
Purchase/sale of own shares	-	-	-	-	-	-	-	-	-
Issue expenses	-	-	-	-	-	-	-	-	-
Additional shareholder payments	-	-	-	-	-	-	-	-	-
Sale of fixed assets	-	-	-	-	-	-	-	-	-
Change in the scope of consolidation	-	-	-	-	-	-	-	-	-
Increase of share in consolidated company	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	(26)	-	(26)
Stock option program for employees	**-**	**6 909**	**-**	**-**	**(2 373)**	**-**	**-**	**-**	**4 536**
- value of services provided by the employees	-	-	-	-	4 536	-	-	-	4 536
- settlement of exercised options	-	6 909	-	-	(6 909)	-	-	-	-
Equity as at 31 December 2005	**115 936**	**1 307 907**	**(2 637)**	**12 388**	**12 967**	**558 000**	**(257 000)**	**207 310**	**1 954 871**

(PLN '000s)

Changes in equity from 1 January 2005 to 30 September 2005

Changes in equity from 1 January 2005 to 30 September 2005	Share capital		Other capital and reserves	Retained earnings					Total
	Registered share capital	Share premium (aggio)		Supplementary capital	Other reserve capital	General risk fund	Profit (loss) from previous year	Profit (loss) for the current year	
Equity as at 1 January 2005	**114 853**	**1 271 164**	**3 460**	**12 388**	**204 097**	**558 000**	**(361 661)**	**-**	**1 802 301**
- reclassification to book value through profit and loss account	-	-	-	-	-	-	-	-	-
- changes to accounting policies	-	-	-	-	-	-	(84 070)	-	(84 070)
- adjustment of errors	-	-	-	-	-	-	-	-	-
Adjusted equity as at 1 January 2005	**114 853**	**1 271 164**	**3 460**	**12 388**	**204 097**	**558 000**	**(445 731)**	**-**	**1 718 231**
Net change in investments available for sale, net of tax	-	-	(616)	-	-	-	-	-	(616)
Net change in cash flow hedges, net of tax	-	-	-	-	-	-	-	-	-
Currency translation differences	-	-	(2 255)	-	-	-	-	-	(2 255)
Net profit not recognised in income statement	**-**	**-**	**(2 871)**	**-**	**-**	**-**	**-**	**-**	**(2 871)**
Net profit (loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**176 058**	**176 058**
Total profit recognised in current year	**-**	**-**	**(2 871)**	**-**	**-**	**-**	**-**	**176 058**	**173 187**
Dividends paid	-	-	-	-	-	-	-	-	-
Transfer to General Banking Risk Fund	-	-	-	-	-	-	-	-	-
Transfer to reserve capital	-	-	-	-	(188 757)	-	188 757	-	-
Transfer to supplementary capital	-	-	-	-	-	-	-	-	-
Loss coverage with reserve capital	-	-	-	-	-	-	-	-	-
Loss coverage with supplementary capital	-	-	-	-	-	-	-	-	-
Issue of shares	380	8 765	-	-	-	-	-	-	9 145
Redemption of shares	-	-	-	-	-	-	-	-	-
Purchase/sale of own shares	-	-	-	-	-	-	-	-	-
Issue expenses	-	-	-	-	-	-	-	-	-
Additional shareholder payments	-	-	-	-	-	-	-	-	-
Sale of fixed assets	-	-	-	-	-	-	-	-	-
Change in the scope of consolidation	-	-	-	-	-	-	-	-	-
Increase of share in consolidated company	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	(26)	-	(26)
Stock option program for employees	**-**	**4 324**	**-**	**-**	**(979)**	**-**	**-**	**-**	**3 345**
- value of services provided by the employees	-	-	-	-	3 345	-	-	-	3 345
- settlement of exercised options	-	4 324	-	-	(4 324)	-	-	-	-
Equity as at 30 September 2005	**115 233**	**1 284 253**	**589**	**12 388**	**14 361**	**558 000**	**(257 000)**	**176 058**	**1 903 882**

(PLN '000s)

4. Cash Flow Statement

Cash Flow Statement from 1 January 2006 to 30 September 2006 and from 1 January 2005 to 30 September 2005

	Quarter ended 30 September	
	2006	*2005*
A. Cash flow from operating activities - indirect method	**(3 329 914)**	**(775 693)**
Profit before income tax	**265 096**	**217 954**
Adjustments:	**(3 595 010)**	**(993 647)**
Income taxes paid (negative amount)	33 700	(39 587)
Amortisation	100 210	86 657
Foreign exchange gains (losses)	66 970	(87 776)
Gains (losses) on investing activities	(1 697)	-
Impairment of financial assets	1 295	612
Dividends received	(32 429)	(36 341)
Interest paid	690 211	481 374
Change in loans and advances to banks	(255 083)	(606 931)
Change in trading securities	1 133 961	(358 766)
Change in derivative financial instruments	3 805	284 655
Change in other financial instruments at fair value	-	(74 660)
Change in loans and advances to customers	(4 517 349)	(1 730 266)
Change in investment securities	(2 469 062)	(264 337)
Change in other assets	68 189	289 206
Change in amounts due to other banks	214 058	(28 902)
Change in financial instruments and other trading liabilities	(216 951)	48 418
Change in amounts due to customers	1 617 010	1 305 253
Change in debt securities in issue	780	(316 365)
Change in provisions	(4 268)	(9 276)
Change in other liabilities	(28 360)	63 385
Net cash from operating activities	**(3 329 914)**	**(775 693)**
B.Cash flows from investing activities	**(263 724)**	**(81 444)**
Investing activity inflows	**55 178**	**52 842**
Disposal of shares in associates	10 944	-
Disposal of shares in subsidiaries, net of cash disposed	251	14 230
Proceeds from sale of intangible assets and tangible fixed assets	10 330	2 271
Other investing inflows	33 653	36 341
Investing activity outflows	**318 902**	**134 286**
Acquisition of associates	38	-
Acquisition of subsidiaries, net of cash acquired	218 540	11 123
Purchase of intangible assets and tangible fixed assets	50 610	69 254
Other investing outflows	49 714	53 909
Net cash used in investing activities	**(263 724)**	**(81 444)**

(PLN '000s)

	Quarter ended 30 September	
	2006	*2005*
C. Cash flows from financing activities	**1 633 063**	**437 672**
Financing activity inflows	**2 813 808**	**540 274**
Proceeds from loans and advances from other banks	2 753 883	-
Proceeds from other loans and advances	-	120 975
Increase of subordinated liabilities	-	405 830
Issue of ordinary shares	59 925	13 469
Financing activity outflows	**1 180 745**	**102 602**
Repayments of loans and advances from other banks	989 742	2 517
Repayments of other loans and advances	66 578	26 791
Redemption of debt securities	46 000	-
Other financing outflows	78 425	73 294
Net cash from financing activities	**1 633 063**	**437 672**
Net increase / decrease in cash and cash equivalents (A+B+C)	**(1 960 575)**	**(419 465)**
(Decrease)/increase in cash and cash equivalents in respect of foreign exchange gains and losses	6	(12 649)
Cash and cash equivalents at the beginning of the reporting period	8 139 020	-
Cash and cash equivalents at the end of the reporting period	**6 178 451**	**(432 114)**

5. Off-Balance-Sheet Items

Off-Balance-Sheet Items as at 30 September 2006, 31 December 2005 and 30 September 2005

	30.09.2006	**31.12.2005**	**30.09.2005**
Contingent laibilities granted and received	**13 595 343**	**12 295 996**	**11 268 090**
Liabilities granted	**12 673 233**	**11 899 701**	**10 835 352**
- financing	8 064 194	7 719 004	6 695 199
- guarantees	4 609 039	4 180 697	4 140 153
Liabilities received	**922 110**	**396 295**	**432 738**
- financing	87 989	51 712	87 211
- guarantees	834 121	344 583	345 527
Liabilities arising from purchase/sale operations	**550 062 661**	**394 115 010**	**430 843 203**
Other liabilities	**275 211**	**278 663**	**301 794**
Total off-balance-sheet items	**563 933 215**	**406 689 669**	**442 413 087**

Explanatory Notes to the Consolidated Financial Statements

1. Information concerning the Group of BRE Bank SA

The Group of the BRE Bank SA ("Group") consists of entities under the control of the BRE Bank SA (the "Bank") of the following nature:

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

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

The head office of the Bank is located at 18 Senatorska St., Warsaw, Poland.

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

As at 30 September 2006, the BRE Bank's Group covered by the Consolidated Financial Statements comprised the following companies:

BRE Bank SA: the parent entity

Bank Rozwoju Eksportu S.A. (Export Development Bank) was established by Resolution of the Council of Ministers N° 99 of 20 June 1986. The Bank was registered pursuant to the legally valid decision of the District Court for the Capital City of Warsaw, 16th (Commercial) Division on 23 December 1986 in the Business Register under the number RHB 14036. The 9th Extraordinary Meeting of Shareholders held on 4 March 1999 adopted the resolution changing the Bank's name to BRE Bank SA ("Bank"). The new name of the Bank was entered in the Business Register on 23 March 1999.
On 11 July 2001, the District Court in Warsaw issued the decision on the entry of the Bank in the National Court Registry (KRS) under number KRS 0000025237.

According to the Polish Classification of Business Activities, the business of the Bank was classified as "Other banking business" under number 6512A.
According to the Stock Exchange Quotation, the Bank is classified as pertaining to the "Banks" sector of the "Finance" macro-sector.

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

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

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

The average employment in the period of three quarters 2006 was: in BRE Bank SA 3 749 persons and in the Group 5 070 persons (three quarters of 2005: BRE Bank 3 364, Group 4 361).

Investment Banking

Dom Inwestycyjny BRE Banku SA, subsidiary
BRE Corporate Finance SA, subsidiary
BRE Finance France SA, subsidiary
Tele-Tech Investment Sp. z o.o., subsidiary
Garbary Sp. z o.o., subsidiary

Corporate Banking

BRE Leasing Sp. z o.o., subsidiary
Intermarket Bank AG, subsidiary
Magyar Factor zRt., subsidiary
Transfinance a.s., subsidiary
Polfactor SA, subsidiary
BRE Bank Hipoteczny SA, subsidiary

Asset Management

Powszechne Towarzystwo Emerytalne Skarbiec-Emerytura SA, subsidiary
Skarbiec Asset Management Holding SA, subsidiary

Other Business

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

The detailed description of other companies of BRE Bank SA Group companies was presented in the Notes to the Consolidated Financial Statement for the 1st half 2006 published on 15 September 2006.

2. Description of Relevant Accounting Policies

The most important accounting policies applied to the drafting of these Consolidated Financial Statements are presented below. These principles were applied consistently over all of the presented periods, unless indicated otherwise.

2.1. Accounting Basis

These Consolidated Financial Statements of BRE Bank Group have been prepared for the nine month period ended 30 September 2006.

These Consolidated Financial Statements of the BRE Bank Group have been prepared in compliance with the International Financial Reporting Standards (IFRS) as adopted for use in the European Union, according to the historical cost method, as modified by the revaluation of available for sale financial assets, financial assets and financial liabilities measured at fair value through the profit or loss, as well as all derivative contracts.

The presented report for Q3 2006 fulfils the requirements of the International Accounting Standard (IAS) 34 concerning interim financial reporting.

The drafting of financial statements in compliance with IFRS requires application of specific accounting estimates. It also requires the Management to apply its own judgment when applying the accounting policies adopted by the Group. The issues in relation to which a greater degree of judgment is required, more complex issues, or such issues which involve a significant degree of application of estimates or judgments for the purpose of the Consolidated Financial Statements are disclosed in Note 3.

2.2. Consolidation

Subsidiaries

Subsidiaries comprise any entities (including special purpose vehicles) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of majority of the voting rights. When assessing whether the Group actually controls the given entity, the existence and impact of potential voting rights that are currently exercisable or convertible are considered. Subsidiary entities are subject to full consolidation from the date of acquisition of control over them by the Group. Their consolidation is discontinued from the date when control is not exercised any longer. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement (see Note 2.14).
Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Business Combination involving entities under common control is reflected under the purchase method in accordance with IFRS 3 "Business Combination".

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (see Note 2.14).

The share of the Group in the profits (losses) of associates since the date of acquisition is recognised in the Profit and Loss Account, whereas its share in changes in other reserves since the date of acquisition – in other reserves. The carrying amount of the investment is adjusted by the total changes of different items of equity after the date of their acquisition. When the share of the Group in the losses of an associate becomes equal or greater than the share of the Group in that associate, possibly covering receivables other than secured claims, the Group discontinues the recognition of any further losses, unless it has assumed obligations or has settled payments on behalf of the respective associate.

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

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

(PLN '000s)

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

Company	**Share of voting rights (direct and indirect)**	**Consolidation method**
BRE Bank Hipoteczny SA	100%	full
BRE Corporate Finance SA	100%	full
Centrum Rozliczeń i Informacji CERI Sp. z o.o.	100%	full
Dom Inwestycyjny BRE Banku SA	100%	full
Garbary Sp. z o.o.	100%	full
PTE - Skarbiec Emerytura S.A.	100%	full
Skarbiec Asset Management Holding SA	100%	full
Tele-Tech Investment Sp. z o.o.	100%	full
BRE Finance France SA	99.99%	full
BRE.locum Sp. z o.o.	79.99%	full
Magyar Factor zRt.	78.12%	full
Polfactor SA	78.12%	full
Transfinance a.s.	78.12%	full
Intermarket Bank AG	56.24%	full
BRE Leasing Sp. z o.o.	50.004%	full

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

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

- BRE International Finance B.V. – the company was liquidated. On 30 March 2006 the company was cancellated from National Court Registry (KRS),
- TV-TECH Investment 1 Sp. z o.o. – on 23 March 2006 the company's General Shareholders Meeting passed a resolution to go into liquidation.

2.3. Interest Income and Expenses

All interest proceeds linked with financial instruments valued at amortised cost using the effective interest rate method are recognised in the Profit and Loss Account.

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

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

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

Interest income, including interest on loans, is recognised in the Profit and Loss Account, and on the other side in the Balance Sheet as receivables from banks or from other customers.

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

2.4. Fee and Commission Income

Income on account of fees and commissions is basically recognised on the accrual basis, at the time of performance of the respective services. Fees charged for the opening of credit concerning loans which will most probably actually be used are deferred (together with the respective direct costs) and recognised as adjustments of the effective interest rate charge on the loan. Fees on account of syndicated loans are recognised as income at the time of closing of the process of organisation of the respective syndicate, if the Group has not retained any part of the credit risk on its own account or has retained a part with the same effective interest rate as other participants. Commissions and fees on account of negotiation or participation in the negotiation of a transaction on behalf of a third party, such as the acquisition of shares or other securities, or the acquisition or disposal of an enterprise, are recognised at the time of realisation of the respective transaction. Fees on account of portfolio management and fees for management, consulting and other services are recorded on the basis of the respective contracts for the provision of services, usually pro rata to time. Fees for the management of the assets of investment funds are recognised on a straight-line basis over the period of performance of the respective services. The same principle is applied in the case of management of client assets, financial planning and custody services, that are continuously provided over an extended period of time.

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

2.5. Segment Reporting

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

2.6. Financial Assets

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

Financial assets valued at fair value

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

Disposals of debt securities held for trading are accounted according to the weighted average method.

The Group classifies financial assets (financial liabilities) as measured at fair value through profit and loss if they meet either of the following conditions:

a) financial assets (financial liabilities) are classified as held for trading i.e.: they are acquired or incurred principally for the purpose of selling or repurchasing them in the near term, they are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit making or they are derivatives (except for derivatives that are designated and being effective hedging instruments),
b) upon initial recognition, assets (liabilities) are designated by the entity at fair value through profit and loss.

The Group makes such a classification only if it leads to obtain more helpful information or if a contract includes one or more embedded derivative financial instruments and it is possible to designate a hybrid contract as a component of financial assets (financial liabilities) measured at fair value through profit and loss (only if the embedded derivative doesn't change considerably cash flows, which would be demanded by the contract) or it is obvious without any analysis or just after draft analysis, that if similar a hybrid instrument was considered previously, then a separation of embedded instrument would be forbidden, for example a prepayment option embedded in a loan, which permits the holder to pay a loan at the amount close to its amortized cost.

Loans and Receivables

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

Held to Maturity Investments

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

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

Available for Sale Investments

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

Transactions consisting of buying and selling of financial assets valued at fair value through the Profit and Loss Account, held to their maturity date, and available for sale are recognised at the date of transaction – the date on which the Group commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. A financial asset or financial liability is recognised initially at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit and loss, transaction costs. Financial assets are derecognised when the rights to receive cash flows have expired or where the Group has transferred substantially all rights and rewards of ownership.

Available for sale financial assets and financial assets measured at fair value through the Profit and Loss Account are valued at the Balance Sheet date according to their fair value. Loans and receivables, as well as investments held to maturity are measured at adjusted cost of acquisition (amortised cost), applying the effective interest rate method. Profits and losses resulting from changes in the fair value of "financial assets measured at fair value through the Profit and Loss Account" are recognised in the Profit and Loss Account in the period in which they arise. Gains and losses arising from changes in the fair value of available for sale financial assets are recognised directly in equity until the derecognition of the respective financial asset in the Balance Sheet or until its impairment: at such time the aggregate net gain or loss previously recognised in equity is now recognised in the Profit and Loss Account. However, interest calculated using the effective interest rate is recognised in the Profit and Loss Account. Dividends on available for sale equity instruments are recognised in the Profit and Loss Account when the entity's right to receive payment is established.

The fair value of quoted investments in active markets is based on current bid prices. If the market for a given financial asset is not an active one (and also in the case of securities that are not listed), the Group determines the fair value by applying valuation techniques. These comprise recently conducted transactions concluded according to normal market principles, reference to other instruments, discounted cash flow analysis, as well as valuation models for options and other valuation methods generally applied by market participants.

2.7. Offsetting Financial Instruments

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

2.8. Impairment of Financial Assets

Assets Carried at Amortised Cost

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

a) significant financial difficulties of an issuer or obligor;
b) a breach of contract, such as a default or delinquency in interest or principal payments;
c) concessions granted by the Group to a borrower caused by the economic or legal aspects of such borrower's financial difficulties, which would not have been taken into account under different circumstances;
d) probability of bankruptcy or other financial reorganisation of the debtor;
e) disappearance of the active market for the respective financial asset caused by financial difficulties; or
f) noticeable data indicating a measurable decrease of estimated future cash flows attached to a group of financial assets since the time of their initial recognition, even if such reduction cannot yet be assigned to particular items of the respective group of financial assets, including:
   - adverse changes in the payment status of borrowers; or
   - economic situation of the country or on the local market causing the impairment of assets belonging to the respective group.

The Group first assesses whether objective indications exist individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that for the given financial asset assessed individually there are no objective indications of its impairment (regardless of whether that particular item is material or not), the given asset is included in a group of financial assets featuring similar credit risk characteristics, which is subsequently collectively assessed in terms of its possible impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

In the event of existence of objective evidence indicating the impairment of loans and receivables or investments held to maturity and recognised at amortised cost, the impairment amount is calculated as the difference between the carrying value in the Balance Sheet of the respective asset and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying value of the asset is reduced through the use of an allowance account, and the resulting impairment loss is charged to the Profit and Loss Account. If a loan or held to maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

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

Future cash flows concerning groups of financial assets assessed collectively in terms of their possible impairment are estimated on the basis of contractual cash flows and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

For the purpose of calculation of the amount to be provisioned against balance sheet exposures analysed collectively, the probability of default (PD) method has been applied. By proper calibration of PD values, taking into account characteristics of specific products and emerging periods for losses on those products, such PD values allow already arisen losses to be identified and cover only the period in which the losses arising at the date of establishment of impairment should crystallise.

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

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

Assets Measured at Fair Value

At each Balance Sheet date the Group estimates whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If such kind of evidence concerning available for sale financial assets exists, the cumulative loss – determined as the difference between the cost of acquisition and the current fair value, less any impairment loss on that financial asset previously recognised in the Profit and Loss Account – is removed from equity and recognised in the Profit and Loss Account. Impairment losses concerning equity instruments recorded in the Profit and Loss Account are not reversed through the Profit and Loss Account, but through equity. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases, and such increase can be objectively related to an event occurring after the recording of the impairment loss in the Profit and Loss Account, then the respective impairment loss is reversed in the Profit and Loss Account.

2.9. Financial Guarantee Contracts

In accordance with Amendment to IAS 39, which came into force at 1st January 2006, the Group has an obligation to recognize financial guarantee contract in its financial statements.

The financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

When a financial guarantee contract is recognized initially, it is measured at the fair value. After initial recognition, an issuer of such a contract, measures it at the higher of:

1. the amount determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, and
2. the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18 *Revenue.*

2.10. Cash and Cash Equivalents

Cash and cash equivalents comprise items with maturities of up to three months from the date of their acquisition, including: cash in hand and cash held at the Central Bank with unlimited availability for disposal, Treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks, and short-term government securities.

Bills of exchange eligible for rediscounting with the Central Bank comprise PLN bills of exchange with maturities of up to three months.

2.11. Sell-buy-back Contracts

Repo and reverse-repo transactions are defined as selling and purchasing securities for which a commitment has been made to repurchase or resell them at a contractual date and for a specified contractual price.

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

When concluding a repo or reverse repo transaction, the Group sells or buys securities with a repurchase or resale clause specifying a contractual date and price. Such transactions are presented in the Balance Sheet as financial assets held for trading or as investment financial assets, and also as liabilities in the case of "sell-buy-back" transactions and as receivables in the case of "buy-sell-back" transactions.

Securities borrowed by the Group are not recognized in the financial statements, unless these are sold to third parties, in which case the purchase and sale transactions are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as trading liability.

2.12. Derivative Financial Instruments and Hedge Accounting

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

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

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

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

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

Fair Value Hedges

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

In case a hedge has ceased to fulfil the criteria of hedge accounting, the adjustment to the carrying value of the hedged item for which the effective interest method is used is amortised to Profit and Loss Account over the period to maturity. The adjustment to the carrying amount of the hedged equity security remains in the revaluation reserve until the disposal of the equity security.

Cash Flow Hedges

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

The amounts recognised in equity are transferred to the Profit and Loss Account and recognised as income or cost of the same period in which the hedged item will affect the Profit and Loss Account (i.e., at the time when the forecast sale that is hedged takes place).

In the case when the hedging instrument has expired or has been sold, or when the hedge has ceased to fulfil the criteria of hedge accounting, any aggregate gains or losses recognised at such time in equity remain in equity until the time of recognition in the Profit and Loss Account of the forecast transaction. When a forecast transaction is no longer expected to occur, the aggregate gains or losses recorded in equity are immediately transferred to the Profit and Loss Account.

Derivative Instruments Not Fulfilling the Criteria of Hedge Accounting

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

Market risk instruments:

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

Interest rate risk instruments:

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

Foreign exchange risk instruments:

a) Currency forwards, fx swap, fx forward
b) Currency options

2.13. Loans and advances received

Loans and advances are initially recognised at fair value reduced by the incurred transaction costs. After the initial recognition, loans and advances are recorded at adjusted cost of acquisition (amortised cost). Any differences between the amount received (reduced by transaction costs) and the redemption value are recognised in the Profit and Loss Account over the period of duration of the respective agreements according to the effective interest rate method.

2.14. Intangible Assets

Intangible assets are recognised at their cost of acquisition adjusted by the costs of improvement (rearrangement, development, reconstruction, adaptation or modernisation) and accumulated amortisation.

Accumulated amortisation is accrued by the straight line method taking into account the expected period of economic useful life of the respective intangible assets.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in "intangible assets". Goodwill on acquisition of associates is recognised in "investment in associates". Goodwill is not amortised, but it is tested annually for impairment, and it is carried in the Balance Sheet at cost reduced by accumulated impairment losses.
Goodwill impairment losses should not be reversed.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. Each of those cash generating units is represented by the investments of the Bank classified by basic reporting business segments.

Computer software

Purchased computer software licences are capitalised in the amount of costs incurred for the purchase and adaptation for use of specific computer software. These costs are amortised on the basis of the expected useful life of the software (2-10 years). Expenses attached to the development or maintenance of computer software are expensed when incurred. Costs directly linked to the development of identifiable and unique proprietary computer programmes controlled by the Bank, which are likely to generate economic benefits in excess of such costs expected to be gained over a period exceeding one year, are recognised as intangible assets.
Direct costs comprise personnel expenses attached to the development of software and the corresponding part of the respective general overhead costs.
Capitalised costs attached to the development of software are amortised over the period of their estimated useful life.
Computer software directly connected with the functioning of specific information technology hardware is recognised as "Tangible fixed assets".

Development costs

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

Development costs' useful lives are finite and the amortization period does not exceed 3 years. The Group shows separately additions from internal development and separately those acquired through business combinations.

Research and development expenditure comprises all expenditure that is directly attributable to research and development activities.

2.15. Tangible Fixed Assets

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

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only where it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Any other expenses incurred on repairs and maintenance are expensed to the Profit and Loss Account in the reporting period in which they were incurred.

Fixed assets designated for liquidation or decommissioning are measured at net book value or at fair value less selling costs, depending on which value is lower: the difference arising on this account is recognised under "Other operating profit/loss".

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

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

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

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

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

Gains and losses on account of the disposal of fixed assets are determined by comparing the proceeds from their sale against their carrying value in the Balance Sheet and they are recognised in the Profit and Loss Account.

2.16. Non Current Assets Held for Sale and Discontinued Operation

The Group classifies non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.
For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets (or disposal groups) and it sale must be highly probable, i.e. the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated.

Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non current assets held for sale are priced at the lower of: its carrying value and fair value less costs to sell. Assets classified in this category are not depreciated.

When criteria for classification to non current assets held for sale are not met, the Group ceases to classify the assets as held for sale and reclassify them into appropriate category of assets. The Group measures a non-current assets that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of:

- its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale, and
- its recoverable amount at the date of the subsequent decision not to sell.

Discontinued operations are a component of the Group that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operation, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

The classification to this category takes places at the moment of sale or when the operation meets criteria of the operation classified as held for sale, if this moment took place previously.

Operations held for sale, which are to be finished , can be also classified as discontinued operation.

2.17. Deferred Tax Assets and Liabilities

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

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

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

Deferred income tax assets are recognised at their realisable value. If the forecast amount of income determined for tax purposes does not allow the realisation of the asset for deferred income tax in full or in part, such an asset is recognised to the respective amount, accordingly. The above described principle also applies to tax losses recorded as part of the deferred tax asset.

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

The Group discloses separately the amount of negative temporary differences (mainly on account of unreconciled tax losses or unutilised tax allowances) in connection with which the deferred tax asset was not recognised in the Balance Sheet, and also the amount of temporary differences attached to investments in subsidiaries and associates for which no deferred tax provision has been formed.

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

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

2.18. Assets Taken Over for Debts

Assets taken over in return for debts are measured as follows:

- inventories - at the lower of cost and net realisable value
- properties - as at balance sheet date the Group measures properties taken over in return for debts as investment properties. The Group have chosen fair value model for measuring investment properties.

In the case when the fair value of acquired assets is higher than the debt amount, the difference constitutes a liability toward the debtor.

2.19. Prepayments, Accruals and Deferred Income

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

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

2.20. Leasing

BRE Bank SA Group as a Lessor

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

BRE Bank SA Group as a Lessee

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

2.21. Provisions

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

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

2.22. Retirement Benefits and Other Employee Benefits

Retirement Benefits

The Group forms provisions against future liabilities on account of retirement benefits determined on the basis of an estimation of liabilities of that type, using an actuarial model. All provisions formed are charged to the Profit and Loss Account.

Benefits Based on Shares

The Group runs a program of employee remuneration based on and settled in shares. These benefits are accounted for in compliance with IFRS 2 *Share-based Payment*. The fair value of the work performed by employees in return for options granted increases the costs of the respective period, corresponding to equity. The total amount which needs to be expensed over the period when the outstanding rights of the employees for their options to become exercisable are vested is determined on the basis of the fair value of the granted options. There are no market conditions that shall be taken into account when estimating the fair value of share options at the measurement date. Non market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. In accordance with IFRS 2, in spite of the fact that the fair value of the options are changing it is not necessary to recognize the change in fair value of the share-based payment over the term of the program.

2.23. Equity

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

Registered share capital

Share capital is presented at its nominal value, in accordance with the Company Articles of Association and with the entry in the business register.

a) Share Issue Costs

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

b) Dividends

Dividends for the given year, which have been approved by the General Shareholders Meeting but not distributed at the Balance Sheet date, are shown under the liabilities on account of dividends payable under the item of "Other liabilities".

c) Own Shares

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

Share premium

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

Revaluation reserve

Revaluation reserve is formed as a result of:

- valuation of available for sale ,
- valuation of cash flow hedge financial assets,
- currency translation differences.

Retained earnings

Retained earnings include:

- other supplementary capital,
- other reserve capital,
- general banking risk fund,
- inappropriated profit for the previous year,
- net profit (loss) for the current year.

Other supplementary capital, other reserve capital and general banking risk fund are formed from allocations of profit and are assigned to purposes specified in the Company Articles of Association or other regulations of the law.

Hyperinflationary restatement of equity

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

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

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

Because the effect of the restatement:

- Represents 4.47% of the owners' equity of the Group and 7.20% of share capital;
- Consists of re-allocation of funds between various items of the owners' equity, which has no effect on the equity as a whole;
- Has no material effect on the presented financial data, both as a whole and on line items basis;

the Management Board of the Bank believes that such restatement will have no material effect on the accuracy and fairness of the presentation of the Bank's financial position as at, and for the period ended 30 September 2006.

Hyperinflationary adjustments will also have no material effect for the period ended 31 December 2005. The detailed description of restatements for this period was described in the IFRS Consolidated Financial Statements 2005 (Note 38), published on February 28, 2006.

2.24. Valuation of Items Denominated in Foreign Currencies

Functional Currency and Presentation Currency

The items contained in financial reports of particular entities of the Group are valued in the currency of the basic economic environment in which the given entity conducts its business activities ("functional currency"). The Consolidated Financial Statements are presented in Polish zloty, which is the functional currency of the Bank.

Transactions and Balances

Transactions denominated in foreign currencies are converted to the functional currency at the exchange rate in force at the transaction date. Foreign exchange gains and losses on such transactions as well as Balance Sheet revaluation of monetary assets and liabilities denominated in foreign currency are recognised in the Profit and Loss Account.

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

Companies Belonging to the Group

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

a) assets and liabilities in each presented Balance Sheet are converted at the mid rate of exchange of the National Bank of Poland (NBP) in force at the Balance Sheet date;
b) revenues and expenses in each Profit and Loss Account are converted at the rate equal to the arithmetic mean of the mid rates quoted by NBP on the last day of each of 9 months of each presented periods; whereas
c) all resulting foreign exchange differences are recognised as a distinct item of equity.

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

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

Leasing Business

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

Additionally, in the case of operating lease agreements, all future receivables on account of leasing payments (including receivables in foreign currencies) are not presented on the face of the financial reports, but off-Balance Sheet. In case of finance lease agreements the foreign exchange differences arising from the valuation of leasing payments due as well as of liabilities denominated in foreign currency are recognised through the Profit and Loss Account at the time of valuation.

2.25. Custody Services Business

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

2.26. Standards, Interpretations and Amendments to Published Standards

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:

- IFRIC 7, International Financial Reporting Interpretations Committee (IFRIC), "Applying the Restatement Approach under IAS 29", *"Financial Reporting in Hyperinflationary Economies*", effective for annual periods beginning on or after 1 March 2006.
- IFRIC 8, International Financial Reporting Interpretations Committee (IFRIC), "Scope of IFRS 2", effective for annual periods beginning on or after 1 May 2006.
- IFRIC 9, International Financial Reporting Interpretations Committee (IFRIC), "Reassessment of Embedded Derivatives Financial Instrument", effective for annual periods beginning on or after 1 June 2006.
- IFRS 7, International Financial Reporting Standard (IFRS), *"Financial Instruments: Disclosures Financial Instruments"*, effective for annual periods beginning on or after 1 January 2007.

2.27. Comparative Data

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

None of the presentation adjustments described below had influence on the net profit and equity presented in comparative data as at 30 September 2005 and 31 December 2005.

The following presentation changes have been done:

1. Deferred tax assets and deferred tax liabilities are offset in the balance sheet (see point 2.17).

2. IRS, CIRS and OIS interest is presented in the income statement in the position "Net trading income" and not as previously in the position "Net interest income". In the balance sheet it is presented in the positions: "Derivative financial instruments" in assets and "Derivative financial instruments and other trading liabilities" in liabilities. Previously, it was presented in the balance sheet on the net basis in the positions: "Loans and advances to banks"/"Amounts due to other banks" and "Loans and advances to customers"/"Amounts due to customers".

3. Income related to investment funds and pension funds management is presented in the income statement in the position "Fee and commission income" and previously it was presented in "Other operating income".

(PLN '000s)

4. Expense related to investment funds and pension funds management is presented in the income statement in the position "Fee and commission expense" and previously it was presented in "Overhead costs".

5. As at 30 June 2006 the Bank applied at the first time the Amendment to IAS 39 "*Financial Guarantee Contracts*" in its financial statements. The necessary comparative data have been adjusted in the financial statements as at 30 September and 31 December 2005. As a result of the adjustment the following positions have been reduced: "Loans and advances to customer", "Amounts due to customers" and "Other liabilities". Off-balance sheet value of granted guarantee liabilities have been increased and factoring receivables have been reduced.

The influence of presentation changes on comparative data in consolidated financial statements as at 30 September 2005 and 31 December 2005 is presented in the table below.

Presentation changes in the income statement for the period from 1 January till 30 September 2005:

	Period from 01-01-2005 to 30-09-2005 (before adjustments)	Adjustments	Period from 01-01-2005 to 30-09-2005 (after adjustments)
Net interest income	477 611	20 430	498 041
Net fee and commission income	311 128	(23 858)	287 270
Net trading income	174 197	(20 349)	153 848
Gains less losses from investment securities	12 049	(81)	11 968
Overhead costs	(589 992)	23 858	(566 134)

Presentation changes in the balance sheet as at 30 September 2005:

	30-09-2005 (before adjustments)	Adjustments	30-09-2005 (after adjustments)
Derivative financial instruments	1 506 364	5 659	1 512 023
Loans and advances to customers	15 987 883	(87 903)	15 899 980
Deferred income tax assets	524 401	(382 554)	141 847
Amounts due to other banks	5 427 918	(132 038)	5 295 880
Derivative financial instruments and other trading liabilities	1 517 424	146 442	1 663 866
Amounts due to customers	18 953 718	(96 648)	18 857 070
Provisions for deferred income tax	382 734	(382 554)	180

Presentation changes in contingent liabilities and commitments as at 30 September 2005:

	30-09-2005 (before adjustments)	Adjustments	30-09-2005 (after adjustments)
Liabilities granted			
- financing	6 485 793	219 673	6 705 466
- guarantees	1 638 784	95 056	1 733 840
Other liabilities			
- factoring receivables	651 302	(94 446)	556 856

(PLN '000s)

Presentation changes in the balance sheet as at 31 December 2005:

	31-12-2005 (before adjustments)	Adjustments	31-12-2005 (after adjustments)
Derivative financial instruments	1 255 232	9 268	1 264 500
Loans and advances to customers	15 463 514	(87 556)	15 375 958
Amounts due to other banks	4 337 056	(80 307)	4 256 749
Derivative financial instruments and other trading liabilities	1 175 070	96 136	1 271 206
Amounts due to customers	20 443 406	(94 004)	20 349 402
Other liabilities	563 020	(113)	562 907

Presentation changes in contingent liabilities and commitments as at 31 December 2005:

	31-12-2005 (before adjustments)	Adjustments	31-12-2005 (after adjustments)
Liabilities and commitments granted			
- guarantees	1 740 953	86 635	1 827 588
Other liabilities			
- factoring receivables	760 417	(118 158)	642 259

3. Major Estimates and Judgments Made in Connection with the Application of Accounting Policy Principles

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

Impairment of loans and advances

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

Fair value of derivative instruments

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

Impairment of equity securities available for sale

Impairment is regarded to occur if over a period of at least three months the listed price of the given security continues to be lower than the cost of its acquisition or the issuer incurs loss not covered by its equity within the period of one year, as well as the occurrence of other facts and circumstances providing indications of the impairment of value.

In addition, objective evidence of impairment for an investment in an equity instrument includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of an investment in an equity instrument below its purchase price is also objective evidence of impairment.

Impairment of debt instruments available for sale

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

Goodwill

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

4. Business Segments

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

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

1) Retail banking, including private banking services, current accounts for retail customers, savings accounts, deposits, investment products, custody services, credit and debit cards, consumer and mortgage loans, term deposits from natural persons and small and medium-sized enterprises, financial settlements, operations on bills of exchange, cheques, and issuing of guarantees.
2) Investment banking, including dealing in financial instruments, financing of a structural nature, leasing services for enterprises, consulting concerning mergers and acquisitions, as well as consulting services on corporate restructuring and the implementation of all forms of privatisation of enterprises, and offerings of securities admitted to public trading, acquisition and sale of securities in own name but on the account of clients, safekeeping of securities in custody, acquisition and sale of securities in own name and on proprietary account, management of portfolios of securities entrusted by clients.

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

   Independently or in syndicates with other banks, the Bank enters into agreements concerning issues of debt securities (bonds, investment notes and certificates of deposit) and into agreements concerning financing of big scale projects in a form of loans.

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

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

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

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

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

   The Bank's product offer in this business segment targets large firms, small and medium-sized enterprises, as well as local governments. A significant part of the activities in the corporate banking segment consists of services supporting foreign trade transactions. The Bank's offer addressed to businesses includes currency exchange, international transfers, cheques, collection of payments, short-term loans, as well as a whole range of financial tools, such as the purchasing of claims to receivables, forfeiting, letters of credit, bank guarantees, and others. Moreover, clients are offered financial instruments designed to hedge against foreign exchange risk exposure.
   Corporate banking includes the results of the following companies: BRE Bank Hipoteczny SA, BRE Leasing Sp. z o.o., Intermarket Bank AG, Polfactor SA, Transfinance a.s., and Magyar Factor zRt. The Bank's offerd is enriched by commercial real estate financing, leasing, factoring.

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

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

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

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

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

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

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

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

PLN ('000s)

Business segment reporting on the activities of the BRE Bank Group for the period from 01.01.2006 to 30.09.2006 (PLN'000)

	Retail Banking (including Private Banking)	Corporate Banking	Investment Banking	Asset Management	Other	Eliminations	Group
Net interest income	**207 545**	**275 435**	**61 535**	**(14 397)**	**(2 237)**	**(464)**	**527 417**
- sales to external clients	66 193	336 220	123 424	3 011	(967)	(464)	527 417
- sales to other segments	141 352	(60 785)	(61 889)	(17 408)	(1 270)	-	-
Net fee and commission income	**58 777**	**199 462**	**30 718**	**71 793**	**(353)**	**(1 127)**	**359 270**
- sales to external clients	59 722	188 386	40 847	71 793	(351)	(1 127)	359 270
- sales to other segments	(945)	11 076	(10 129)	-	(2)	-	-
Unallocated costs							
Gross profit / (loss) of the segment	**67 323**	**153 967**	**166 743**	**16 653**	**17 417**	**(18 735)**	**403 368**
Profit / (loss) on operating acitivities							249 231
Contribution of profit / (loss) sharing in associated companies (before tax)	-	-	(112)	-	-	-	(112)
Gross profit (before tax)							403 368
Corporate income tax							(78 647)
Net profit (loss) attributable to minority interest							18 675
Net profit (after tax)							306 046
Asset of the segment	**7 848 384**	**14 805 092**	**19 897 027**	**712 069**	**732 380**	**(4 659 421)**	**39 335 531**
Total assets							39 335 531
Segment's liabilities	**8 902 907**	**12 547 755**	**19 484 989**	**304 172**	**2 755 129**	**(4 659 421)**	**39 335 531**
Total liabilities							39 335 531
Other items of the segment							
Expenditures incurred on fixed assets and intangible assets	(27 393)	(36 376)	(14 291)	(904)	(44)	-	(79 008)
Amortisation/depreciation	(42 614)	(58 530)	(15 119)	(2 491)	(2 656)	(1 561)	(122 971)
Losses on credits and loans	(39 417)	(241 181)	(32 533)	-	(2 162)	-	(315 293)
Other items without cash outflows, including:	-	(203)	138 643	-	-	-	138 440
- other costs without outflows	-	*(203)*	*(784 598)*	-	-	-	*(784 801)*
- other income without inflows	-	-	*923 241*	-	-	-	*923 241*

(PLN '000s)

5. Net Interest Income

	30.09.2006	30.09.2005
Interest income		
Cash and short-term investments	189 671	159 240
Investment securities	59 400	25 751
Amounts due arising from purchased securities with a sale clause	139	2 179
Loans and advances with respect to the unwind of the impairment provision discount	862 770	809 720
Debt securities	107 126	167 997
Other	12 389	13 447
	1 231 495	**1 178 334**
Interest expense		
Arising from amounts due to banks and customers	(518 555)	(544 276)
Arising from issue of debt securities	(119 504)	(68 387)
Other borrowed funds	(50 402)	(39 067)
Trading debt securities	(2 689)	(4 995)
Other	(12 928)	(23 568)
	(704 078)	**(680 293)**

6. Net Fee and Commission Income

	30.09.2006	30.09.2005
Fee and commission income		
Credit related fees and commissions	81 477	72 950
Fees from brokerage activity	56 537	28 255
Fees from portfolio-management services and other management-related fees	95 347	59 744
Guarantees granted and trade finance commissions	19 756	21 537
Commissions from credit cards	73 601	53 003
Commissions from money transfers	49 832	45 354
Commissions from bank accounts	27 101	33 354
Other	101 315	80 993
	504 966	**395 190**
Fee and commission expense		
Brokerage fees	(17 722)	(13 289)
Credit cards related fees	(61 323)	(44 096)
Other fees	(66 651)	(50 535)
	(145 696)	**(107 920)**

7. Dividend Income

	30.09.2006	30.09.2005
Trading securities	140	695
Securities available for sale	15 622	21 151
Dividend income, total	**15 762**	**21 846**

(PLN '000s)

8. Net Trading Income

	30.09.2006	30.09.2005
Foreign exchange result	**256 654**	**163 663**
Foreign exchange differences from the translation (net)	148 791	318 182
Transaction gains less losses	107 863	(154 519)
Other trading income	**30 300**	**(9 815)**
Interest-bearing instruments	14 625	(23 662)
Equities	5 469	20 200
Market risk instruments	10 206	(6 353)
Total net trading income	**286 954**	**153 848**

9. Gains less losses from investment securities

	30.09.2006	30.09.2005
Redemption / sale by the issuer of the financial assets available for sale	12 650	12 580
Impairment of available for sale equity securities	(792)	(612)
Total gains and losses from investment securities	**11 858**	**11 968**

10. Other Operating Income

	30.09.2006	30.09.2005
Sale of tangible and intangible fixed assets and assets held for resale	110 840	15 545
Income from recovering previously designated as uncollectible receivables	1 982	583
Income from compensation, penalties and fines received	652	1 487
Income due to release of provisions	15 542	18 472
Donations received	-	277
Proceeds from services provided	52 823	17 068
Other	7 928	11 083
Total other operating income	**189 767**	**64 515**

11. Impairment Losses on Loans and Advances

	30.09.2006	30.09.2005
Amounts due from other banks	(5 177)	-
Loans and advances to customers	(35 023)	(51 103)
Total impairment losses on loans and advances	**(40 200)**	**(51 103)**

(PLN '000s)

12. Overhead Costs

	30.09.2006	30.09.2005
Staff-related expenses (Note 12A)	(360 584)	(295 856)
Material costs	(286 181)	(252 844)
Taxes and fees	(10 367)	(9 830)
Contributions and transfers to the Banking Guarantee Fund	(3 179)	(2 922)
Contribution to the Social Benefits Fund	(2 969)	(783)
Other	(3 044)	(3 899)
Total overhead costs	**(666 324)**	**(566 134)**

Staff-related expenses (12A)

	30.09.2006	30.09.2005
Wages and salaries	(298 905)	(239 013)
Social security expenses	(41 750)	(39 365)
Pension fund expenses	(555)	(540)
Salaries in form of share option program for employees	(1 660)	(3 345)
Other staff expenses	(17 714)	(13 593)
Staff-related expenses, total	**(360 584)**	**(295 856)**

13. Other Operating Expenses

	30.09.2006	30.09.2005
Costs of selling or scraping fixed assets, intangible assets and assets held for resale	(88 123)	(11 802)
Impairment provisions created for tangible and intangible assets	(13 611)	(835)
Impairment provisions created for other receivables (excluding loans and advances)	(729)	(10 082)
Receivables and liabilities recognised as uncollectible and written off	(2 871)	(1 686)
Compensation, penalties and fines paid	(859)	(12 857)
Donations made	(2 059)	(1 968)
Impairment losses on other non-financial assets	(33)	-
Provisions	(16 048)	(501)
Costs of services sale	(26 582)	(512)
Other operating costs	(7 138)	(7 829)
Total other operating expenses	**(158 053)**	**(48 072)**

(PLN '000s)

14. Earnings per Share

Earnings per share for 9 months

	30.09.2006	30.09.2005
Basic:		
Net profit (loss) attributable to shareholders	306 046	200 438
Weighted average number of ordinary shares	29 294 433	28 730 879
Net basic profit (loss) per share (in PLN per share)	**10.45**	**6.98**
Diluted:		
Net profit (loss) attributable to shareholders	306 046	200 438
Net profit (loss) applied for calculation of diluted earnings per share (in thousand PLN)	306 046	200 438
Weighted average number of ordinary shares in issue	29 294 433	28 730 879
Adjustments for:		
- stock options for employees (in thousand PLN)	181 339	99 140
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 475 772	28 830 019
Diluted earnings per share (in PLN per share)	**10.38**	**6.95**

Earnings per share for 12 months

	30.09.2006	30.09.2005
Basic:		
Net profit (loss) attributable to shareholders	353 151	(207 480)
Weighted average number of ordinary shares	29 202 676	28 726 441
Net basic profit (loss) per share (in PLN per share)	**12.09**	**(7.22)**
Diluted:		
Net profit (loss) attributable to shareholders	353 151	(207 480)
Net profit (loss) applied for calculation of diluted earnings per share (in thousand PLN)	353 151	(207 480)
Weighted average number of ordinary shares in issue	29 202 676	28 726 441
Adjustments for:		
- stock options for employees (in thousand PLN)	198 157	89 805
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 400 833	28 816 246
Diluted earnings per share (in PLN per share)	**12.01**	**(7.20)**

(PLN '000s)

15. Trading Securities and Pledged Assets

	30.09.2006	31.12.2005	30.09.2005
Debt securities:	**5 725 980**	**6 461 131**	**4 209 426**
Government bonds included in cash equivalents and pledged government bonds (sell buy back transactions), including:	3 365 290	1 473 639	898 535
- pledged government bonds (sell buy back transactions)	1 992 493	40 804	285 405
Treasury bills included in cash equivalents and pledged treasury bills (sell buy back transactions), including:	204 602	1 640 129	2 275 911
- pledged treasury bills (sell buy back transactions)	10 571	1 298 166	1 386 899
Other treasury bills	14 822	-	-
Other debt securities, including	2 141 266	3 347 363	1 034 980
- pledged deposit certificates (sell buy back transactions)	-	64 767	-
- pledged corporate bonds (sell buy back transactions)	-	89 988	-
Equity securities:	**18 240**	**44 554**	**37 821**
- listed	18 240	44 554	37 808
- unlisted	-	-	13
Other financial instruments at fair value through profit or loss	-	-	74 660
Debt and equity securities, other financial instruments at fair value through profit or loss and pledged assets , including:	**5 744 220**	**6 505 685**	**4 321 907**
- Trading securities	*3 741 156*	*5 011 960*	*2 574 943*
- Other financial instruments at fair value through profit or loss	*-*	*-*	*74 660*
- Pledged assets	*2 003 064*	*1 493 725*	*1 672 304*

The note above does not include securities under the Bank Guarantee Fund of PLN 39 257 thousand (30 September 2005 and 31 December 2005 respectively: PLN 22 729 thousand and PLN 22 487 thousand), which have been presented in the Note "Investment Securities and Pledged Assets" (Note 17).

16. Loans and Advances to Customers

	30.09.2006	31.12.2005	30.09.2005
Loans and advances to individuals:	7 672 009	4 326 918	3 990 691
Loans and advances to corporate entities:	13 241 511	9 605 119	9 680 834
Loans and avances to public sector	1 337 529	1 222 449	1 817 521
Receivables purchased	1 165 676	1 034 831	1 077 453
Realised guarantees and warranties	8 352	18 894	19 252
Other receivables	153 682	118 914	175 224
Total (gross) loans and advances to customers	**23 578 759**	**16 327 125**	**16 760 975**
Provisions for loans and advances to customers (negative amount)	(896 078)	(863 611)	(860 995)
Total (net) loans and advances to customers	**22 682 681**	**15 463 514**	**15 899 980**

(PLN '000s)

17. Investment Securities and Pledged Assets

	30.09.2006	31.12.2005	30.09.2005
Debt securities	**3 403 111**	**931 059**	**657 560**
- listed	3 345 798	898 210	620 219
- unlisted	57 313	32 849	37 341
Equity securities	**292 907**	**274 069**	**281 540**
- listed	24 034	15 246	5 618
- unlisted	268 873	258 823	275 922
Held to maturity securities	**-**	**-**	**30 676**
- listed	-	-	30 676
Total securities	**3 696 018**	**1 205 128**	**969 776**
Impairment of investment securities	**(34 970)**	**(57 809)**	**(52 246)**
Total investment securities and pledged assets, including:	**3 661 048**	**1 147 319**	**917 530**
- Available for sale securities	*3 621 791*	*1 124 832*	*864 125*
- Held to maturity securities	*-*	*-*	*30 676*
- Pledged assets	*39 257*	*22 487*	*22 729*

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

18. Non-current Assets Held for Sale

On 19 July 2006 the Insurance and Pension Funds Supervisory Commission (KNUiFE) decided to discontinue the proceedings concerning the application for approval of the merger of PTE PZU SA and PTE Skarbiec-Emerytura SA.

Thus one of conditions necessary for the execution of the merger of the aforementioned pension funds was not fulfilled.

The merger of PTE Skarbiec-Emerytura SA and PTE PZU SA was to be based on the "Agreement on the merger of PTE Skarbiec-Emerytura SA and PTE PZU SA along with the commitment of sale of the merger issue" ("Agreement") that was concluded between the Bank and PZU Życie SA on 29 November 2005.

On September 1, 2006 the Management Board of BRE Bank SA made a statement addressed to PZU Życie on withdrawal from the Agreement.
The withdrawal from the Agreement is only a formal step that results from discontinuation by KNUiFE of the procedure on merger of PTE Skarbiec Emerytura SA and PTE PZU SA.

BRE Bank supports its strategy and plans concerning the operations of pension business that, from the point of view of BRE Bank Group, is not considered as core business. BRE Bank will consider the possibility of taking other actions in this regard, other than consolidation.

As shares of PTE Skarbiec-Emerytura SA still meet criteria for classification to non-current assets held for sale, according to IFRS 5 "Non-current assets held for sale and discontinued operations", the carrying value of the Group's investment in PTE Skarbiec-Emerytura has been presented in the balance sheet as separate positions: "the non-current assets held for sale" and "liabilities held for sale".

(PLN '000s)

Assets of PTE Skarbiec-Emerytura as at 30 September 2006 and 31 December 2005.

	30.09.2006	31.12.2005
Assets held for sale, including:		
Loans and advances to banks	10 039	4 342
Investment securities	62 670	35 250
Intangible assets (including goodwill)	229 236	240 215
Tangible fixed assets	313	300
Deferred income tax assets	4 988	7 719
Other assets	9 817	29 523
Total assets held for sale	**317 063**	**317 349**

19. Amounts Due to Customers

	30.09.2006	31.12.2005	30.09.2005
Corporate customers	13 540 942	12 677 046	11 430 680
Individual customers	9 006 712	7 587 453	7 231 140
Public sector customers	200 832	172 345	195 250
Total amounts due to customers	**22 748 486**	**20 436 844**	**18 857 070**

20. Liabilities Held for Sale

Liabilities of PTE Skarbiec Emerytura as at 30.09.2006 and 31.12.2005:

	30.09.2006	31.12.2005
Libilities held for sale, including:		
Other liabilities	5 007	5 815
Provisions	1 235	1 024
Total libilities held for sale	**6 242**	**6 839**

Selected Explanatory Information

1. Compliance with International Financial Reporting Standards (IFRS)

The presented Q3 2006 Report fulfils the requirements of the International Accounting Standard (IAS) 34 concerning interim financial reporting.

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

A detailed description of the accounting policy principles of the Group are presented under items 2 and 3 of the IFRS Consolidated Financial Statements for the third quarter 2006. The accounting policies were applied consistently over all of the presented periods i.e. on 30 September 2005 and 31 December 2005.

3. Seasonal or cyclical nature of the business

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

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

- On 14 July 2006, pursuant to the agreement signed on 5 July 2006 between BRE Bank and Commerzbank AG, the Bank obtained a loan in the amount of CHF 250 000 000 (PLN 641 975 000) earmarked for satisfying the Bank's general financial needs. The loan is granted for two years and one day, and the interest is 0.15% p.a. above LIBOR.
  The agreement does not contain any provisions on penalties with a value exceeding EUR 200 000 or any conditions precedent or conditions subsequent.

- On 2 August 2006 an agreement was signed between the Bank and Commerzbank AG, as a result of which the Bank will receive a loan of CHF 250 000 000 (PLN 625 950 000 based on average exchange rate of the National Bank of Poland, as at 2 August 2006) which will be allotted for meeting the Bank's general financial demands. The credit was allowed for 2 years and 1 day at the rate of 0,15% p.a. over LIBOR. The agreement does not include regulations concerning penalties whose value exceeds EUR 200 000 nor does it include a cancellation and suspension clauses. The value of abovementioned credit agreement exceeds the value of 10% of Bank's equity.

- In accordance with the decision of the District Court in Warsaw delivered on 23 August 2006 – the settlement between the Bank and the Insurer was granted an enforcement clause. On the basis of the abovementioned settlement, the Insurer will pay out to the Bank PLN 8 000 000 by way of compensation for the Insurance incident (see current report N° 8/2005).

- On 11 September 2006, BRE Bank SA and an institutional client entered into PLN 130 000 000, PLN 170 000 000, PLN 290 000 000 and 310 000 000 loans agreements. Under the agreements, 36-month PLN loans were granted to the client. The loans bear a variable interest rate at WIBOR plus the Bank's margin.

  The agreement do not provide for penalties over EUR 200 000 or any precedent or terminating conditions.
  The sum total of the credit agreements is in excess 10% of value of the Bank's equity.

- On 25 September 2006, the Bank which holds 100% of shares of Skarbiec Asset Management Holding SA ("SAMH"), signed the SAMH Shares Sale Agreement ("Agreement") with Polish Enterprise Fund V, L.P. ("PEF V"), managed by Enterprise Investors.

  At the date of the Agreement, the share capital of SAMH was divided into 134 582 shares giving 134 582 votes at the General Meeting, representing 100% of all votes at the General Meeting of SAMH.

The transaction includes all SAMH shares held directly by BRE Bank as well as 100% of indirectly held shares of Skarbiec Towarzystwo Funduszy Inwestycyjnych SA ("STFI") and 100% of indirectly held shares of BRE Agent Transferowy Sp. z o.o. However, Skarbiec Investment Management SA ("SIM") was excluded from the transaction.

The sale of the SAMH shares derives from BRE Bank's strategy of co-operation with investment funds based on the open product architecture model and co-operation with many product suppliers.

The price for all SAMH shares held by the Bank will be PLN 155 000 000.

In addition, under the Agreement, prior to the transaction closing date, SAMH will pay BRE Bank a cash surplus of PLN 62 000 000 resulting from the acquisition of 62 000 SAMH shares from the Bank by SAMH for cancellation. As a result, on the closing date, the transaction will include 72 582 SAMH shares representing 100% of the reduced share capital of SAMH. On 4 October 2006 SAMH acquired from BRE Bank 62 000 own shares. Detailed description of this transaction is presented under item 9 of "Selected Explanatory Information".

The sale of SAMH shares to PEF V is subject to the fulfilment of the following conditions precedent prior to the transaction closing date:

No objection of the Financial Supervision Commission ("KNF") concerning the transfer of direct control of STFI following the acquisition of SAMH;

No objection of KNF concerning the planned disposal of STFI shares following the sale of SAMH shares;

Approval of the Competition and Consumer Protection Office ("UOKiK").

Unless all the conditions precedent are fulfilled within 6 months of the signing of the Agreement, the Agreement will be terminated.

The transaction will be closed upon the fulfilment of all the conditions precedent, not earlier than 8 January 2007.

The overall impact of the transaction on the consolidated pre-tax profit of the BRE Bank Group will be approximately PLN 100 million in 2007.

The liability of the Bank for any default under representations made to PEF V is limited to 25% of the price, expiring 12 months after the date of SAMH shares acquisition by PEF V, however its liability for representations concerning obligations under the civil and public law expires 72 months after the date of SAMH shares acquisition by PEF V. Under the Agreement, PEF V may terminate the Agreement in the event of a material change of the circumstances set out in the Agreement or if the Bank is in default of its contractual obligations.

Prior to the transaction closing date, the Bank will buy from SAMH 100% of shares of SIM, the asset manager of the Bank's private banking customers, for PLN 12 000 000.

Thus SAMH shares do not fulfill one of conditions necessary to classify them to non-current assets held for sale, i.e. they are not available for immediate sale in their current conditions acording to IFRS 5 *"Non-current Assets Held for Sale"* , SAMH's assets and liabilities are not presented in separate positions of consolidated balance sheet.

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

In Q3 2006 there were no significant changes in estimate values of items presented in the previous financial periods.

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

In Q3 2006 there was a repurchase of deposit certificates by BRE Bank amounting to PLN 16 000 thousand. In the third quarter 2006 BRE Leasing issued short term bonds amounting to PLN 698 500 thousand. In the same period, the company repurchased short term bonds in amount of PLN 788 200 thousand. Moreover BRE Bank Hipoteczny in Q3 2006 issued bonds amounting to PLN 504 800 thousand and mortgage bonds amounting to PLN 50 000 thousand. In the same period the company repurchased bonds in amount of PLN 591 900 thousand.

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

The General Meeting of Shareholders of BRE Bank SA on 15 March 2006 adopted the resolution not to pay any dividend for the year 2005.

8. Income and profit by business segment

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

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

- On 4 October 2006, the Bank concluded with Skarbiec Asset Management Holding S.A. ("SAMH"), the subject whose 100% of basic capital belongs to the Bank, the sale contract by the Bank to SAMH of 62 000 SAMH shares of nominal value PLN 1 000 each.
  The aforementioned shares constitute 46.07% of SAMH basic capital and authorise to the execution of 62 000 votes on the SAMH general meeting.
  The Bank sold the aforementioned shares at their nominal value for the aggregate sum of PLN 62 000 000. The payment for the SAMH shares will be effected by 29 December 2006.
  The ownership of the aforementioned shares was conveyed on SAMH on 4 October 2006.
  The value of the SAMH shares sold, in Bank ledgers amounted to PLN 43 592 900 and their value in SAMH ledgers amounts to PLN 62 000 000. SAMH will finance the acquisition of the aforementioned shares from own assets.

  SAMH acquired the shares in order to amortise them. The transaction did not have an influence on consolidated net profit.
  The Bank currently possesses 72 582 SAMH shares, which constitute 53.93% of SAMH initial capital and authorise to the execution of 72 582 votes on SAMH general meeting, which constitutes 53.93% of the overall number of votes on the SAMH general meeting.

  The sale of SAMH shares by the Bank in order to amortise them is an element of the implementation of the SAMH Shares Sale Agreement, concluded on 25 September 2006 between the Bank and the Polish Enterprise Fund V, L.P. which was described under item 4 of "Selected Explanatory Information".

- On 17 October 2006, the Bank received contracts concluded on 25 September 2006, signed by all the parties between BRE Bank SA, Bank Handlowy w Warszawie SA and Bank BPH SA ("Organisers") and the Południowy Koncern Energetyczny SA ("Issuer"), including the Guarantee Contract concerning the organisation and servicing of the Bond Issue Programme for the amount of PLN 650 000 000 by the Issuer ("Program") and obliging to take up the issued bonds within the bond Programme ("Bonds") by the Organisers.
  The Guarantee Contract has been concluded for the period up to 1 June 2009.

  Bonds with maturity date of up to 10 years denominated in zlotys may be issued within the scope of the Programme. Each Organiser pledged to acquire on his own account Bonds up to the sum of PLN 217 000 000 (1/3 of Program amount each) in keeping with the schedule and on conditions stipulated in the Guarantee Contract among other things ("Obligation").

  The obligation of each Organiser is individual and none of them bears responsibility for the execution of obligations by the remaining Organisers.
  The assets acquired from the Programme will be used for financing the investment project consisting in the construction of a 460 MW power unit ("Project").

  The bonds will be ready for acquisition in a way defined in article 9 point 3 of the Law on bonds of 29 June 1995 (Dz. U. of 2001 No. 120, item 1300 with later amendments) and will be fully secured. The issue of Bonds will occur upon condition of fulfilling a number of conditions indispensable for launching the Programme normally applied by banks while financing the investment projects and bond issue.

  The bonds will bear interests according to a floating interest rate based on WIBOR rate.

The criterion for the recognition of the Guarantee Contract as meaningful for BRE Bank SA, is the value of the part of the Obligation granted by BRE Bank SA, which, on the day of the conclusion of the Guarantee Contract exceeds the value of 10% of BRE Bank SA basic capital.

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

Except the change described under item 4 of "Selected Explanatory Information" concerning the SAMH shares Sale Agreement, in Q3 2006 the above mentioned events in a significant scope for the Group did not occur.

11. Changes in off-balance sheet liabilities

In Q3 2006 there were no changes in off-balance sheet liabilities of a credit nature, i.e., guarantees, letters of credit or unutilised loan amounts, other than resulting from current operating activities of the Group. There was no single case of granting of guarantees or any other contingent liability of any material value for the Group, except of transaction described under item 9 of "Selected Explanatory Information".

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

The above indicated events did not occur in the Group.

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

In Q3 2006 no significant impairment loss write-offs were recorded in relation to any tangible fixed assets intangible assets, and other assets, nor were any reversals on such account recorded within the Group.

14. Reversals of provisions against restructuring costs

The above indicated events did not occur in the Group.

15. Acquisitions and disposals of tangible fixed asset items

In Q3 2006 there were no material transactions of acquisition or disposal of any tangible fixed assets, except of tipical operations of Group entities performing leasing and real estate development activities.

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

The above indicated events did not occur in the Group.

17. Corrections of errors from previous reporting periods

In Q3 2006 there were no corrections of errors from previous reporting periods.

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

The above indicated events did not occur in the Group.

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

BRE Bank did not publish a performance forecast for 2006. The description of the business strategy and goals of the Bank published in current report no. 19/2006 is not a performance forecast in the sense of § 5.1.29 of the

(PLN '000s)

Regulation on current and periodic reports published by issuers of securities (Journal of Laws from 2005, No. 49, item 463).

20. Registered share capital

The total number of ordinary shares as at 30 September 2006 was 29 459 506 shares (vs. 28 808 238 as at 30 September 2005) with PLN 4 nominal value each (PLN 4 in 2005). All issued shares were fully paid.

REGISTERED SHARE CAPITAL								
Series / issue	**Share type**	**Type of privilege**	**Type of limitation**	**Numebr of shares**	**Series / issue value**	**Paid up**	**Registered on**	**Dividend right since**
11-12-86	ordinary bearer	-	-	9 968 500	39 874 000	fully paid up in cash	23-12-86	01-01-89
11-12-86	ordinary registered	-	-	31 500	126 000	fully paid up in cash	23-12-86	01-01-89
20-10-93	ordinary bearer	-	-	2 500 000	10 000 000	fully paid up in cash	04-03-94	01-01-94
18-10-94	ordinary bearer	-	-	2 000 000	8 000 000	fully paid up in cash	17-02-95	01-01-95
28-05-97	ordinary bearer	-	-	4 500 000	18 000 000	fully paid up in cash	10-10-97	10-10-97
27-05-98	ordinary bearer	-	-	3 800 000	15 200 000	fully paid up in cash	20-08-98	01-01-99
24-05-00	ordinary bearer	-	-	170 500	682 000	fully paid up in cash	15-09-00	01-01-01
21-04-04	ordinary bearer	-	-	5 742 625	22 970 500	fully paid up in cash	30-06-04	01-01-04
21-05-03	ordinary bearer	-	-	2 355	9 420	fully paid up in cash	05-07-05*	01-01-05
21-05-03	ordinary bearer	-	-	11 400	45 600	fully paid up in cash	05-07-05*	01-01-05
21-05-03	ordinary bearer	-	-	37 164	148 656	fully paid up in cash	11-08-05*	01-01-05
21-05-03	ordinary bearer	-	-	44 194	176 776	fully paid up in cash	09-09-05*	01-01-05
21-05-03	ordinary bearer	-	-	60 670	242 680	fully paid up in cash	18-10-05*	01-01-05
21-05-03	ordinary bearer	-	-	13 520	54 080	fully paid up in cash	12-10-05*	01-01-05
21-05-03	ordinary bearer	-	-	4 815	19 260	fully paid up in cash	14-11-05*	01-01-05
21-05-03	ordinary bearer	-	-	28 580	114 320	fully paid up in cash	14-11-05*	01-01-05
21-05-03	ordinary bearer	-	-	53 399	213 596	fully paid up in cash	08-12-05*	01-01-05
21-05-03	ordinary bearer	-	-	14 750	59 000	fully paid up in cash	08-12-05*	01-01-05
21-05-03	ordinary bearer	-	-	53 320	213 280	fully paid up in cash	10-01-06*	10-01-06*
21-05-03	ordinary bearer	-	-	3 040	12 160	fully paid up in cash	10-01-06*	10-01-06*
21-05-03	ordinary bearer	-	-	46 230	184 920	fully paid up in cash	08-02-06*	08-02-06*
21-05-03	ordinary bearer	-	-	19 700	78 800	fully paid up in cash	08-02-06*	08-02-06*
21-05-03	ordinary bearer	-	-	92 015	368 060	fully paid up in cash	09-03-06*	09-03-06*
21-05-03	ordinary bearer	-	-	19 159	76 636	fully paid up in cash	09-03-06*	09-03-06*
21-05-03	ordinary bearer	-	-	8 357	33 428	fully paid up in cash	11-04-06*	11-04-06*
21-05-03	ordinary bearer	-	-	800	3 200	fully paid up in cash	11-04-06*	11-04-06*
21-05-03	ordinary bearer	-	-	108 194	432 776	fully paid up in cash	16-05-06*	16-05-06*
21-05-03	ordinary bearer	-	-	20 541	82 164	fully paid up in cash	16-05-06*	16-05-06*
21-05-03	ordinary bearer	-	-	17 000	68 000	fully paid up in cash	09-06-06*	09-06-06*
21-05-03	ordinary bearer	-	-	2 619	10 476	fully paid up in cash	09-06-06*	09-06-06*
21-05-03	ordinary bearer	-	-	33 007	132 028	fully paid up in cash	10-07-06*	10-07-06*
21-05-03	ordinary bearer	-	-	2 730	10 920	fully paid up in cash	10-07-06*	10-07-06*
21-05-03	ordinary bearer	-	-	48 122	192 488	fully paid up in cash	09-08-06*	09-08-06*
21-05-03	ordinary bearer	-	-	700	2 800	fully paid up in cash	12-09-06*	12-09-06*
Total number of shares				**29 459 506**				
Total registered share capital					**117 838 024**			
Nominal value per share			**4**					

* date of registration of shares in National Securities Deposit (KDPW SA)

21. Material share packages

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

Commerzbank Auslandsbanken Holding AG is a shareholder holding over 5% of the share capital and votes at the General Meeting. As at 30 September 2006 Commerzbank Auslandsbanken Holding AG held 70.33% of the share capital and votes at the General Meeting of BRE Bank SA (as at 30 June 2006 – 70.54%).

(PLN '000s)

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

	Number of shares held as at the date of publishing the report for the Q2 2006	Number of shares acquired in Q3 2006	Number of shares sold in Q3 2006	Number of shares held as at the date of publishing the report for the Q3 2006
Management Board				
1. Sławomir Lachowski	24 100	-	24 000	100
2. Bernd Loewen	-	-	-	-
3. Rainer Ottenstein	1 690	5 609	7 299	-
4. Jerzy Jóźkowiak	3 000	15 218	3 000	15 218
5. Wiesław Thor	11 000	-	11 000	-
Supervisory Board				
1. Krzysztof Szwarc	8 000	-	-	8 000

	Number of shares held as at the date of publishing the report for the Q2 2006	Number of shares acquired in Q3 2006	Number of shares sold in Q3 2006	Number of shares held as at the date of publishing the report for the Q3 2006
Management Board				
1. Sławomir Lachowski	7 888	-	-	7 888
2. Jerzy Jóźkowiak	15 218	-	15 218	-
3. Bernd Loewen	5 609	-	-	5 609
4. Rainer Ottenstein	5 609	-	5 609	-
5. Wiesław Thor	16 018	-	-	16 018
6. Janusz Wojtas	11 218	-	-	11 218

23. Earnings per share (stand alone data)

<u>Earnings per share for 9 months</u>

	30.09.2006	**30.09.2005**
Basic:		
Net profit (loss)	221 273	176 058
Weighted average number of ordinary shares	29 294 433	28 730 879
Net basic profit (loss) per share (in PLN per share)	**7.55**	**6.13**
Diluted:		
Net profit (loss)	221 273	176 058
Net profit (loss) applied for calculation of diluted earnings per share	221 273	176 058
Weighted average number of ordinary shares in issue	29 294 433	28 730 879
Adjustments for:		
- stock options for employees (in thousand PLN)	181 339	99 140
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 475 772	28 830 019
Diluted earnings per share (in PLN per share)	**7.51**	**6.11**

(PLN '000s)

Earnings per share for 12 months

	30.09.2006	30.09.2005
Basic:		
Net profit (loss)	252 525	(229 504)
Weighted average number of ordinary shares	29 202 676	28 726 441
Net basic profit (loss) per share (in PLN per share)	**8.65**	**(7.99)**
Diluted:		
Net profit (loss)	252 525	(229 504)
Net profit (loss) applied for calculation of diluted earnings per share	252 525	(229 504)
Weighted average number of ordinary shares in issue	29 202 676	28 726 441
Adjustments for:		
- stock options for employees (in thousand PLN)	198 157	89 805
Weighted average number of ordinary shares for calculation of diluted earnings per share	29 400 833	28 816 246
Diluted earnings per share (in PLN per share)	**8.59**	**(7.96)**

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

As at 30 September 2006, BRE Bank was not involved in any proceedings before a court, arbitration body, or public administration authority concerning liabilities of the Bank or its subsidiaries which value would be equal to or greater than 10% of the Group's equity. The total value of claims concerning liabilities of the Bank or its subsidiaries in all proceedings before a court, an arbitration body or a public administration authority underway at 30 September 2006 was PLN 336 610 thousand, equal to 15.11% of the issuer's equity. Below is a report on major proceedings concerning liabilities of the Bank or its subsidiaries.

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

   Claim was filed on 30 August 1994. On 26 July 2004 the Court of the first instance adopted a decision in favour of the Bank. Pursuant to the decision, the original claims for PLN 99.1 million plus statutory interest accrued since 1991 were dismissed by the Court as in the course of the proceedings the claimant withdrew the claims and presented a new calculation of losses and a new factual basis of the claims. The claims for PLN 17.4 million raised in the course of the proceedings were dismissed due to limitation and lack of sufficient evidence. On 4 July 2005, the Appeal Court in Warsaw dismissed the entire appeal of the claimant. The amount of claim in the proceedings of the second instance was PLN 17.4 mln. The claimant filed the last resort appeal for the ruling of the Court of Appeal. The Highest Court on the May 17, 2006 issued the verdict, according to which the claims of ART-B in the amount of PLN 3 697 000 was sent back for further recognition to the Court of Appeal and the claims above that amount were dismissed.

   Proceedings for the claims were also opened against BRE BANK SA in the Court of Jerusalem, Israel, and the value of the dispute is USD 43.4 million (PLN 136 million according to the average exchange rate of the National Bank of Poland on 30 September 2006). In these proceedings, BRE Bank SA assists the main defendant, Bank Leumi Le Israel. BRE Bank SA's liability is under recourse, and depends on whether the court grants ART-B's claims against Bank Leumi. Only then will the court consider Bank Leumi's claims against BRE BANK SA. The Israeli proceedings are still at the pre-trial stage (prior to the first hearing). Bank Leumi and ART-B have come to an agreement concerning arbitration. For reasons of procedure, BRE BANK SA has joined the process, which does not imply its acceptance of the claims or readiness to make a settlement. The probability of dismissal of the claims against BRE Bank SA by the court in Israel has increased considerably in connection with the decision of the Polish court in favour of BRE BANK SA, therefore no provisions is created.

2. *Lawsuit brought by the Official Receiver of bankrupt Zakłady Mięsne POZMEAT SA with registered office in Poznań ("Pozmeat") against BRE Bank and Tele-Tech Investment Sp. z o.o. ("TTI")*

(PLN '000s)

The receiver of bankrupt Zakłady Mięsne POZMEAT with registered office in Poznań ("POZMEAT") brought the case against BRE Bank SA ("Bank") and Tele-Tech Investment Sp. z o.o. ("TTI") to court on 29 July 2005. The value of the dispute amounted to PLN 100 000 000. The purpose was to cancel Pozmeat's agreements to sell Garbary shares to TTI and then to the Bank. The dispute focuses on determination of the value of the right to perpetual usufruct of land and related buildings, representing the only assets of Garbary Sp. z o.o. on the date of sale of Pozmeat's interest in Garbary Sp. z o.o. (19 July 2001). In the opinion of the Bank's legal counsellors in charge, there is a basis to assume that the accusation is illegitimate, therefore no provisions is created.

3. *Lawsuit brought by Bank BPH SA ("BPH") against Garbary.*

Bank BPH SA brought the case to court on 17 February 2005. The value of the dispute was estimated at PLN 42 853 892.10. The purpose was to recognize actions related to the creation of Garbary Sp. z o.o. and the contribution in kind as ineffective. The dispute focuses on determination of the value of the right to perpetual usufruct of land and related buildings that Zakłady Mięsne POZMEAT with registered office in Poznań contributed in kind to Garbary Sp. z o.o. as payment for Pozmeat's share in the PLN 100 000 000 share capital of Garbary. On June 6, 2006 the District Court in Poznań issued the verdict according to which the claims were dismissed in its entire. The claimant filed an appeal against that verdict, therefore no provisions is created.

4. *Lawsuit against Dom Inwestycyjny BRE Banku SA („DI BRE") by the Katarzyna and Leon Praśniewski*

On 31 January 2001, Katarzyna and Leonard Praśniewski filed claims for compensation against Dom Inwestycyjny BRE Banku SA (DI BRE) before the District Court of Warsaw. The value of the dispute is PLN 13.9 million. In 2003, the court of the first instance granted the plaintiffs' claims of PLN 13.9 million from DI BRE. Following an appeal filed by DI BRE, the court of the second instance in its decision of 29 April 2004 changed the original decision and dismissed the claims. The plaintiffs filed cassation against the decision of the court of the second instance. On 15 April 2005, the Supreme Court revoked the decision of the Appeal Court in Warsaw and referred the case back to the Appeal Court. On 29 December 2005 Appeal Court in Warsaw set aside point 1 of the sentence of District Court in Warsaw dated at 17 June 2003 and it adjudged to L. Praśniewski the amount of PLN 1 245 091 with statutory interest beginning from 6 November 2000 and the amount of PLN 202 689.92 with statutory interest beginning from 6 November 2000 to Katarzyna Praśniewska-Steggles. The other matters included in the judgement will be examined once again by the District Court in Warsaw. The District Court will also decide about the costs of the trial. The value of claim to recognize was transmit to the District Court in Warsaw is in amount of PLN 12 494 361.08.

According to the Bank and its legal counsel, the sentence of the Appeal Court does not have any influence on the current risk estimation. Taking into account the amount adjudged to plaintiffs by the Appeal Court, the legal risk posed by the case is estimated at not more than PLN 1 million, therefore no provisions is created.

As at 30 September 2006, the Bank was not involved in any proceedings before a court, arbitration body, or public administration authority concerning receivables of the issuer or its subsidiaries whose value would be equal to or greater than 10% of the issuer's equity. The total value of claims concerning receivables of the issuer or its subsidiaries in all proceedings before a court, an arbitration body or a public administration authority underway at 30 September 2006 was PLN 276 269 thousand equal to 12.40% of the issuer's equity.

Below is presented the data concerning the biggest receivables of the issuer.

	Client's name	Disputed matter	Value of the dispute in PLN at 30.09.2006	Type of proceedings	Proceedings opened on
1.	Stocznia Szczecińska PORTA Holding SA w upadłości	Loan	53 709 871.39	Bankruptcy	2002-07-29
2.	Kama Foods SA	Loan	41 936 511.64	Bankruptcy	2003-06-05
3.	HELLENA SA P.P.	Loan	13 839 947.04	Bankruptcy	2005-07-06

Contingent commitments of DI BRE due to Investor Compensation Scheme

DI BRE forecasts that in connection with declaring bankruptcy by brokerage house Warszawska Grupa Inwestycyjna (WGI) the amount due to Investor Compensation Scheme (KSR) for claims of WGI's clients might increase. Owing to the lack of possibility to estimate amount of claims of WGI's clients and the fact, that National Depository for Securities (KDPW) did not announced the information on possible payments to Investor Compensation Scheme, DI BRE did not create the provision. The provision will be created when KDPW confirms the necessity of additional payments to KSR.

25. Transactions with Related Entities

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

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

The values of transactions with related entities, i.e. balance sheet balances and related expenses and income as at 30 September 2006 were as follows:

(PLN '000s)

Numerical data concerning transactions with affilaited entities (in thousand PLN) - 30 September 2006

No.	Company's name	Balance sheet		Income Statement				Off balance sheet		
		Receivables	Liabilities	Interest income	Interest expense	Commission income	Commission expense	Commitments granted	Commitments received	Purchase/Sale commitments
	Subsidiaries									
1	BRE Bank SA	1 063 138	2 953 280	24 112	(69 452)	14 509	(2 207)	2 889 804	0	1 197 240
2	BRE Corporate Finance SA	1 132	0	18	0	0	(26)	0	2 635	0
3	Dom Inwestycyjny BRE Bank SA	325 077	11 192	6 836	(449)	2 146	(6 914)	0	70 535	0
4	BRE Bank Hipoteczny SA	18 054	350 401	2 534	(3 077)	0	0	0	18 656	1 197 240
5	PTE Skarbiec Emerytura SA	10 033	0	200	0	0	(6)	0	0	0
6	Skarbiec Asset Management Holding SA	49 129	1 188	418	(65)	61	(6 945)	0	60 679	0
7	BRE Leasing Sp. z o.o.	11 896	270 071	398	(6 697)	0	0	0	4 009	0
8	Polfactor S.A.	510	229 250	0	(6 634)	0	(287)	0	166 487	0
9	Intermarket Bank AG	0	112 211	0	(2 084)	0	0	0	0	0
10	Centrum Rozliczeń i Informacji CERI Sp. z o.o.	6 798	222	174	0	0	0	0	0	0
11	BRE Finance France SA	2 519 325	0	58 600	0	0	0	0	2 521 152	0
12	Garbary Sp. z o.o.	32	0	12	0	0	(4)	0	0	0
13	BRE.locum Sp. z o.o.	2 808	35 839	123	(1 670)	0	(282)	0	44 000	0
14	ServicePoint Sp. z o.o.	22	0	1	0	0	(2)	0	0	0
15	FAMCO SA	3 862	0	109	0	0	(3)	0	0	0
16	BRELINVEST Sp. z o.o. Fly 2 Sp. komandytowa	21	0	3	0	0	(1)	0	0	0
17	BRELIM Sp. z o.o.	19	0	0	(49)	0	(1)	0	0	0
18	BREL-MAR Sp. z o.o.	3	0	0	0	0	(1)	0	0	0
19	AMBRESA Sp. z o.o.	648	0	0	0	0	(1)	0	0	0
20	EMFINANSE Sp. z o.o.	60	3 755	2	(34)	0	(30)	0	1 646	0
21	BRE Ubezpieczenia Sp. z o.o.	3 338	0	21	0	0	(1)	0	0	0
	Associated									
1	Tele-Tech Investment Sp. z o.o.	493	49 009	2	(3 351)	0	0	0	5	0
2	Xtrade SA	20	0	1	(2)	0	(5)	0	0	0

Commerzbank AG Group	61 744	3 750 077	0	(79 074)	0	0	2 969 249	223 440	0

(PLN '000s)

Numerical data concerning transactions with affilaited entities (in thousand PLN) - 31 December 2005

No.	Company's name	Balance sheet		Income Statement				Off balance sheet		
		Receivables	Liabilities	Interest income	Interest cost	Commission income	Commission cost	Commitments granted	Commitments received	Purchase/Sale commitments
	Subsidiaries									
1	BRE Bank SA	792 022	2 802 940	34 654	(76 860)	7 067	(2 869)	2 777 719	0	911
2	BRE Corporate Finance SA	2 143	0	47	(1)	0	(46)	0	2 896	0
3	Dom Inwestycyjny BRE Bank SA	276 395	48 516	9 005	(676)	2 771	(1 070)	0	535	0
4	BRE International Finance B.V.	0	0	9 969	0	0	0	0	0	0
5	PTE Skarbiec Emerytura SA	4 341	0	156	0	0	0	0	0	0
6	Skarbiec Asset Management Holding SA	32 036	527	508	(168)	80	(5 262)	0	60 667	0
7	BRE Leasing Sp. z o.o.	47 755	301 424	878	(6 727)	0	(20)	0	0	911
8	Polfactor S.A.	1 476	162 512	0	(8 794)	0	(343)	0	232 376	0
9	Intermarket Bank AG	0	69 476	0	(1 935)	0	0	0	0	0
10	Centrum Rozliczeń i Informacji CERI Sp. z o.o.	8 442	210	375	0	0	0	0	0	0
11	BRE Finance France SA	2 417 227	0	55 430	0	0	0	0	2 444 988	0
12	TV-Tech Investment 1 Sp. z .o.o.	796	0	78	(8 426)	0	0	0	0	0
13	Garbary Sp. z o.o.	2 317	1 201	91	0	0	0	0	0	0
14	BRE.locum Sp. z o.o.	1 971	38 807	199	(2 662)	0	(285)	0	36 000	0
15	ServicePoint Sp. z o.o.	433	0	1	0	0	(2)	0	0	0
16	FAMCO SA	2 411	0	33	0	0	(2)	0	0	0
17	BRELINVEST Sp. z o.o. Fly 2 Sp. komandytowa	16	0	13	0	0	0	0	0	0
18	BRELIM Sp. z o.o.	37	0	0	0	0	0	0	0	0
19	BREL-MAR Sp. z o.o.	25	0	0	0	0	0	0	0	0
20	AMBRESA Sp. z o.o.	1 342	0	2	0	0	(1)	0	0	0
21	TV-Tech Investment 2 Sp. z .o.o.	31	0	0	0	0	(1)	0	0	0
22	EMFINANSE Sp. z o.o.	950	0	8	0	0	(2)	0	0	0
23	MKF Sp z o.o.	87	0	0	0	0	(1)	0	0	0
24	BREL-RES Sp. z o.o.	886	95 870	14	(1 596)	0	(1)	0	0	0
25	BREL-AG Sp. z.o.o.	87	10 310	0	(178)	0	0	0	0	0
26	BREL-AL Sp. z o.o	92	15 951	0	(372)	0	(7)	0	0	0
27	BREL-FIN Sp. z o.o	42	0	0	0	0	0	0	0	0
28	BRELINVEST Sp. z o.o.	51	0	49	0	0	(1)	0	0	0
29	RAVENNA Katowice Sp. z o.o.	17	0	0	0	0	0	0	0	0
30	BMF Capital Sp. z o.o.	24	0	0	0	0	0	0	0	0
	Associated									
1	Xtrade SA	0	78	0	(1)	18	(3)	0	0	0
2	Tele-Tech Investment Sp. z o.o.	1 271	47 140	4	(3 118)	0	0	0	5	0

(PLN '000s)

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

No.	Company's name	Balance sheet: Receivables	Balance sheet: Liabilities	Income Statement: Interest income	Income Statement: Interest expense	Income Statement: Commission income	Income Statement: Commission expense	Off balance sheet: Commitments granted	Off balance sheet: Commitments received	Off balance sheet: Purchase/Sale commitments
	Subsidiaries									
1	BRE Bank SA	693 328	2 685 770	22 941	(57 410)	1 615	(1 954)	2 836 976	0	1 021
2	BRE Corporate Finance SA	312	0	46	0	0	(36)	0	2 965	0
3	Dom Inwestycyjny BRE Bank SA	161 921	36 338	6 310	(516)	1 893	(579)	0	0	0
4	BRE International Finance B.V.	0	0	10 055	0	0	0	0	0	0
5	PTE Skarbiec Emerytura SA	2 932	0	121	0	0	0	0	0	0
6	Skarbiec Asset Management Holding SA	24 346	617	405	(167)	60	(424)	0	60 679	0
7	BRE Leasing Sp. z o.o.	12 793	317 123	716	(1 386)	0	(27)	0	9 526	1 021
8	Polfactor S.A.	2 776	155 464	0	(6 706)	0	(251)	0	239 995	0
9	Intermarket Bank AG	0	90 082	0	(1 315)	0	0	0	0	0
10	Centrum Rozliczeń i Informacji CERI	8 658	178	300	0	0	0	0	0	0
11	BRE Finance France	2 436 619	171	39 110	0	0	0	0	2 480 399	0
12	TV-Tech Investment 1 Sp. z .o.o.	798	0	78	0	0	0	0	0	0
13	Garbary Sp. z o.o.	1 818	2	64	0	0	0	0	0	0
14	BRE.locum Sp. z o.o.	2 875	36 826	154	(2 098)	0	(275)	0	43 000	0
15	ServicePoint Sp. z o.o.	319	0	1	0	0	(1)	0	0	0
16	FAMCO SA	2 518	0	10	0	0	(1)	0	0	0
17	BRELINVEST Sp. z o.o. Fly 1 Sp. komandytowa	9 998	0	25	0	0	0	0	0	0
18	BRELINVEST Sp. z o.o. Fly 2 Sp. komandytowa	1 525	0	0	0	0	0	0	0	0
19	AMBRESA Sp. z o.o. - BRELLA Sp. komandytowa	12 341	0	10	0	0	(1)	0	0	0
20	BRELIM Sp. z o.o.	43	0	0	0	0	0	0	0	0
21	BREL-MAR Sp. z o.o.	46	0	0	0	0	0	0	0	0
22	NOVITUS SA (dawniej Optimus IC SA)	220	0	0	0	0	(19)	0	407	0
23	AMBRESA Sp. z o.o.	1 316	0	1	0	0	0	0	0	0
24	SPV Portfel 1 Sp. z o.o.	73	0	0	0	0	0	0	0	0
25	MKF Sp. z o.o.	0	0	0	0	1	0	0	0	0
26	EMFINANCE Sp. z o.o.	171	0	0	0	0	0	0	0	0
	Associated									
1	Tele-Tech Investment Sp. z o.o.	1 352	56 373	4	(2 327)	0	0	0	5	0

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

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

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

There is no such information.

28. Factors affecting the results in the coming quarter

Other than the day-to-day operations of the Bank and the companies of the Group, no events that might significantly affect the results of the quarter are expected to occur in Q4 2006.