ANNUAL REPORT 2001

BRE BANK'S SELECTED YEAR-END RESULTS

	1997	1998	1999	2000	2001
Total assets (PLN million)	6 142.3	11 044.8	14 549.1	16 290.1	22 978.6
Own funds (PLN million)	815.6	1 230.4	1 365.4	1 858.0	2 096.5
Solency ratio	15.6%	12.1%	11.2%	13.1%	12.0%
ROE	26.2%	20.7%	50.4%	21.6%	16.7%
ROE real	13.0%	12.1%	40.6%	13.1%	13.1%
Cost/income ratio	47.3%	36.7%	26.7%	58.1%	54.0%
Net interest margin	5.3%	4.2%	2.1%	2.3%	1.8%
Branches	19	23	24	25	25
Staff	1 694	2 153	2 154	2 504	2 728
Exchange rate EUR/PLN ECU/PLN (1997, 1998)	3.8860	4.0925	4.1689	3.8544	3.5219

BRE BANK'S PROFIT AND LOSS ACCOUNT (PLN million)

	1997	1998	1999	2000	2001
Net interest income	286.7	361.8	292.0	385.3	362.3
Commission income	94.8	133.8	439.7	190.1	202.0
Income from shares and other securities	5.0	4.8	8.5	20.0	20.1
Result of financial operations	(3.3)	162.7	751.6	117.9	(142.0)
Foreign exchange result	54.3	190.9	225.5	191.3	461.1
General expenses	(187.2)	(283.4)	(397.9)	(444.8)	(433.0)
Gross profit before tax	197.4	345.1	1 028.1	472.5	411.7
Net profit	146.3	205.1	665.0	355.8	336.2

MAIN RATIOS

	1997	1998	1999	2000	2001
Number of shares (million)	19.0	22.8	22.8	23.0	23.0
Book value (PLN million)	961.9	1 435.5	2 030.4	2 213.9	2 432.7
Per share					
Earnings per share (PLN)	9.4	10.1	29.2	15,6	14,6
Book value per share (PLN)	50.6	63.0	89.1	96.4	105.9
Dividend per share (PLN)	3.0	3.0	8.0	5.0	10.0*
Ratios					
Price/Earnings	7.7	8.0	4.5	8.4	8.1
Price/Book value	1.4	1.3	1.5	1.4	1.1
Dividend yield	4.1%	3.7%	6.1%	3.8	8.5%**

*Proposed dividend.
**If the proposed dividend is adopted by the General Meeting of Shareholders.

LETTER BY THE CHAIRMAN OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS!

It is my pleasure to address you for the fifteenth time to summarise the past year of the Bank's business. I have been with BRE Bank since its inception. I have been introducing the Bank's report as the President of the Bank for eleven years; it is the fourth time I have written as the Chairman of the Supervisory Board. As we look at the past anniversary year, we need to bear in mind where we started from and how we got here. Founded as a small bank servicing exporters, BRE Bank has grown to become one of the leading financial institutions in Poland, directed from its Head Office in one of Warsaw's most spectacular office buildings.

Ever since its inception, BRE Bank has been growing based on state-of-the-art technologies. Outpacing the competition, the Bank made a pioneering decision to enter a new market of retail banking through remote distribution channels. The effort was fully successful. mBank, the first virtual bank in Poland, has won a large group of clients and the leading position in the fast-growing segment of electronic banking offered through remote access channels. BRE Bank has proved once again that it is the leader in technologies in all business areas.

BRE Bank's Retail Banking Line is managed by Mr Sławomir Lachowski, Management Board Member since May 2000, Deputy President of BRE Bank since May 2001.

The Bank's Management Board has seen another historic change. In December 2001, the Supervisory Board decided to appoint a new Management Board Member as of January 2002, the first woman in this position in the history of BRE Bank: Mrs Alicja Kos-Gołaszewska, the Head of Communications.

The composition of the Supervisory Board has also changed. The number of its members fell from 12 to 10 in 2001. Mr Klaus-Peter Müller, appointed Chairman of the Board of Managing Directors of Commerzbank AG, resigned from the Supervisory Board in February 2001. Mr Andreas de Maizière replaced Mr Müller as Deputy Chairman of the Supervisory Board. Mr Christian R. Eisenbeiss was elected Supervisory Board Member. Mr Enrico Meucci resigned from the Supervisory Board, as did Mr Maciej Leśny, appointed Undersecretary of State with the Ministry of the Economy. Mr Jan Szomburg, Member of the Supervisory Board, replaced Mr Leśny on the Executive Committee. Mr Sławomir Wiatr, appointed Governmental Plenipotentiary for European Information, also left the Supervisory Board as of 1 February 2002. The Supervisory Board met four times and its Executive Committee met three times in 2001.

One of the strategic objectives of BRE Bank is to grow its shareholder value. I am sure that in 2001 the Bank once again proved how determined it is to achieve this goal.

A motion to the General Meeting of Shareholders proposed by the Management Board and recommended by the Supervisory Board provides for a very high dividend pay-out, twice that paid out last year: PLN 10 per one share. This is considered to be an important dimension of the high return on equity invested in the Bank. Together with the planned cancellation of some shares, the Bank's first-tier equity will be reduced and partly replaced with subordinated debt.

This is part of the intended restructuring of the equity, expanding the share of second-tier capital. The operation will improve the Bank's financial leverage and enhance its ROE, EPS, and stock price. The planned operation will be most advantageous to all Shareholders whose long-term benefit is our main goal.

I believe that the talents of Mr Wojciech Kostrzewa, President of BRE Bank, have been best appreciated with his appointment to the Regional Board of Commerzbank AG, the strategic shareholder of BRE Bank, as of 1 January 2002. The Supervisory Board of BRE Bank SA authorised Mr Wojciech Kostrzewa to take this important function. Mr Kostrzewa is now responsible for banking operations in Central and Eastern Europe. This is the first promotion of a Polish banker to such a high position with the parent company, a financial institution of global scope, with a balance sheet total of over EUR 500 billion, employing more than 40 thousand people world-wide. I am certain that the talents, energy, ambition, and resourcefulness of Mr Wojciech Kostrzewa will help him perform his duties in both responsible positions to the benefit of both institutions. I wish Mr Kostrzewa much success on behalf of the entire Supervisory Board.

May I thank the Management of the Bank for efficient co-operation and their commitment and trust in the company's underlying value. Considering the Bank's shares to be seriously undervalued on the stock market, the Management formed a Management Investment Group in August 2001 to invest private funds in not less than 1% of the Bank's shares. I believe that the determination and trust in their institution, thus demonstrated to investors, helped to improve the market sentiment and consequently to raise the BRE Bank share price by over 20% in the second half of 2001.

To conclude, may I thank our Shareholders and Clients, both those who have been with us for 15 years and those who joined us later, for their unwavering confidence. I do hope we will celebrate future anniversaries together.

KRZYSZTOF SZWARC

CHAIRMAN OF THE
SUPERVISORY BOARD

LETTER BY THE PRESIDENT OF THE MANAGEMENT BOARD

DEAR SHAREHOLDERS!

The year 2001 was the first year of the implementation of the BRE Bank Group's long-term strategy whose time horizon reaches until 2006. I believe we have already approached the set targets, both in terms of the Group's philosophy and the projected financial ratios.

Yet I think 2001 will pass in the history of the Bank mainly as a year of expansion on the retail banking market coupled with leapfrog development in the application of state-of-the-art information technologies.

Both were brought together at mBank, the first fully virtual bank in Poland, offering client service through modern channels. The service was launched in late 2000. In 2001, it was more than successful in winning new clients and deposits, and performed over and above its targets set in the business plan. In December 2001, a year after its launch, mBank had approximately 190 thousand accounts and over PLN 1 038 million in deposits.

MultiBank, BRE Bank's other retail franchise, was launched in the autumn of 2001. It offers a broader product range and can be accessed both via the Internet or by phone and through a network of modern minibranches. This project has also won much interest of clients.

Retail deposits have grown to represent a significant share of all BRE Bank deposits (approximately 11%). Topped with deposits of private banking clients, non-corporate deposits represented nearly 40% of all client deposits with the Bank, compared to 35% in 2000.

The Bank's dynamic growth is best illustrated by the growth of its balance sheet. The Bank's assets increased 41.1%; loans grew even faster at 45.4%. The share of irregular loans decreased from 12.9% at the end of 2000 to 11.8% in 2001. This demonstrates a high efficiency of the Bank's credit risk controls.

BRE Bank's net profit of PLN 336.2 million generated in 2001 was one of the best results among Polish banks, the second highest of all listed banks. The net profit implies a ROE of 16.7%, one of the strongest in the banking sector. The Bank's performance ratios seen against the backdrop of other banks are a definitive achievement.

The Bank's performance was very successful given the prevailing macroeconomic conditions. Original projections expected more than 5% of GDP growth in 2001. Due to economic slow-down, GDP grew by only 1.1%. This affected the standing of companies, including BRE Bank clients, and restricted economic activity. Very high interest rates and recession trends in the global economy aggravated the economic environment.

Taking account of the macroeconomic reality, BRE Bank had adjusted its profit projection from the original PLN 404 million to PLN 325-360 million. The actual net profit of PLN 336.2 million is very strong, especially given the bearish capital market in 2001. Due to adverse market conditions, several planned deals were not closed, including the sale of ITI Holding and PTE Skarbiec-Emerytura. Gains from these transactions are expected to be realised in 2002. Some of the investment in the high-tech sector, whose indices went down on both Polish and international stock markets, failed to provide the expected gains. Notwithstanding the difficult market, BRE Bank managed to successfully close the sale of Optimus at a return rate of approximately 50%.

Despite difficult capital market conditions in 2001, BRE Bank was an active market player expecting above-average future gains. The Bank invested in shares of several companies, including Elektrim and Stomil. Shortly after the 11 September attack on the WTC, BRE Bank started to acquire its own shares and built a portfolio of 4.6%.

The income of the Investment Banking Line grew fast thanks to the Bank's role on the money market and the derivative market, the latter developing considerably in 2001. The total income generated by the Investment Banking Line in 2001 represented half of the total result on banking operations generated in 2001.

The corporate banking business also grew. With the restructuring of the sales force in 2001 and the resulting improved service of existing and new clients, the income of the business line rose and had a stabilising effect on the profitability of the Bank.

Pursuant to the Bank's strategy, which highlights close co-operation between BRE Bank and its strategic subsidiaries and emphasises a comprehensive offer of financial service as the main factor of future success, a new sales policy focused on cross-selling was implemented. Other organisational measures were adopted to support the integration and growth of the Group, including the harmonisation of insurance policies, real estate management, procurement of equipment, advertising and promotion.

Advanced technologies are a crucial strategic focus of the Bank and the Group. In 2001, the Bank and its subsidiaries launched a far-reaching project called e-BRE. The project aims at consistent implementation of Internet-based technologies in all business areas, both internally within the Bank and in customer relations. Other projects were implemented to improve risk management, a key area given the changing requirements of banks' capital adequacy.

Group companies grew successfully in 2001, in particular RHEINHYP-BRE Bank Hipoteczny which closed the second year of its business at a profit. It implemented several issues of mortgage bonds, a pioneering effort in Poland. Given the planned merger of the bank's German shareholder Rheinische Hypothekenbank with two large German mortgage banks Deutsche Hypo and Eurohypo, RHEINHYP-BRE Bank Hipoteczny may become their exclusive representative on the Polish market.

The value of assets managed by the Asset Management Line companies grew dynamically. BRE Asset Management, a newly formed company, witnessed fast growth: the assets under its management stood at PLN 411 million at the end of 2001. The assets managed by BRE Private Equity I and FAMCO totalled PLN 588 million. The total assets managed by the four companies of the Line (including PTE Skarbiec-Emerytura and Skarbiec TFI) reached PLN 2.7 billion.

Recognising the importance of changes required by Poland's accession to the European Union, the Bank has appointed its Plenipotentiary for European Integration responsible for monitoring the process of negotiations and legislative change triggered by harmonisation with the EU law, especially in the banking sector. The Plenipotentiary also promotes EU integration among the Bank's staff and clients.

The Bank's leading position on the Polish financial market is confirmed by the ratings assigned by recognised rating agencies, recommendations of analysts of investment banks, and numerous awards, both Polish and international. The most prestigious award received by BRE Bank in 2001 was the Award for the Economy given by the President of the Republic of Poland. In January 2002, Moody's raised the rating of bonds issued by BRE Bank under a Medium Term Note Programme from Baa1 to A3, exceeding the sovereign rating.

In 2002, BRE Bank will continue to develop retail banking by growing mBank and spinning it off. MultiBank will also consolidate its market position and further expand its product offer, including selected products of other BRE Bank Group companies.

We expect that the balance sheet total will grow dynamically, as will the loan portfolio whose quality will remain strong. We project a net profit of PLN 408 million in 2002; this includes capital gains from the sale of ITI Holding shares and minority stakes including PTE Skarbiec-Emerytura and mBank.

Another important and pioneering effort involves the restructuring of the Bank's equity. BRE Bank plans to pay out in dividend nearly 70% of last year's profit and to cancel part of its share capital. Thus reduced first-tier equity will be replaced with subordinated debt. The operation will improve the return on equity and other performance ratios.

To conclude, may I thank the Shareholders for their trust and support, and assure them of our determination to enhance the Bank's value. May I thank our Clients for their co-operation. I promise that the Bank and its staff will continue to further develop the offer of financial services and to provide the best, most advanced services.

WOJCIECH KOSTRZEWA

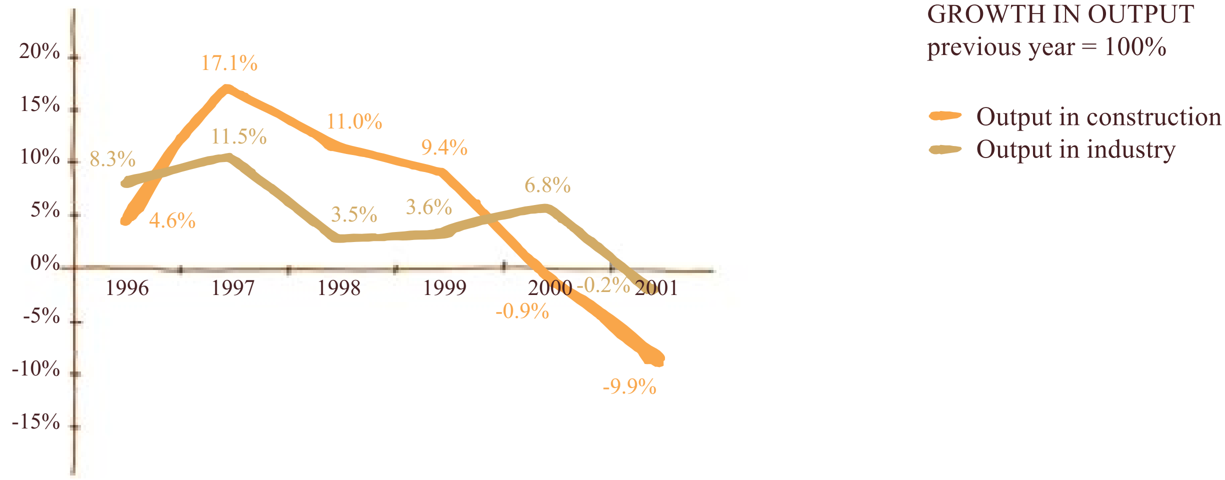
PRESIDENT OF THE
MANAGEMENT BOARD

THE BANK'S ENVIRONMENT

MACROECONOMIC CONDITIONS

The economic conditions in Poland witnessed a strong decline in 2001. GDP grew by 1.1% while domestic demand fell by 2% in 2001.

Industrial output in 2001 was 0.2% lower than in 2000. As the headcount was lower than in 2000, the productivity of industry grew by approximately 5% in 2001. The crisis of the construction sector aggravated: its output continued to fall for a second consecutive year (down by 9.9% in 2001). The situation in the residential construction sector did improve: the number of completed apartments (approximately 106 thousand) was 20% higher than in 2000, even though it remained below the figures from the early 1990s.



Corporate income from business activity grew at a lower rate than that of costs in 2001. As a result, the financial performance of companies was much weaker than in 2000.

The unfavourable economic conditions had an adverse effect on the labour market. There were 3.1 million unemployed, 80% of whom had no right to draw benefits at the end of 2001. Unemployment was at an unprecedented 17.4%. Unemployment grew due to the following factors: lower GDP growth; restructuring of several industries; expiration of privatisation agreements which had obligated employers to keep a stable workforce and restricted possibilities for redundancies; high growth in the population at productive age.

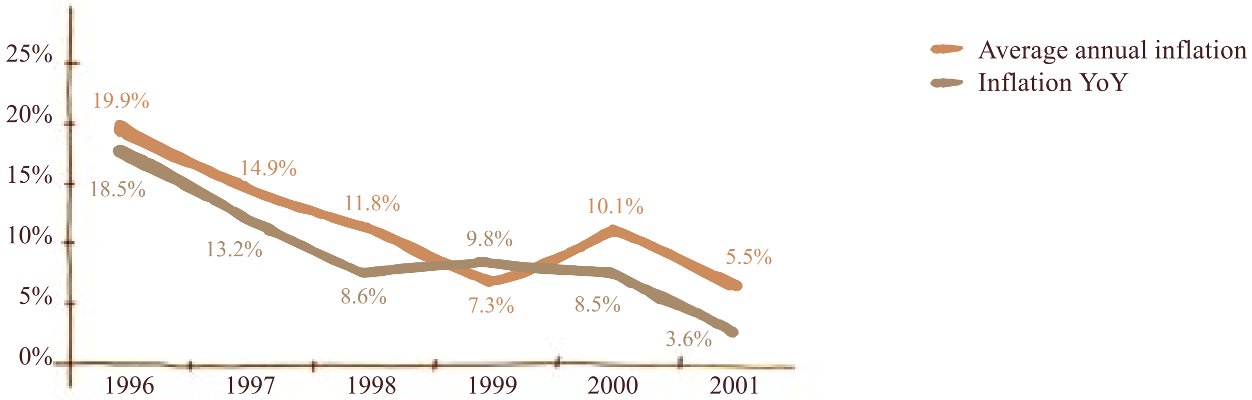
The difficult economic conditions were aggravated by weak performance of the 2001 budget which had to be amended twice (in July and December 2001). The lower State revenue required cuts in expenditures. The lower revenue was due, among others, to lower tax receipts, both for personal and corporate income taxes, as well as indirect taxes. The budget deficit was PLN 32.6 billion, equal to approximately 4.5% of GDP.

One of the positive trends of 2001 was the gradual improvement of the country's foreign trade balance. Despite the real appreciation of the zloty, the growth rate of exports (on a payment basis) was higher than in 2000. Receipts for exported goods grew 7.2% in 2001 while payments for imported goods increased 1.2%. This may suggest that given shrinking domestic demand, companies are adjusting to the situation by looking for new markets. The growth rate of exports, much higher than that of imports, helped to reduce the foreign trade deficit and the current account gap.

The deficit of payments for goods was US$ 11.7 billion at the end of 2001 (compared to US$ 13.2 billion in 2000). The current account gap was US$ 7 billion (compared to US$ 9.9 billion in 2000). The current account gap as a percentage of GDP fell from 6.2% in 2000 to approximately 4% in 2001.

Another positive trend involved disinflation. The Consumer Price Index was 3.6% at the end of 2001, down from 8.5% at the end of 2000. The average annual inflation was 5.5% in 2001.

INFLATION



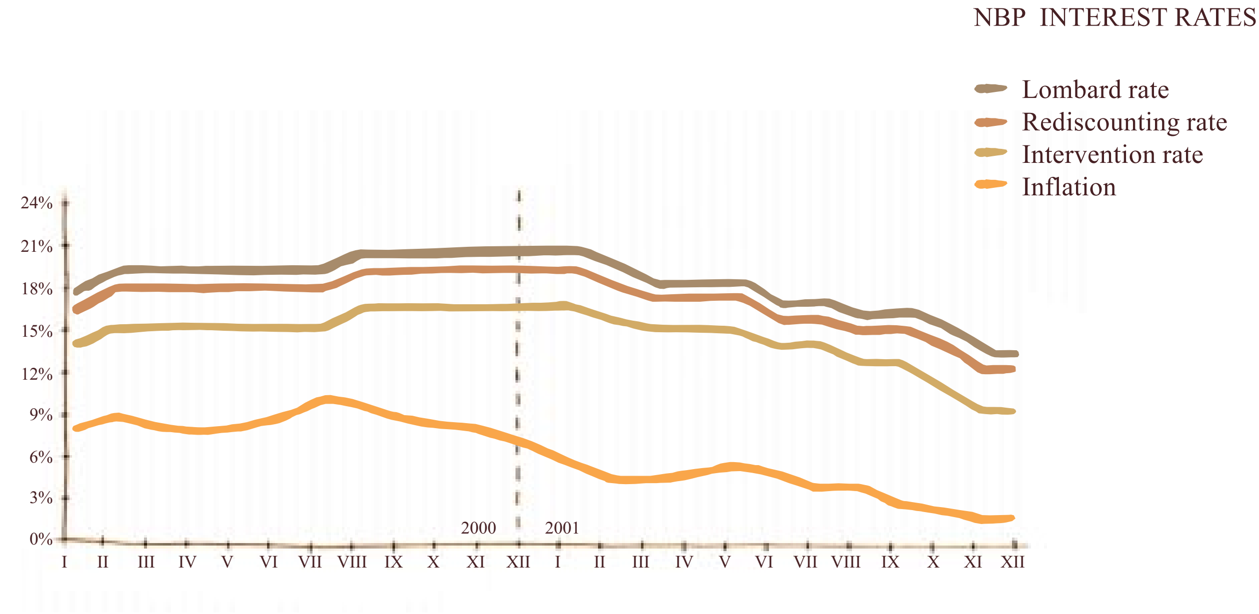
The low inflation was mainly due to weaker domestic demand, moderate growth in foodstuffs prices (up 1.6%), falling prices of fuels (down 10.9%), and a very strong zloty. The zloty was strong due to the high real interest rates and large issues of Treasuries.

The Producer Price Index in industry grew much less in 2001 than it did in 2000 (up 1.6% and 7.8%, respectively). This was due to weak domestic and foreign demand as well as competitive imports and large stocks of finished products.

The weak economic conditions in Poland due to shrinking domestic demand and slowing world economic growth reduced the current liquidity of the corporate sector, affected the creditworthiness of companies, and caused deterioration of the quality of banks' loan portfolios. This was reflected in the financial results of the banking sector in 2001.

MONETARY POLICY, FX RATES

Responding to further fall in inflation, the Monetary Policy Council (RPP) cut the interest rates six times by a total of 750 basis points in 2001. At the end of 2001, the intervention rate of the central bank was 11.5%, the rediscounting rate was 14%, and the Lombard rate was 15.5%. Despite deteriorating economic conditions, the scale of the interest rate cuts was commensurate with the fall in inflation; hence, the monetary policy bias remained unchanged. With inflation at 3.6% in December 2001, the real interest rates in Poland were among the highest in Europe.



With a lower than expected GDP growth rate affecting the projected budget revenue, the Government financed expenditures by expanding the issue of Treasuries. The investment risk of the Polish market decreased significantly in the context of the falling inflation, the improving current account gap, the relatively stable political and social situation, and the prospects of Poland's accession to the European Union in the first group of new members. The attractive yield of Government debt and frequent though small interest rate cuts attracted short-term foreign capital. Due to parallel interest rate cuts in the USA and in Europe, the cost of financing speculative investment in Poland decreased. As a result of strong demand for the zloty, the local currency appreciated in 2001.

The average US$ exchange rate in 2001 was 4.0937 PLN to 1 US$, 5.8% lower than in 2000. The euro lost 8.5% to the zloty; its average exchange rate was 3.6687 PLN to 1 EUR. With average annual inflation at 5.5%, the real appreciation of the zloty was approximately 12.5%.

CAPITAL MARKETS

The severely bearish conditions on the Warsaw Stock Exchange prevailed from the second quarter of 2000 until the end of the third quarter of 2001. Although stock indices improved somewhat in the last three months of 2001, they nevertheless suffered from the preceding decline. Like most world stock markets, the Warsaw Stock Exchange closed the year with lower indices than in 2000. The decline in stock indices was mainly due to the overvaluation of high-tech stocks. The main index, WIG, lost 22%; TechWIG (the TMT index) followed the global trend of 2001 and fell by 59%; WIRR dropped 36%; the NFI (National Investment Funds) index fell by 2.5%. The downward trend affected even the strongest and most liquid stocks: WIG 20 lost 33.5%. In this context, the 9.9% decline of the BRE Bank stock price was moderate. Throughout the year, the stock price of BRE (closing quotations) ranged between PLN 82.4 and PLN 145.5; the average volume of trading per session was PLN 7.4 million.

STOCK PRICE

With the deteriorating macroeconomic situation domestically and negative trends affecting secondary market quotations, the number of primary market issues remained low. The year saw 8 IPOs (compared to 14 in 2000), most of them in the first half of 2001. At the year-end, 229 companies were listed, including 14 NIFs. Compared to the end of 2000, there were 4 more listings as 4 companies left the stock market following decisions by their shareholders, suspended listings, or bankruptcy.

The capitalisation of the stock market was PLN 103 billion at the end of 2001, compared to PLN 130 billion at the end of 2000. The largest share was that of banks (43.3% in 2001, 27.3% in 2000), followed by telecoms (20.3% and 35.6%, respectively), and chemical companies (9.6% and 8.8%). In terms of the share in volume, telecoms took the lead (34.9% in 2001, 11.7% in 2000), followed by banks (24.9% and 11.5%, respectively) and chemical companies (17.7% and 29.8%).

The volume of trading on the spot market of the Warsaw Stock Exchange was PLN 65.6 billion, 41% down since 2000. The dominant share was that of stock trading (over 92% of the total). The volume of bond trading grew to a record PLN 5.1 billion. Bond trading was particularly strong in the fourth quarter of the year in view of the Finance Ministry's plans to levy taxes on interest from bank deposits and Treasuries. The volume of forward and future trading also grew 150% since 2000. In the past four years, futures were the fastest developing segment of the Polish stock market.

In a year of falling interest rates and a bearish stock market, investment funds fared particularly well, especially those investing in bonds and the money market. The return rate of the best bond funds was over 21%, that of money market funds 17.5%. Money market funds benefited from investment in higher-yield commercial papers in addition to Treasuries.

The market of non-Treasury debt traded outside the stock exchange was an important segment of the capital market. The high real cost of bank loans encouraged companies to raise funds through issues of short-term notes traded outside the stock market and quoted on CeTO. The total debt under short-term notes was PLN 12.5 billion in 2001, up 16.6% since 2000. The share of short-term notes in the overall market, including T-bills and NBP monetary bills, was 14.9%; yet the share fell 4.7 percentage points since 2000.

DEVELOPMENTS IN THE BANKING SECTOR

MERGERS AND FURTHER GROWTH OF THE SHARE OF FOREIGN CAPITAL

The year 2001 was a year of large mergers in the Polish banking system. The merger of Citibank (Poland) and Bank Handlowy, launched in 2000, was completed. The Citibank brand did not disappear as it was adopted by the retail branch of the new Bank Handlowy, previously known as Handlobank. The merger of Bank Zachodni and Wielkopolski Bank Kredytowy was registered, giving birth to Bank Zachodni WBK. The Polish branch of ING was incorporated by Bank Śląski, forming ING BSK. This was not the only acquisition by ING BSK: the bank took over also Wielkopolski Bank Rolniczy. BIG Bank Gdański incorporated BIG Bank, its earlier acquisition.

The legal process of merging two of the largest Polish banks, Powszechny Bank Kredytowy and Bank Przemysłowo-Handlowy, was completed at the end of 2001. The merger of their systems will be finalised in 2002.

As a result of mergers, the number of operational commercial banks fell from 73 at the end of 2000 to 70 at the end of Q3 2001, including 63 private banks (66 in 2000). Four new institutions entered the sector in 2001: MHB Bank Polska, Svenska Handelsbanken Polska, Bank of Tokyo-Mitsubishi Polska and Śląski Bank Hipoteczny received a banking licence.

The role of foreign capital in the Polish banking system grew stronger. The equity and net assets of banks with a majority stake held by foreign investors were 79.2% and 68.9% of the equity and net assets of the banking system, respectively, at the end of September 2001 (77.6% and 69.5% at the end of 2000). Foreign-owned banks accounted for 63.8% of total client deposits of the banking sector and 72.2% of its net loans. The largest direct investors in the Polish banking sector are institutions from Germany (14.6% of the share capital of commercial banks), the USA (12.2%), and the Netherlands (8%).

DYNAMIC DEVELOPMENT OF ELECTRONIC BANKING

The year 2001 was a time of dynamic growth in electronic banking. The number of clients banking mainly through PCs grew from approximately 100 thousand in early 2001 to over 550 thousand at the year-end. mBank, a BRE Bank project, now the market leader, was the first fully virtual bank to go live. Inteligo and Volkswagen Bank direct followed suit. The number of ATM cards grew 17% from 11.3 million at the end of 2000 to over 13.3 million at the end of Q3 2001. There were approximately 6 thousand ATMs operational at the end of 2001; there are now 160 ATMs per 1 million Poles, compared to 20 four years ago. Gradually, Poland is catching up with European standards (350 ATMs per 1 million inhabitants).

FINANCIAL STANDING OF BANKS

The financial standing of banks in 2001 was determined by:

- a relatively slow growth in the loan portfolio: at the end of 2001, the portfolio was 7.2% higher than at the end of 2000, corporate loans growing 5% and retail loans 14.6%;
- requirement of higher provisions for irregular receivables from clients: their share in the banks' portfolio grew from 15.3% to 18.3% in 2001 due to the deteriorating standing of many borrowers;
- growth in PLN deposits by 11.8% (11.7% for retail deposits, 12.1% for corporate deposits), growth in FX deposits by 24% (13.5% for retail deposits, 57.6% for corporate deposits);
- development of instruments for hedging against fx risk and interest rate risk as a result of increased trading in foreign currencies.

The financial standing of the banking sector was affected by the economic slow-down. For many banks, 2001 was a difficult year given the large decline in interest income and the growing cost of provisions. Only some banks, with state-of-the-art information technologies, skilled staff and a solid capital base, could leverage earning opportunities on the money and fx markets.

The balance sheet total of the banking sector was PLN 477.4 billion at the end of 2001, 11.4% up since 2000. The 2001 net profit of the sector was PLN 4.54 billion (preliminary estimates), compared to PLN 4.24 billion in 2000.

LEGISLATIVE CHANGE

In 2001 important change was adopted in Polish legislation (most amendments taking effect as of 2002) concerning the banking system in view of the harmonisation of the law with EU standards. The Banking Law was amended, including:

- change of the regulatory prudence requirements: the solvency ratio and the capital adequacy ratio, as well as the structure of equity aiming at full harmonisation with EU regulations;
- change of the limit of credit exposure to clients affiliated with the bank on the basis of a dependent holding structure from 25% to 20%; the limit for other clients remained at 25%;
- introduction of consolidated supervision for bank holding companies; in the calculation of the equity and regulatory prudence requirements, the bank will have to include its holdings in financial institutions within the banking group.

Other important change involves the adoption of the Electronic Signature Law and the Consumer Loan Law enhancing the transparency of loan agreements by expanding the information obligations of the lender. The amendment of the Accountancy Act effective as of 1 January 2002 was also important to banks. The amendment harmonised Polish accounting regulations with international regulations under EU directives and the International Accounting Standards.

THE STRATEGY OF BRE BANK AND THE BRE BANK GROUP

THE BUSINESS PROFILE OF BRE BANK AND THE BRE BANK GROUP

Since its inception, BRE Bank has focused on corporate banking. In the past years, however, the Bank has evolved to become more of an investment bank, active on the capital markets, earning substantial income through skilful management of the proprietary portfolio of securities. BRE Bank has also started to offer an expanding range of products and services to retail clients, originally only wealthy individuals, but recently since the launch of mBank in late 2000 and MultiBank in 2001 also to a broad group of retail customers. The Bank has developed four core business areas:

- Corporate Banking,
- Investment Banking,
- Retail Banking,
- Asset Management and Private Banking.

The growth of the Bank was paralleled by the growth of its subsidiaries and associates. Many of them provide financial services complementary to the offer of the Bank in the four main business areas. These are the Bank's strategic companies. In 2000, the Bank identified business lines embracing both Departments of the Bank and special companies operating in the same market segments.

The structure of the BRE Bank Group companies by business area and their market position at the end of 2001 are presented in the section "The BRE Bank Group Companies and Their Market Position".

2001: THE LAUNCH OF THE BRE BANK GROUP STRATEGY

The BRE Bank Group has started to implement a long-term strategy. The guiding principles of the strategy were presented by the Management Board to the Supervisory Board in September 2000. The Supervisory Board approved the document and, on 22 March 2001, adopted a resolution approving the Strategic Plan for 2001-2006. 2001 was the first year of its implementation.

The main success factors of the Bank and its strategic companies lie in close co-operation and a comprehensive range of financial services. The offer is addressed to both corporate and retail clients. The offer relies on top quality service and advanced, state-of-the-art distribution channels.

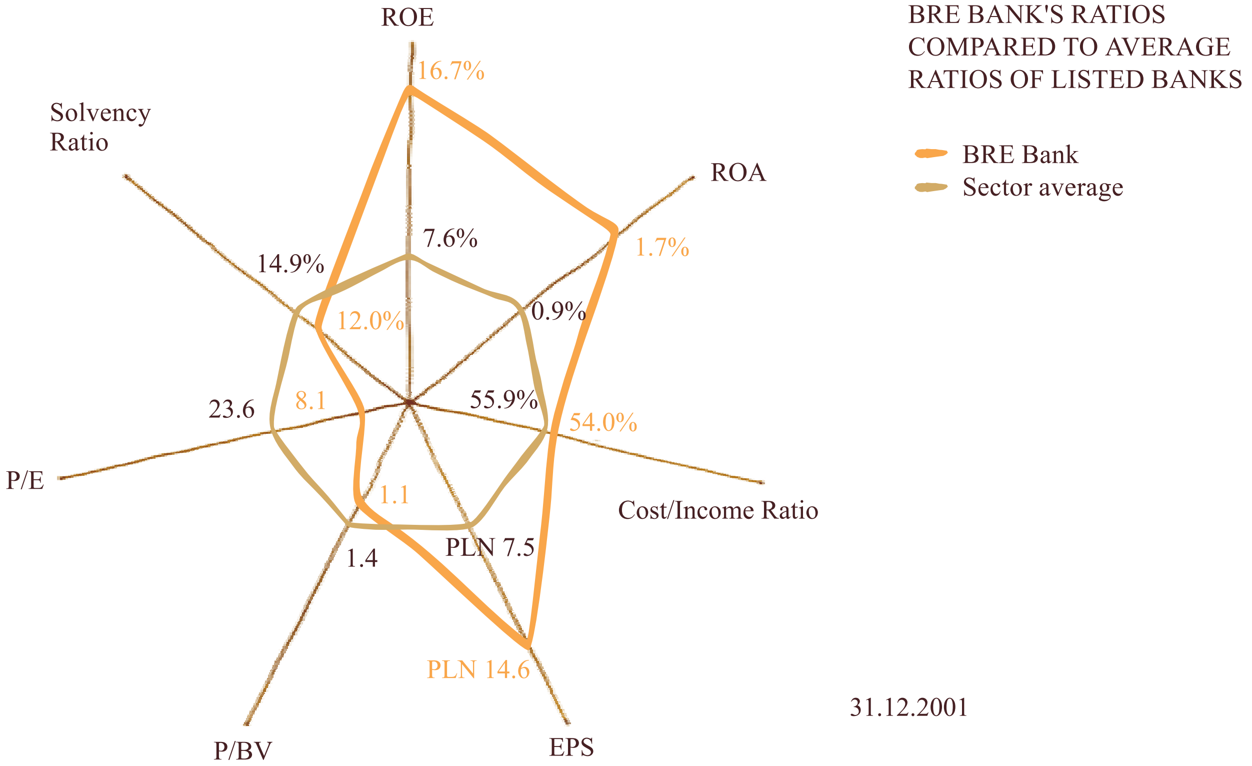
The strategic objectives will be attained through a new sales policy based on cross-selling. The sales force is being restructured so the Departments of the Bank and its strategic companies can offer products of the selected companies of the Group. The Bank and its subsidiaries have executed relevant co-operation agreements. Work is in progress on forming a joint back office for the sales force and a common CRM system.

The strong competitive edge of the products and services of the Group is enhanced by measures implementing Internet-based technologies in the e-BRE project. The Bank and its companies executed operating agreements on the project in the second half of 2001. A variety of organisational measures were taken to support the growth and integration of the Group, including the harmonisation of insurance policies, real estate management, procurement of equipment, advertising and promotion.

In the coming years, those measures will boost the profitability of sales of the Group's ever growing product offer, rationalise its operating costs, and in result improve the efficiency and the shareholder value of the Bank and its strategic companies.

GROWING THE SHAREHOLDER VALUE AS A STRATEGIC OBJECTIVE

In the coming six years, the Bank and its strategic companies should witness a strong growth in their market value. According to the strategy, the Bank's P/BV ratio should be 2.25 in 2006. The ratio was 1.11 at the end of 2001, slightly less than the average ratio of the 10 largest listed banks (1.40). It must be emphasised, however, that BRE Bank's performance ratios were much better than the average ratios of listed banks, as shown in the chart below:



The market value of BRE Bank will be enhanced with measures aimed at improving financial ratios while keeping capital adequacy within the requirements under the new recommendations of the Banking Supervision. The target ratios for 2006, the last year of the strategy, are:

- real ROE: ca. 19%;
- Cost/income ratio: 45%.

Measures will also be taken to ensure highest possible growth in the Shareholders' return on invested capital. The strategy's dividend policy provides for a pay-out of one third of generated net profits. The proposed allocation of the 2001 net profit is an exeption as 68.3% of the profit will be paid out to the Shareholders in dividend. This was an important factor of a strong return on equity invested in the Bank, as well as an element of the planned restructuring of the equity by expanding the share of second-tier equity. Some of the Bank's shares are planned to be cancelled. This will help to reduce the first-tier equity to be then topped to the required level with subordinated debt. The financial leverage will improve, enhancing ROE, EPS, and the stock price.

The growth in the Bank's value will be supported by a transparent information policy and partner-like relations with institutional investors. These will facilitate the exchange of views and direct contacts with the Management, and strengthen the understanding of and support for activities taken by the Bank.

THE POSITION OF BRE BANK AND THE BRE BANK GROUP IN THE SECTOR

THE POSITION OF BRE BANK IN THE POLISH BANKING SECTOR

BRE Bank is a leading Polish bank in terms of the size of equity and the scale of operations. The Bank's long-term strategy implemented as of 2001 will ensure BRE Bank a strong position among the top five financial institutions in Poland. In 2001, BRE Bank approached this goal as it was the fifth largest bank by equity (including the profit of 2001) and the seventh largest by balance-sheet total at the end of the year.

The share of the Bank in the main segments of the banking market was as follows*:

Corporate Banking

Corporate loans	5%	
Corporate deposits	7%	
Foreign trade transactions	17%	
Syndicated loans by committed amount	12%	(fourth position)
(by number of arranged transaction)		(first position)

Retail Banking

Service through remote distribution channels	25%	(first position)

Investment Banking

Debt issues arranged		
by amount of debt	12.3%	(fourth position)
(by number of issuers)		(third position)
Issues of municipal bonds arranged		
by value	7%	(third position)

*BRE Bank estimates based on NBP data and press reports.

THE BRE BANK GROUP COMPANIES AND THEIR MARKET POSITION

Information about the strategic companies of the Group and their market share is compiled in the table below*:

Company	Stake of BRE Bank	Equity PLN million	Assets PLN million	Business Profile	In the Group since	Market Position
Investment Banking						
BRE Bank Securities (Dom Inwestycyjny BRE Banku SA)	100%	43 374	117 946	Brokerage	July 1998	- Stock market: seventh position (6% of trading), - Forwards and futures: second position (8% of trading), - Bond market: sixth position (7% of trading).
BRE Corporate Finance SA	100%	2 044	7 667	Corporate Finance Advisory	July 1997	One of the leading advisors in Poland.
Corporate Banking						
RHEINHYP-BRE Bank Hipoteczny SA	50%	133 140	565 284	Mortgage banking	March 1999	First position among 3 mortgage banks in Poland by value of the loan portfolio.
BRE Leasing Sp. z o.o.	49%	26 683	1 379 515	Leasing	June 1991	Second position by leased assets.
Intermarket Bank AG	51.43%	58 155	318 333	Factoring	July 2000	50% in Austria.
Transfinance a.s.	50%	17 424	332 880	Factoring	October 2000	31% in Czech Republic.
Magyar Factor Rt.	—	—	—	Factoring	—	35% in Hungary.
Polfactor SA	49%	8 377	133 942	Factoring	March 1995	10% market share (fourth position) in Poland.
Retail Banking						
Bank Częstochowa S.A.	81.57%	26 483	139 680	Retail Banking	September 2001	—
Asset Management**						
Skarbiec TFI SA	51%	42 028	45 220	Investment fund management	August 1997	Fourth position, 11% (ca. PLN 1.3 billion) of all assets managed by investment fund companies.
PTE Skarbiec-Emerytura SA	100%	47 278	73 125	Pension fund management	August 1998	- ninth position by number of clients (3.5% share), - tenth position by assets (2% share).
BRE Private Equity I Sp. z o.o.	50%	7 317	13 662	Asset Management	November 1993	—
BRE Asset Management SA	80%	2 475	5 809	Asset Management	September 2000	Eighth position by AnM.
Skarbiec Serwis Finansowy Sp. z o.o.	100%	(15 411)	3 480	Distribution of financial products	October 1999	—
BRE Agent Transferowy Sp. z o.o.	100%	4 930	8 192	Operational support to asset managers	December 2000	—

*Based on data provided by companies and press reports.

The **Asset Management companies of the BRE Bank Group (BRE Private Equity I Sp. z o.o., BRE Asset Management SA, Skarbiec TFI SA and PTE Skarbiec-Emerytura SA) managed assets totalling **PLN 2.7 billion** at the end of 2001. BRE Bank had the **fourth position** on the market.

THE IMAGE AND THE REPUTATION OF THE BANK

THE RATING OF BRE BANK

BRE Bank holds the rating of two renowned rating agencies, Moody's Investors Services and Fitch.

The Moody's rating (last update in September 2001) was as follows:

Baa1 long-term deposits (fourth best rate of nine)
Prime-2 short-term deposits (second best rate of four)
D+ financial strength (scale from A to E; the rating takes account of external risk factors in the bank's operations, including economic conditions and the financial system environment).

On 29 January 2002, Moody's raised the rating of debt securities issued by BRE International Finance BV (a 100% subsidiary of BRE Bank) under a Medium Term Notes Programme from Baa2 to Baa1 for subordinated debt and from Baa1 to A3 for senior debt. This rating is above Moody's sovereign rating for Poland (Baa1).

The rating of Fitch (last update in October 2001) was as follows:

BBB+ long-term rating (fourth best rate on an investment scale, good quality of the loan portfolio)
F2 short-term rating (second best rate of six, refers to the capacity to repay debt)
3 support rating (third best rate of five, reflects the strong position of the strategic shareholder).

Fitch also gave BRE Bank an individual rating of **C/D** which, on a scale from A to E, means a good standing of the bank with potential problems of internal or external origin. Fitch assessed the Bank's long-term growth outlook as stable.

AWARDS AND DISTINCTIONS

The success of BRE Bank in its business areas was appreciated and awarded.

In 2001, the Bank was named the best financial institution and received one of the most prestigious awards in Poland: the Award for the Economy of the President of the Republic of Poland.

In its annual ranking of the best banks, the monthly *Euromoney* named BRE Bank the Best Equity House in Poland. *Global Finance* named BRE Bank the Best Emerging Markets Bank in Poland. *Home&Market* awarded BRE Bank with its Thornless Rose. JP Morgan Chase Bank recognised BRE Bank with the Quality Recognition Award 2000.

In 2001, the Bank also received the Cheetah Award as the best bank in Poland in 2000 from the newspapers *Prawo i Gospodarka* and *Gazeta Bankowa*. The daily *Puls Biznesu* named BRE Bank the Best Listed Company of 2000.

BRE Bank's electronic banking system BRESOK was awarded the European Medal in a ranking of the Business Centre Club and the Committee for European Integration.

mBank received several awards for its pioneering Internet-based business model. Branches of BRE Bank also collected several awards.

SPONSORING AND THE BRE BANK FOUNDATION

In pursuing its sponsoring strategy, BRE Bank is actively involved in various activities supporting the arts, particularly modern art, and promoting and supporting scientific research and technologies.

In 2001, BRE Bank was the main sponsor of the play "Skala" by Bogusław Schaeffer, directed by Krzysztof Miklaszewski, playing in major cities throughout Poland.

The Bank continued for a second consecutive year to support the Kordegarda Gallery in Warsaw. In the second half of 2001 the Bank was a sponsor of the exhibit "Beauty behind a Veil of Time" at the Wilanów Palace Museum, and in December 2001 the Bank signed an agreement with the National Museum in Warsaw and became its Main Sponsor.

The Bank was in 2000 also a sponsor of the educational programme "Internet at School - Project of the President of the Republic of Poland". The Bank was in 2001 named the Silver Sponsor of the Project by the Polish President. BRE Bank SA was for a second consecutive year a sponsor of the Andrzej Drawicz Award offered for special contribution to the importance and role of Polish heritage in the world.

In addition, the Bank supported many other smaller projects, including the acquisition of works of art for museums, exhibits, concerts, etc.

The Bank's sponsoring efforts involve the BRE Bank Foundation set up in 1994 to support worthy charitable initiatives in the area of education, science, culture, health care, and environmental protection. The role of the Foundation grows with increasing needs of institutions and individuals that require private sponsors due to reduced funding by the State.

In 2001, the Foundation reviewed 620 applications from different sources and provided assistance to 250 persons and institutions totalling PLN 731.5 thousand. Most of the assistance was offered to schools and orphanages for their work and for the modernisation of teaching aids; to health care institutions, mainly for the acquisition of medical equipment; to social welfare institutions (including permanent aid to the Polish Committee of Social Welfare and support for Monar) for their statutory activities; it also included participation in the organisation of scientific and cultural events; assistance to regional cultural initiatives; support for projects aimed at education and promotion of environmental protection. The Foundation attaches special importance to assistance to those who suffer from serious illnesses and require expensive treatment and operations, especially children.

THE BANK'S LONG-TERM GROWTH FACTORS

THE CLIENT BASE

Strong relations with clients based on top-quality service are the main objective of BRE Bank and part of its strategy. In order to attain this objective, the Bank strives to expand its client base, assess the needs of client groups, and use best efforts to fulfil them.

Corporate clients have been serviced by BRE Bank since its inception. As of the launch of the private banking services in 1995, the Bank's client group embraced high net worth individuals. In November 2000, when the virtual mBank was launched, a broad group of retail clients joined BRE Bank's services.

There were approximately 145 thousand retail clients at the end of 2001, a small fraction of many millions of clients on the retail market. Yet the group represented a fourth of all clients using remote distribution channels to access their banks. This market provides a great potential as clients increasingly choose to place orders via the Internet and draw cash from ATMs rather than visit a bank branch.

The private banking service is now used by several thousand clients. The requirement for clients is to place at least PLN 100 thousand or foreign currency equivalent with the bank. The Bank plans to segment its private banking clients into two groups. One group will bring together clients of mBank and MultiBank, satisfied with the growing product offer of both BRE Bank retail projects. The other group will embrace clients interested in consulting and investment service, financial advisory, asset management, and investment banking. A Private Banking Family Office will be set up to service high net worth families. This up market private banking service will offer professional financial planning, real estate and insurance services, also on foreign markets.

The most important and the largest group in terms of generated profitability is that of corporate clients. To better serve them and to ensure cost-efficiency, the Bank updated its segmentation of corporate clients in 2001 (see the section on corporate banking). In addition to the original criterion of the volume of sales (corporations are companies with annual turnover over US$ 5 million), new criteria include the clients' need for sophisticated services, their expectations and requirements, and the skills and expertise necessary to service such clients.

As the sales force fine-tunes the new operational formula, the bank advisory service develops, and cross-selling extends to all products of the Group, the full potential of all the segments will drive closer co-operation and better profitability of this client group. This will be supported by the introduction of a Customer Relationship Management system.

ADVANCED TECHNOLOGIES FOR CUTTING-EDGE SERVICE

State-of-the-art IT is one of the main assets of BRE Bank. Since its inception, BRE Bank has aspired to be a leader in banking technology. BRE Bank was the first Polish bank to implement an integrated IT system in the early 1990s, supporting on-line inter-branch settlements and a proprietary electronic banking system BRESOK. BRE Bank clients had the early opportunity to use the benefits of automated bill processing technologies based on scanning and digital image processing. These are but examples from a long list of technological applications ensuring customer satisfaction with BRE Bank services.

In order to keep its competitive position based on technologies, BRE Bank engages in far-reaching efforts to modernise its IT systems and implement new systems supporting the business areas of the Bank.

The measures taken in 2001 include:

- implementation of the Risk Assessment and Measurement System SONAR as part of the efforts to improve the quality of service, client rating, and risk assessment;
- efficient implementation of the euro replacing national currencies in all products offered by BRE Bank;
- implementation of the Kondor+ system providing comprehensive support for transactions on the financial markets in the recording, valuation, and controlling of the Bank's positions;
- application of the Altamira system to support mBank and MultiBank;
- the flag-ship electronic banking product BRESOK provided with a new functionality of the international standard Multicash;
- implementation of interBRESOK, the Internet-based banking system using Oracle technologies;
- launch of the implementation of the Brelink system integrating banking applications in a modern infrastructure environment based on BEA technologies supplied by Compaq;
- modification of the BRE Bank Internet service.

The strategy of comprehensive digitalisation and modernisation of BRE Bank and its strategic companies also includes the e-BRE project launched in the second half of 2000 and continued throughout 2001.

The e-BRE project covers many different operational dimensions of the Bank and its companies, of which five main directions were identified.

The main efforts focused on customer relations. The project provides for the launch of two portals, a corporate portal and a retail portal (Multiport), and a Customer Relationship Management (CRM) system for the Group. Both portals will be operational in Q1 2002.

Multiport will help users manage personal finance, both placed with BRE Bank retail projects and (through a financial aggregator) with other banks. The corporate portal with its specialised tools will allow corporate clients to execute on-line transactions with the BRE Bank Group.

The CRM project, part of e-BRE, will ensure better identification of clients and their individual needs, as well as effective and productive management of all customer relations improving the net profitability and reducing transaction costs.

The e-BRE project will also serve the needs of internal communications within the Bank, including its Intranet (launched on 14 January 2002) and the Electronic Procurement System. The latter will let the Bank and its companies buy on the Internet B2B market and will digitalise the procurement process within the organisation. These solutions will produce tangible financial benefits as the overheads of the Bank and its strategic companies are reduced.

QUALITY MANAGEMENT

The philosophy of BRE Bank is based on the Bank's competitive advantage gained by offering most advanced, top-quality services. The implemented quality management system supported by the commitment of qualified staff and an offer tailored to the clients' changing needs is one of the main dimensions of the strategy. The quality management system is supervised by the Management Board's Plenipotentiary for Quality and 62 internal quality auditors.

The quality management system features an ISO 9001 certificate for the product "Electronic Money Transfer - BRESOK" received in 1999 and confirmed by annual internal and external audits. The certificate is the pride of BRE Bank and an assurance to existing and prospective clients that BRE Bank conforms to top quality requirements as a benchmark for further improvement.

THE BANK'S HUMAN RESOURCES

The value of human resources is an asset companies use to become increasingly competitive. The human resources policy of BRE Bank is aimed at recruiting, retaining, and developing talented employees whose skills correspond with the Bank's current and future needs.

BRE Bank's HR policy differentiates between employees on the basis of their individual contribution and initiative, and promotes professional codes of best practice.

Thanks to the practical implementation of these principles, BRE Bank was named the 2001 Leader in Human Resources Management in a ranking of the Institute of Labour and Social Affairs and the Institute for Management under the patronage of NBP President Leszek Balcerowicz. BRE Bank was one of the three winners of the *Newsweek* ranking of the best employers (January 2002).

The Bank had 2 728 employees at the end of 2001. During the year, the headcount grew by 177 people (approximately 7%). The workforce grew only in retail banking (from 169 to 470 employees). The workforce at the Head Office and the Branches went down by 124 employees.

The high productivity of BRE Bank employees merits special mention. According to a study published by the General Inspectorate of Banking Supervision based on data for Q1-3 2001, the average cost of labour (including training) was PLN 73.1 thousand per FTE at BRE Bank; the average for 8 peer banks was PLN 64.6 thousand. Productivity measured by gross profit per FTE was PLN 146.1 thousand at BRE Bank, four times the peer banks' average of PLN 35.8 thousand per FTE.

The Bank's workforce is young: 66% of the employees are below the age of 35, including 20% below 25 years of age. Importantly, the percentage of employees with university education is fast growing (54% of all employees in 1999, 63% in 2001). Many employees attend graduate or post-graduate courses. The Bank reimbursed 266 employees' cost of education in 2001.

BRE Bank places a strong emphasis on continued learning: the Bank offers courses in special subjects, computer science, languages. In 2001, within the framework of the e-BRE project, all employees including managers attended mandatory training on the Intranet. On average, each employee participated in two in-house training courses in 2001. Many employees (896 persons) attended external training, including 182 persons who participated in training abroad.

THE BANK AND THE EUROPEAN UNION

Poland's chances of EU accession in 2004 are becoming increasingly realistic. The understanding of the requirements and consequences of today's harmonisation measures is of growing importance, also to BRE Bank. In recognition of this fact, in March 2001 the Bank's Management Board appointed its Plenipotentiary for EU Integration.

The main task of the Plenipotentiary is to monitor the process and the outcome of accession negotiations, and to monitor the change in Polish legislation harmonised with EU regulations, with particular regard to the banking sector and the relations between the Bank and its clients. The Plenipotentiary is also responsible for the promotion of the European Union and its institutions among the Bank's staff and clients.

Given the strong correlation between the banking sector and the economy, the Bank needs to monitor those areas of negotiations where adopted solutions may affect the financial standing of the Bank's clients. It is the Polish companies, their owners and staff, who will be most vulnerable to the consequences of EU integration. Thus, the Bank strives to disseminate information about the conditions of business on the single European market.

In 2001, as a result of the completed EURO 2002 project, the Bank converted into the euro all current accounts and term deposits opened in national currencies of the countries of the European Monetary Union. The conversion covered over 400 loans and approximately 13 thousand accounts. The euro replaced the national currencies in all other products offered by BRE Bank.

The greatest challenge to the Bank on the single European market will be that of having to compete against European financial institutions that will have practically unlimited access to the Polish market (also through remote distribution of services). Success in the competitive environment will depend on the quality and efficiency of customer service. With all measures adopted in this area, as outlined above, the Bank is convinced it will be in a position to meet the challenge.

BRE BANK'S PLANS FOR THE FUTURE

In the coming years, the Bank plans to remain a corporate bank and to keep a strong market position in investment banking, asset management, and private banking. BRE Bank will continue to develop its Retail Banking Line based on modern electronic distribution channels. The retail banking business is planned to be spun off as a listed company (or companies).

It was due to its plans of expansion on the retail banking market that BRE Bank acquired a strategic stake of 81.57% of shares in Bank Częstochowa. Bank Częstochowa's new Management will restructure the bank and prepare it for the acquisition of mBank. The existing corporate clients of Bank Częstochowa will be offered the service of BRE Bank while its retail customers will be given the opportunity to transfer to mBank or MultiBank.

The Bank will continue its active policy of selective proprietary portfolio investments in those sectors which offer above-average return.

The Bank will work closely with BRE Bank Group companies, evolving towards a strong universal financial group.

One of the main objectives for 2002 is to implement the Asset Management Holding as a future leading provider of asset management products in Central and Eastern Europe, mainly on the Polish market. The Holding will offer innovative financial products of top quality to target customer groups; it will also focus on active and effective management of assets. The holding structure may acquire a strategic partner as a minority shareholder. The Holding will embrace the following companies of the asset management area: Skarbiec TFI, BRE Asset Management, Skarbiec Serwis Finansowy and BRE Agent Transferowy.

The plans for 2002 as measured by the major financial ratios are shown in the table below:

	Polish Accounting Standards		International Accounting Standards	
	BANK	GROUP	BANK	GROUP
Net profit (PLN million)	408	371	419	382
ROE nominal (%)	18.8	16.5	19.3	17.0
Cost/income ratio (%)	50.6	50.1	50.6	50.1
Solvency ratio (%)	8.5	-	8.5	-
EPS (PLN)	17.7	-	18.2	-

BRE Bank will continue to grow dynamically: its equity will be restructured and its balance sheet total will grow fast, as will the loan portfolio whose quality will remain strong. BRE Bank projects a net profit of PLN 408 million in 2002; this includes capital gains from three large disposals: the sale of ITI Holding shares and minority stakes in PTE Skarbiec-Emerytura and in mBank.

THE DEVELOPMENT OF BRE BANK BUSINESS AREAS IN 2001

INVESTMENT BANKING

FINANCIAL MARKETS

BRE Bank was an active participant in the PLN and FX money markets in 2001. The majority of transactions included deals in deposits and securities (T-bills, Treasury bonds, NBP monetary bills).

Investment in fixed-income securities was particularly attractive in 2001. During the year, NBP interest rates were cut by 750 basis points in six steps of the Monetary Policy Council.

The Bank was an active player on the securities markets. Its liquidity portfolio of T-bills and NBP monetary bills grew considerably to over PLN 2 billion at the end of 2001. The Bank was mainly involved in buying and selling securities on the interbank market and with clients, as well as "repo" and "reverse repo" deals on the interbank market.

The Bank's clients were very active in investing in Treasuries, both on the primary and the secondary market. As a result, the high volume of trading of both the client portfolio and the Bank's proprietary portfolio gave BRE Bank the first position in the IAD (Dealer Activity Index) ranking. In addition to its mandate of a money market dealer, the Bank will run for the mandate of a Treasury securities dealer to be awarded in 2002 by the Finance Minister.

BRE Bank remained a leading counterparty for foreign market makers and market users in PLN transactions. Consequently, the Bank is one of the most active players on the interbank market in fx swaps, PLN placements and deposits.

THE DEVELOPMENT OF DERIVATIVES

The year 2001 was another year of dynamic growth in derivatives trading. The high volatility of the PLN exchange rate against foreign currencies, in particular the euro and the US dollar, encouraged clients to buy instruments hedging against fx risk. Western European banks engaged in transactions on the Polish market generated strong demand for PLN fx options. Interbank market trading grew from an estimated US$ 200 million to approximately US$ 500 million per day. The most popular strategies included "straddle", "strangle", and "risk reversals". BRE Bank is the leading fx derivatives market maker in Poland.

2001 was a year of further growth on the interbank market of interest rate derivatives (FRA, IRS). The development of interest rate swaps was particularly fast due to larger issues of Treasury bonds and their trading. BRE Bank retained its strong position of a leading Polish market maker.

As the interest rates were cut, they still remained high, clients were actively going for swaps in currencies with low interest rates (especially the euro and the Czech crown).

The balance of open FRAs grew 70% (from PLN 21 billion to PLN 35 billion) and that of open IRS's grew nearly three-fold (from PLN 7 billion to PLN 19 billion) in 2001.

EQUITY DERIVATIVES

In 2001, BRE Bank continued to issue further series of warrants on stocks and stock market indices on the public market, including put and call warrants on the WIG 20 index, call warrants on the NIF index, and call warrants on stocks of listed companies.

In April 2001, BRE Bank introduced for the first time to public trading series of put warrants on stocks of three listed companies (Elektrim, TPSA, PKN) as well as put and call warrants on the Warsaw High Technology Index TechWIG. The offer was extended to new series of warrants of different acquisition and expiration cycles.

DEBT ISSUES ARRANGED

BRE Bank is one of the leading arrangers of debt securities on the Polish market. The Bank's share in the market of short-term debt securities was 12.3% (as at 31 December 2001), up from 7.7% since 2000 (Fitch Polska, *Rating & Rynek*, 15 January 2002). The nominal value of the debt securities arranged by BRE Bank was PLN 7 829.9 million at the end of 2001, up 36.6% since 2000.

The Bank took the third position in terms of the number of issues. By total value of the short-term debt issued (PLN 1 565.7 million), the Bank came fourth among all arranger banks. BRE Bank was the number one arranger of corporate bonds.

The largest programme where the Bank was appointed a dealer was the PLN 3 billion Bearer Bond Issue Programme for the European Investment Bank.

Another milestone was reached by BRE Bank when it arranged and implemented for the first time an issue of municipal bonds for the City of Poznań (nominal value PLN 105 million, redemption in 2006-2007).

CUSTODY

The Bank offered a comprehensive service of safe-keeping and dealing in securities both on the Polish and foreign capital markets based on high-class computer systems ensuring the safety of deposited assets and a broad range of reports for clients.

Thanks to the acquisition of new clients and the investment of existing customers, the value of securities in custody was PLN 29.5 billion at the end of 2001, up PLN 0.5 billion since 2000, despite the significant decline in the market value of public securities. The number of transactions cleared for clients fell sharply due to the function aggregating clearing instructions in the new clearing system of the Depositary of Securities.

The Bank's custody operations in 2001 turned out the following results:

- 6 300 transactions cleared per month on average (ca. 21% of all transactions cleared by the Depositary of Securities);
- the number of securities custody accounts has grown by up 37% since 2000;
- the share of the assets of BRE Bank clients in the assets deposited with the Depositary of Securities remained at around 20% by value.

Since May 2001, custody services are offered by the Custody Service Office spun off from the Department of Settlements and Custody.

SPECIALISED FINANCE

Over 20 large (above PLN 75 million) syndicated loans were arranged in Poland in 2001, in total approximately PLN 13 billion. Polish banks contributed ca. PLN 5 billion while foreign banks lent close to PLN 8 billion. BRE Bank was one of the most active participants. It participated in the largest number of syndications (13) and was an arranger of 6 syndications. The Bank committed PLN 893.3 million in syndicated loans, up 70% since 2000 (PLN 527.2 million). Its largest single contribution to a syndicated loan was PLN 140 million.

The loans arranged by BRE Bank totalled PLN 2 406.4 million. The largest loans arranged by BRE Bank include those to KGHM and Telefonia Lokalna. The largest syndications BRE Bank participated in were the loans for PTC and Elektrownia Pątnów II. The Bank single-handedly financed 19 projects totalling PLN 673.3 million.

The Bank's contribution to syndicated loans and the projects financed single-handedly by BRE Bank totalled PLN 1 637.8 million at the end of 2001, representing 16.7% of the loan portfolio of the Bank.

BROKERAGE - BRE BANK SECURITIES (DOM INWESTYCYJNY BRE BANKU SA)

BRE Bank Securities faced a very difficult market. In 2001 the spot trading on the Warsaw Stock Exchange was 41% lower than in 2000 while the number of public offerings was the lowest in 6 years. The market of forwards and futures developed well: the volume of transactions grew 150% compared to 2000.

The share of BRE Bank Securities in the stock market trading in 2001 was 5.7%, giving it the seventh position in the ranking of the most active brokerage houses. On the market of forwards and futures, BRE Bank Securities consolidated its position: it took the second place with an 8.4% market share and received an award of the President of the Stock Exchange for 2001. The company ranked sixth in trading on the bond market, with a market share of 6.9%.

CORPORATE FINANCE ADVISORY - BRE CORPORATE FINANCE SA

The business of BCF (formerly BMF, the company's name changed in 2001) is focused on four areas: mergers and acquisitions, privatisation, strategic advisory, and private placements. Its co-operation with BRE Bank and other BRE Bank Group companies ensures comprehensive customer service in consulting and advisory as well as specialised finance and project implementation.

BCF is a renowned partner of such governmental institutions as the Ministry of the Treasury, the Ministry of the Economy, the Ministry of Infrastructure, the Ministry of Finance, as well as corporates and the largest financial institutions in Poland.

BCF has a strong position on the advisory market. It advised on various privatisation projects of leading corporates in a variety of industry sectors (airlines - PZL Okęcie, fuels - Naftobazy, publishing - PAP, fertilisers - Zakłady Azotowe Kędzierzyn, Zakłady Chemiczne Police and Zakłady Azotowe Tarnów). The company is also active in the consolidation of selected sectors like metallurgy. As the privatisation process slowed down in 2001, the company implemented many measures adjusting its costs. The company also took steps to increase its share of income from advisory for private companies.

CORPORATE BANKING

REORGANISATION OF THE SALES FORCE

The new organisation of the sales force, tested in a pilot project in early 2001, was put in place as of 1 July 2001. Client segmentation was updated. The existing Large Corporate Department was transformed into a Corporate Department. It provides service to the largest key clients with complex requirements, using a broad range of investment banking products, serviced by account managers. The other corporate clients, strategic to the Bank's Branches, will continue to be serviced by the sales force of the Branches. The Bank's sales force is co-ordinated by the Institutional Clients Department. Those clients who prefer a standard service will be serviced by the Branch front office staff.

The reorganisation aimed at enhancing client satisfaction with the Bank. It improved the efficiency of sales and introduced cost-effective service rendered by specialised account managers.

BRE Bank provides comprehensive, advanced financial services for corporate clients based on a broad range of products. Corporate clients are offered current accounts, payment cards, various deposits, a wide lending offer, and specialised services including automated bills processing and foreign trade finance (letters of credit, documentary collection, forfaiting, factoring, guarantees, instruments hedging foreign exchange and interest rate risk).

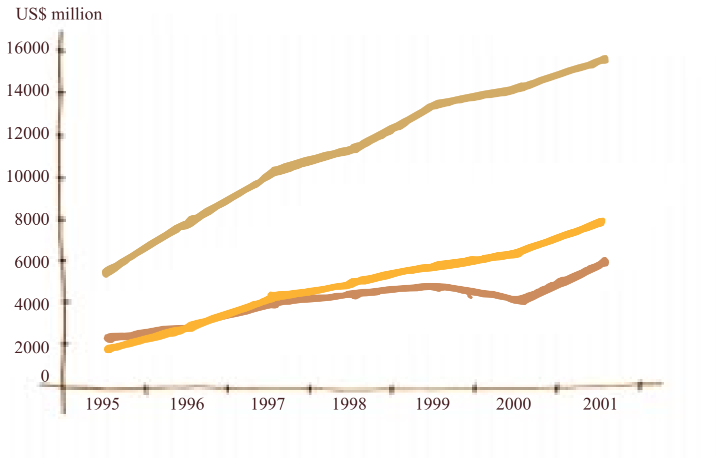
FOREIGN TRADE FINANCE

The Bank is one of the leaders in foreign trade transactions. Its share in the total volume of foreign trade (of goods and services) is over 17%.

The Bank's efficient service for corporate clients relies on a wide network of correspondents: 1 526 banks (with which BRE Bank had exchanged swift and/or telex keys) including 33 nostro correspondents and 84 loro correspondents at the end of 2001. The Bank has access to the extensive network of correspondents of its strategic shareholder Commerzbank.

The value of foreign trade transactions settled by BRE Bank in 2001 was US$ 14 165.8 million (US$ 10 870 million in 2000). Imports accounted for US$ 7 840 million (up 24% since 2000) while exports represented US$ 6 325 million (up 37.8%).

The growth in the Bank's foreign transactions in the past years is illustrated in the chart below.



GROWTH IN BRE BANK'S FOREIGN TRADE TRANSACTIONS 1995-2001

MORTGAGE BANKING - RHEINHYP-BRE BANK HIPOTECZNY SA

In 2001, the second full year of its business, RHEINHYP-BRE witnessed a significant growth in its market share. In terms of the value of the loan portfolio, the Bank ranked first among the three mortgage banks active in Poland. The bank's loan portfolio stood at PLN 433.9 million at the end of 2001, with corporate loans accounting for 81% of the portfolio. The bank closed the second full year of its business at a profit of PLN 2.8 million.

RHEINHYP-BRE is the unquestionable leader on the market of mortgage bonds. The bank arranged the first postwar issue of bonds worth PLN 5 million in June 2000. In 2001, the bank made an issue of mortgage bonds with a total nominal value of EUR 5 million and US$ 20 million. The mortgage bonds were issued under two 5-year issue programmes worth EUR 100 million and US$ 50 million, respectively.

The total value of mortgage bonds issued to date in Poland is EUR 32.2 million, of which 89% has been issued by RHEINHYP-BRE.

LEASING - BRE LEASING Sp. z o.o.

BRE Leasing is a leader on the leasing market. In terms of the total value of assets leased in 2001, the company ranked second, after the traditional leader Europejski Fundusz Leasingowy.

In 2001, the company executed 1 702 contracts with a total value of PLN 872 million, a 20% growth of the portfolio of leasing contracts since 2000. The dominant share was still that of industrial machinery and vehicles. The portfolio of services was expanded to real estate leasing. Many "leasing limit" agreements (a new product) were executed.

FACTORING - THE INTERMARKET GROUP

Intermarket Bank Group consolidated its leading market position in Central Europe in 2001. The Group of factors headed by Intermarket Bank AG (the name changed in 2001, formerly: Intermarket Factoring Bank AG) includes:

- Polfactor SA - Poland; 49% of shares held by Intermarket Bank AG, 49% held by a subsidiary of BRE Bank;
- Transfinance a.s. - Czech Republic (and Slovakia through its subsidiary Transfinance Slovakia a.s.); 50% of shares held by Intermarket Bank AG, 50% held by BRE Bank SA;
- Magyar Factor Rt. - Hungary; the stake of Intermarket Bank AG in the share capital is 50%.

Most of the companies of the Intermarket Group are leaders on their respective markets. In 2001, three companies of the Group ranked number one on their local markets: Intermarket Bank AG with nearly 50% of the Austrian market; Transfinance a.s. with 31% of the Czech market; Magyar Factor Rt. with 35% of the Hungarian market. Polfactor SA with a market share of ca. 10% ranked fourth in 2001. All the companies are members of the Factor Chain International.

RETAIL BANKING

mBANK

mBank, the first virtual retail bank in Poland launched in late November 2000, was a great success. Owing to attractive interest rates on both types of accounts offered, eMAX and eKONTO, and thanks to an effective advertising campaign, the number of its clients grew fast. mBank left behind two virtual banks (Inteligo and Volkswagen Bank direct) which started their services in 2001, as well as traditional banks offering Internet services.

In November 2001, mBank launched a new deposit product, eMAX lokata. In view of the planned tax levied on interest from deposits placed after 1 December 2001, the product attracted much interest among both existing and new clients. Another new product, izzyKonto, was addressed to teenagers. The account, which can be held by any person over 13 years of age, is the same as other mBank accounts offered to adults: the client has 24/7 access to the account via the Internet, by telephone, SMS or WAP, and is issued a Visa Electron card.

At the end of 2001, mBank had 140.5 thousand clients, 188.2 thousand accounts, and PLN 1 037.5 million in deposits. According to the Council for Electronic Banking, the second largest virtual bank, Inteligo, had 113 thousand clients and less than PLN 300 million in deposits at the end of 2001. The number of Polish Internet-based bank service users was over 570 thousand. The share of mBank in the total number of clients was approximately 25%.

mBank received many prestigious awards in 2001, both for its products (Twoje Pieniądze award for the best designed checking and savings account; Alicja award from *Twój Styl*; the title of the Most Interesting Financial Product of 2001 awarded by the stock market paper *Parkiet*) and for its Internet-based solutions (Teraz Internet 2001, 2002, Targeton). Its marketing campaign was awarded by the Association of Advertising Agencies in Poland (EFFIE 2001) and by the Association of Direct Marketing (Boomerang).

MULTIBANK

MultiBank, BRE Bank's another retail banking project, was launched in late 2001. Its offer is addressed to both corporate and retail clients. The product range is more diverse than that of mBank: in addition to current accounts and deposits, MultiBank offers loans. The service is available both through modern distribution channels and in a network of automated minibranches (four branches were operational at the end of 2001). The number of MultiBank accounts was 4.5 thousand and its deposits totalled PLN 30 million.

BANK CZĘSTOCHOWA S.A.

Planning expansion on the retail banking market, BRE Bank decided in 2000 to become the strategic shareholder of Bank Częstochowa. In 2001, the investment plan was successfully implemented. BRE Bank acquired shares of a new issue representing 81.57% of the share capital and 79.95% of votes at the General Meeting of Shareholders.

The task of the new Management Board appointed in November 2001 representing the strategic shareholder, BRE Bank, is to restructure the bank and prepare it for the acquisition of mBank.

ASSET MANAGEMENT

THE BANK'S PROPRIETARY PORTFOLIO

The balance sheet value of the portfolio of shares (including other securities and rights) managed by the Bank in 2001 grew by PLN 455.8 million to PLN 1 440.1 million (up 46.3% since 2000). The investment portfolio comprised shares totalling PLN 1 408.3 million while the trading portfolio was worth PLN 31.8 million.

In 2001, the Bank acquired shares in 25 companies, ITI Holding convertible bonds, CHP Investment BV and BRE Leasing receivables. The Bank sold shares in 33 companies. The Bank also bought and redeemed units of participation in investment funds.

At the end of 2001, the Bank held shares in 31 subsidiaries and associates, including 13 strategic companies (17 in 2000). During the year, the Bank disposed of BRE Services Assistance SA, Polskie Towarzystwo Prywatyzacyjne Sp. z o.o., BRE Private Equity Sp. z o.o., STUnŻ Alte Leipziger Hestia SA. Bank Częstochowa S.A. became a new strategic company.

Among the important transactions of 2001, the Bank (with DPFR) closed the sale of the strategic package of Optimus SA shares to the ITI Group. The return rate on the transaction was approximately 50%. At the end of 2001, the Bank held Optimus shares representing 25% of the equity and 12.1% of votes. In January 2002, the court registered the split of Optimus into two companies: the Internet company Grupa Onet.pl and the technologies company Optimus Technologie. In return for 1 share in the original company, its shareholders received 1 share in each of the new companies. Under an agreement with ITI, the Bank will buy back the shares in Optimus Technologie in which BRE Bank plans to remain a shareholder.

In late 2001, the Bank invested in large packages of Elektrim and Stomil shares. The latter were sold at a high profit in early 2002.

INVESTMENT FUNDS - SKARBIEC TFI SA

At the end of 2001, TFI managed nine investment funds, including two closed-end funds, total assets stood at PLN 1 271.2 million. TFI ranked fourth among all investment fund companies operating in Poland and had a market share of 10.7%.

The best performing funds in 2001 were safe funds, i.e., Skarbiec-Obligacja whose rate of return was 17.49% p.a. (fourth best bond fund on the market) and Skarbiec-Kasa with a return rate of 15.81%. Skarbiec III Filar with a return rate of 11% was the best stable growth fund. Due to the bearish stock market, both Skarbiec-Akcja and Skarbiec-Waga had negative return rates, yet their performance was better than the benchmarks.

The main achievements of 2001 include the launch of new funds: a foreign debt securities fund Skarbiec-Dolarowa Obligacja, and the first specialised closed-end fund Sezam.

PENSION FUNDS - PTE SKARBIEC-EMERYTURA SA

In 2001, the assets of the Open-End Pension Fund Skarbiec-Emerytura managed by Powszechne Towarzystwo Emerytalne Skarbiec-Emerytura SA grew by 89.5% to PLN 443.8 million at the end of the year. The company kept the position of the tenth largest market player in terms of the value of assets managed.

The number of subscribers of the fund grew from 388.7 thousand at the end of 2000 to 411.4 thousand at the end of 2001. The company ranked ninth in terms of the number of subscribers. In 2001, PTE Skarbiec-Emerytura established co-operation with 35 new corporate partners and nearly 4 thousand new associates selling its pension products.

The average weighted rate of return of OFE Skarbiec-Emerytura between 31 December 1999 and 31 December 2001 was 18.3%, the twelfth best on the market, 7.6 percentage points above the minimum required return rate in this period.

PRIVATE EQUITY FUNDS - BRE PRIVATE EQUITY I Sp. z o.o.

The company's business in 2001 focused on the management of the assets of three National Investment Funds: Fund.1 NFI SA, V NFI Victoria SA, and NFI Fortuna SA. BRE Private Equity I also offered advisory services to two foreign funds managed by FAMCO SA (SICAV, Luxembourg, and Limited Partnership, Delaware, USA). Assets managed totalled approximately PLN 517 million, or PLN 588.4 million including the FAMCO funds.

In its fund management, BRE Private Equity I pursued the strategy adopted by the funds' Supervisory Boards in 1999 providing for the disposal of NIF companies with a small growth potential and the launch of private equity operations.

SECURITIES PORTFOLIO MANAGEMENT - BRE ASSET MANAGEMENT SA

The year 2001 was the first year of the company's business. The company took over the management of clients' portfolios from BRE Bank Securities; it managed assets contributed by the other shareholder, the Foundation for Polish Science; it also acquired assets of new clients. The assets managed by BRE AM stood at PLN 411 million at the end of 2001, the eighth position among 14 asset managers operating in Poland.

FINANCIAL INTERMEDIATION - SKARBIEC SERWIS FINANSOWY Sp. z o.o.

Skarbiec Serwis Finansowy supports the operations of selected asset management companies of the Group. Its mission is to distribute financial and insurance products, mainly those of investment funds and pension funds.

In 2002, the Bank plans to raise its investment in the company by PLN 16-22 million. The company is a part of the planned organisation of the Asset Management Holding; working from this structure, the company will distribute financial products of all companies of the Holding.

PRIVATE BANKING

BRE Bank has serviced high net worth individuals for years. Previously, private banking clients tended to invest in term deposits, T-bills and Treasury bonds.

As of 2001, the private banking service is part of the asset management business, and consequently other forms of investment of various risk categories and yields were opened to clients, also by Group companies. The process gained momentum as the Government levied a tax on interest from bank deposits. Clients converted part of their investment from deposits to other instruments including eurobonds, units of participation in the investment fund Skarbiec TFI, and portfolios managed by BRE Asset Management.

The total investment of private banking clients was PLN 3.6 billion at the end of 2001, up 25% since 2000. Funds in current accounts and term deposits stood at PLN 2 754 million (up 3.2%) while portfolio investments amounted to PLN 745.8 million (six times the 2000 figure).

RISK MANAGEMENT AT BRE BANK IN 2001

CREDIT RISK

The assessment of the credit risk of a client and a transaction is based on a rating and scoring system where the credit risk is measured by specific criteria and rated accordingly.

From the execution of an agreement for a credit-risk product until the client repays all dues under the agreement, the Bank monitors the situation of the client (the financial standing of the corporate or retail client), the financed transaction, and the accepted security.

The Bank sets up provisions for standard costs of credit risk for all credit-risk products provided to corporate clients. The provisions are internally allocated to a captive fund used to cover potential losses from such products.

The Bank's total exposure with all credit-risk products charged per client or group of clients with mutual organisational or equity relations as a percentage of the Bank's equity is subject to limitations set out in the Banking Law.

BRE Bank develops and applies credit risk management systems based on the latest recommendations of the Basel Committee. The Bank's internal rating system complies with a wide range of BIS recommendations. Credit risk is managed in two dimensions: through the evaluation of the financial standing of the client and the measurement of the risk of the transaction. Based on the Bank's historical data on the quality of its loan portfolio, BRE Bank has estimated a credit risk benchmark used in pricing its products; in the future, the benchmark will be used to set the amount of provisions.

In order to put in place a new policy of provisioning for credit risk, as of 1 January 2002 the Bank implemented SONAR, a system supporting the measurement of credit risk per exposure and the management of the credit risk of the portfolio. This is possible thanks to a database including financial client data, enabling multifaceted analyses of the portfolio and the development of an internal rating system viable to be used in provisioning. Depending on the potential credit exposure, credit applications are to be handed over to the relevant decision-making body for processing based on detailed analytic reports drafted under the Bank's internal regulations. The monitoring of existing exposure also follows formal procedures. In addition, those clients whose exposure is of strategic importance to the Bank's loan portfolio or whose scale of business or organisation requires coordinated lending are serviced by the Strategic Exposure Division of the Credit Department.

FINANCIAL RISK

The Bank developed its financial risk controlling system in 2001. This was aimed, on the one hand, at fulfilling the requirements of the Bank's changing financial operations and growing trading in financial instruments; and, on the other hand, at compliance with internal risk controlling policies required by regulators and set as standards of best practice.

All implemented changes were intended to instil the principle of separation of controlling functions and operational functions, to develop risk measurement and management methodologies, and to improve risk measurement and controlling tools in order to minimise the underlying operational risk.

The change undertaken covered both the organisation and the methodologies and technologies of risk controlling.

After the formation in 2000 of the Financial Risk Department responsible, among others, for measuring financial risk at the level of the Bank (monitoring the Bank's aggregate internal risk limits and limits required by regulators), a Control and Analysis Office was set up to support operative risk controlling and operative risk management in the Financial Risk Department and in the Treasury Department.

Major changes were implemented in methodologies applied by the Bank. The methodologies previously used in operational processes based on the estimation of Value-at-Risk are now applied to the fx risk of the entire Bank. Stress testing methodologies were introduced which measure the market risk of the trading portfolio using scenarios comprising rapid changes of risk factors. An EaR (Earnings-at-Risk) market risk measurement methodology was added to the previously implemented methodologies measuring sensitivity to interest rate changes (interest mismatch analysis, basis point value - BPV).

Other important change embraced IT tools supporting risk management and controlling. A transaction system was implemented supporting deals closed by the Financial Risk Department and the Treasury Department in early 2001. The system ensures the achievement of four important objectives of risk controlling:

- it provides a complete integrated transaction database;
- it supports real-time management of all positions;
- it supports P&L calculation at all operational levels on a daily basis;
- it helps to monitor counterparty limits in real time.

The implementation of the transaction system was coupled with the introduction of automated procedures of collecting and storing market data used in the intra-day and end-of-day valuation of positions.

The reporting system based on SAS/Risk Dimensions was restructured. Its analytic functionality was expanded to stress testing; all categories of analysis can now be computed on a daily basis.

The Bank took first steps to meet the new capital adequacy requirements in 2001. This included the reorganisation of the Financial Risk Department where a separate unit responsible for monitoring capital adequacy was established; and a review of data and available systems which in 2002 triggered a project to develop a reporting application monitoring capital adequacy and supporting relevant external reporting.

MANAGEMENT OF OPERATING RISK

During an audit performed in 2001, the Internal Audit Department responsible for the Bank's operating risk placed a strong emphasis on efficient management of the operating risk. The audit looked at selected Branches of the Bank, selected processes and products in the Bank's Departments, and IT systems, including those supporting products carrying market risk and credit risk. The audit evaluated the processes of identifying and measuring operating and business risks, as well as the internal audit system embedded in bank processes and products, including IT. The identification and measurement of risk in all business areas and the development of controls and mechanisms necessary to manage risk is a responsibility of the Bank's Departments supported by special units in the process of risk management. A map of operating risks generated at the Bank was drafted and is subject to regular updates based on risk measurement reports submitted by Departments of the Bank.

THE FINANCIAL PERFORMANCE OF BRE BANK IN 2001

MAIN TARGETS AND PERFORMANCE

The net profit of BRE Bank in 2001 was PLN 336.2 million, the second highest among all Polish listed banks.

The latest profit projection published by BRE Bank envisaged a net profit of PLN 325-360 million in 2001. In the context of the projection, the actual profit of PLN 336.2 million is very strong, both against the background of the banking sector and given the declining macroeconomic conditions in Poland.

The original projection for 2001 expecting a net profit of PLN 404 million had to be adjusted due to the deteriorating economic environment. The economic slow-down restricted the activities of the corporate sector. The GDP growth rate, projected at 5% for 2001, was only 1.1%. High interest rates in Poland and recession trends on global markets aggravated the economic environment. The resulting bearish stock market prevented several deals planned by the Bank, including the disposal of PTE Skarbiec Emerytura and ITI Holding, postponed until 2002.

The main performance ratios of BRE Bank at the end of 2001 and 2000 were as follows:

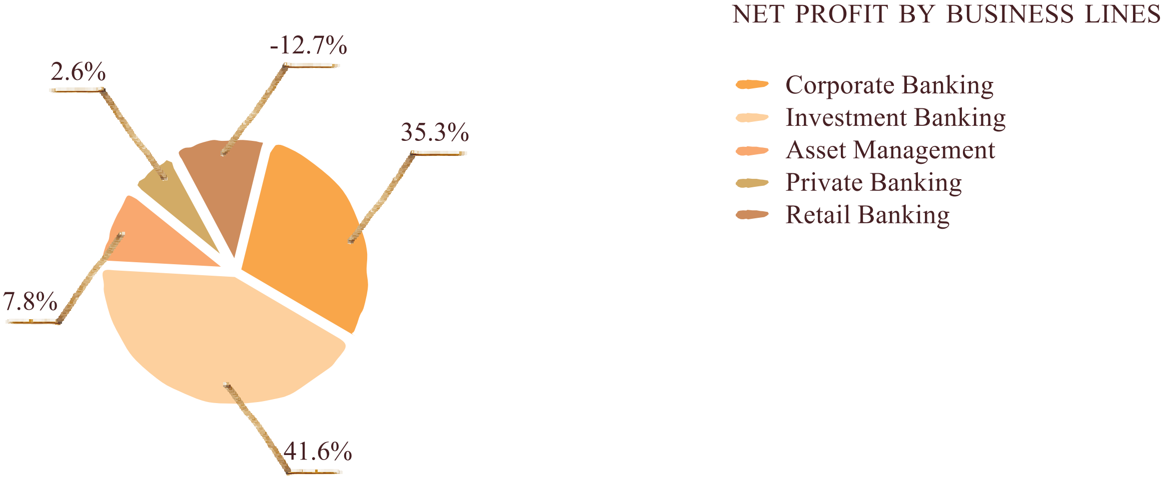
	2001	**2000**
	(%)	(%)
ROE nominal	16.7	21.6
ROE real	13.1	13.1
ROA	1.7	2.1
Cost/income ratio	54.0	55.2
Interest margin	1.8	2.3
Solvency ratio	12.0	13.1

ROE at 16.7% was the second highest among all listed banks in Poland. As inflation was much lower than expected (3.6%), real ROE in 2001 was the same as in 2000, close to the target.

Thanks to the strict cost regime, the cost/income ratio improved compared to 2000 and was at a strong 54%. The solvency ratio was at a safe 12%; the equity covers both the credit risk and the fx risk under NBP requirements.

THE BANK'S PROFIT BY BUSINESS LINE

The largest share in the Bank's 2001 profit came from investment banking (approximately half of the generated profit, given the loss from retail banking). The second largest source of profitability was corporate banking, followed by the proprietary portfolio investments and private banking. According to its business plan, retail banking did not yet break even.



THE BANK'S REVENUE

The Bank's profitability was based on net income with the following volumes and structure:

	2001		2000		Growth
	PLN ' 000	%	PLN ' 000	%	2000 =100%
Interest income	1 807 514	-	1 625 939	-	111.2
Interest expenses	1 445 232	-	1 240 660	-	116.5
Net interest income	362 282	40.1	385 279	42.6	94.0
Commission income	201 985	22.4	190 116	21.0	106.2
Income from stocks and shares	20 076	2.2	20 027	2.2	100.2
Result on financial transactions	-141 954	-15.7	117 893	13.0	-120.4
FX result	461 131	51.0	191 268	21.1	241.1
Profit on banking operations	**903 520**	**100.0**	**904 583**	**100.0**	**99.9**

The profit on banking operations was PLN 903.5 million, close to the 2000 figure. The structure of the profitability was, however, different.

The largest share was that of fx income totalling PLN 461.1 million, nearly 2.5 times the 2000 result. This amount included:

- ca. PLN 217 million of interest income and expenses from fx swaps recorded by the Bank as two separate fx transactions;
- profit from the hedging of the fx position with CIRS (cross currency interest rate swaps) at PLN 38 million;
- profit from the hedging of the fx options position at PLN 56 million;
- profit from the Bank's fx position and profit from margins on fx transactions with the Bank's clients totalling ca. PLN 150 million.

The loss on financial transaction of PLN 142 million was mainly due to losses on trading in derivaties of PLN 122 million, including:

- hedging cost of the securities portfolios (FRA, IRS, futures on securities);
- cost of the portfolios of fx derivatives: fx options and futures with the reverse transaction recorded under interest income or fx income;
- net income from the trading in interest rate derivatives: FRA, IRS, CIRS, swaptions, interest rate options.

A loss of PLN 20 million from financial transactions in securities was reported.

Both these items, the very high fx result and the loss on financial instruments operations, should be considered in conjunction as they often account for two sides of the same transaction. Losses on hedging are set off by income from the hedged transaction.

The Bank's commission income of PLN 202 million increased in 2001 (up 6.2% since 2000). Commissions related to the expanded scale of banking operations and to large one-off deals, such as the disposal of Telbank shares to another company.

Falling interest margins across the banking sector resulted in lower net interest income of BRE Bank: PLN 362.3 million, down 6% since 2000. This was a function of growth in interest income (up 11.2%) and even faster growth in interest expenses (up 16.5%). The Bank's interest position is determined by the fx structure of its loan portfolio. FX loans accounted for 40% of the portfolio; they generated a margin of 1-2% while the margin for PLN loans was 4-5%.

The income from stocks, shares and other rights totalling PLN 20.1 million, mainly consisting of dividends, remained at last year's level.

OTHER OPERATING INCOME AND COST

	2001 PLN ' 000	**2000** PLN ' 000	**Growth** 2000=100**%**
Other operating income	160 411	91 908	174.5
Other operating cost	45 879	26 126	175.6
Net income	**114 532**	**65 782**	**174.1**

The Bank earned significant "Other operating income." Its main components include in 2001:

- income from the repayment by the State Treasury of the expenses of Polski Bank Rozwoju SA (acquired by BRE Bank in 1998) to modernise the building in Aleja Szucha, Warsaw, plus statutory interest, totalling PLN 40.9 million;

- gains of PLN 50 million from the sale of the Bank's real estate to BREL-Mar Sp. z o. o. The Bank and BREL-Mar executed a 10-year lease-back agreement (operating leasing) for 5 buildings housing the branches of BRE Bank.

Although other operating costs were also higher than in 2000, yet the Bank earned a net operating income of PLN 114.5 million, 74.1% up since 2000 and contributing to overall profitability.

THE BANK'S OVERHEADS

	2001 PLN ' 000	2000 PLN ' 000	Growth 2000=100%
Overheads	**433 015**	**444 759**	**97.4**
including payroll costs	191 596	202 881	94.4
material costs	227 696	210 113	108.4
other	13 723	31 765	43.2
Depreciation	**116 480**	**80 664**	**144.4**

Thanks to the determined policy of cost savings, applicable to both material costs and payroll costs, the overall costs of PLN 433 million in 2001 were 2.6% lower than in 2000. Importantly, cost savings were effectuated in the context of the implementation of the retail banking project and several IT projects.

The reduction of cost was mainly brought about by lower payroll costs (5.6% down since 2000) even though the headcount grew by 7%. Material costs grew by 8.4%, mainly due to the development of mBank and MultiBank and the necessary cost of their promotion.

Depreciation at PLN 116.5 million grew considerably since 2000: despite the disposal of real estate, the Bank acquired other fixed assets (plant, machinery, equipment).

CHANGE IN PROVISIONS

	2001 PLN ' 000	2000 PLN ' 000	Growth 2000=100%
Provisions and revaluation	540 037	369 846	146.0
Released provisions and reverse revaluation	483 083	397 358	121.6
Net provisions	-56 954	27 512	N/A

Under the NBP requirements, the Bank sets up provisions for receivables of deteriorating quality, downgraded from regular to irregular. Provisions of 1.5% of exposure are set up for all receivables from natural persons. Provisions are also set up for securities held in the investment portfolio if their market value falls below the cost (revaluation). The Bank also keeps general banking risk reserves. The Bank sets up and releases provisions as required during the year.

The Bank set up more provisions than it released: the net balance was PLN 56.9 million, charged against the Bank's profit in 2001. The surplus of provisions set up (PLN 284.5 million) over those released (PLN 242.5 million) related mainly to the loan portfolio (PLN 42 million net). The surplus of provisions set up over those released was also related to off-balance-sheet liabilities (PLN 18.3 million set up v. PLN 9.7 million released) and the general risk (PLN 84.3 million and PLN 77.9 million, respectively). The balance of provisions for securities was almost nil as provisions were set up in the first half of the year when the market was bearish and released as the stock market improved.

THE INCOME TAX

	2001 PLN ' 000	2000 PLN ' 000	Growth 2000=100%
Gross profit	411 720	472 485	87.1
Income tax	75 540	116 657	64.8
Net profit	336 180	355 828	94.5

The generated gross profit was PLN 411.7 million, compared to PLN 472.5 million in 2000. The income tax paid (PLN 75.5 million) was much lower than in 2000. The effective income tax rate was 18.3% (mandatory corporate income tax rate at 28% in 2001). The tax savings were possible thanks to an investment-related tax relief for 2000. In addition, some of the earned income was not taxable (including PLN 40.2 million from the overvaluation of BCPT assets on liquidation; PLN 59.3 million of dividend income).

CHANGE IN THE BANK'S BALANCE SHEET

ASSETS

The Bank's assets stood at PLN 22 978.6 million at the year-end 2001, up 41.1% since 2000. The structure of assets and the change in individual assets are shown in the table below.

	2001		2000		Growth
	PLN ' 000	%	PLN ' 000	%	2000=100%
Total assets	**22 978 641**	**100.0**	**16 290 067**	**100.0**	**141.1**
Cash and balances with the central bank	804 959	3.5	436 556	2.7	184.4
Amounts due from the financial sector	2 593 285	11.3	3 126 545	19.2	82.9
Amounts due from customers	9 831 362	42.8	6 760 935	41.5	145.4
Debt securities	4 555 289	19.8	3 137 915	19.3	145.2
Shares	1 440 059	6.3	984 305	6.0	146.3
Tangible fixed assets	821 178	3.6	792 542	4.9	103.6
Other assets	2 932 509	12.7	1 051 269	6.4	278.9

The dynamic growth in assets was due to the high growth in: receivables from customers, debt securities, shares, balances with the central bank, and other assets. Amounts due from financial institutions sharply decreased.

The growth in "Cash and balances with the central bank" by 84.4% to PLN 805 million was mainly due to higher mandatory reserves for a growing deposit base.

Amounts due from customers and the public sector at PLN 9 831.4 million at the end of 2001 were 45.4% higher than in 2000. This dynamic growth in loans was due to better utilisation of revolving loans as well as growing term receivables from existing and new clients. The Bank was also heavily involved in financing the public sector, whose share had previously been rather low. Amounts due from the public sector stood at PLN 960 million (9.8% of the portfolio) at the end of 2001. Loans to retail clients accounted for 6.2% of all receivables, 4% down since 2000. The growth rate of corporate loans (excluding private individuals and public institutions) was 34.9%.

By way of comparison, loans in the banking sector grew 7.2% (5% for corporate loans, 33.5% for the public sector, 14.6% for retail customers).

The second largest asset, debt securities, grew 45.2% to PLN 4 555.3 million. Given the high interest rates and a bearish stock market, Treasuries were an attractive investment offering relatively high yields. In addition, the Bank held a substantial portfolio of Treasuries to ensure liquidity. The portfolio of Treasuries was approximately PLN 2 billion at the year-end. The Bank also expanded its portfolio of Commercial Papers, including those issued by its subsidiaries (mainly DPFR bonds and mortgage bonds of RHEINHYP-BRE Bank Hipoteczny). The portfolio also included ITI Holding convertible bonds, part of the payment for Optimus shares. The bonds can be converted into shares when ITI goes public provided that the market valuation on the IPO is at least US$ 1 billion; otherwise, the bonds may remain with the Bank until redemption in 2004.

The balance sheet value of shares, stocks, other securities and rights, which grew PLN 455.8 million to PLN 1 440.1 million, was related to the Bank's investment policy, part of its strategy. Additional investment was made in strategic companies, mainly Skarbiec-Emerytura (up PLN 154 million), BRE.locum, BRE Agent Transferowy, BRE Asset Management, and others. A majority stake was taken in Bank Częstochowa for PLN 35 million (loan from the Bank Guarantee Fund). The Bank also acquired shares in other listed companies.

Given its active operations as outlined above, the Bank restricted the volume of loans and placements with other banks and financial institutions: they stood at PLN 2 593.3 million, 17.1% down since 2000. Yet the Bank remained an active lender, both for domestic banks (mainly RHEINHYP-BRE Bank Hipoteczny but also other banks) and foreign banks. Loans were extended to Turkish banks, Belorussian banks (to finance Polish exports insured by KUKE), and several other Central and Eastern European banks.

The high growth in "Other assets" was a result of a new presentation format of unrealised profits from the revaluation of derivatives. Assets include unrealised gains while liabilities show unrealised losses from valuation. All these items are taken off the balance sheet as transactions in such instruments are closed. Given the large scale of derivative transactions at the Bank, they had a strong impact on the balance sheet.

LIABILITIES AND CHANGE IN THE BANK'S SOURCES OF FINANCING

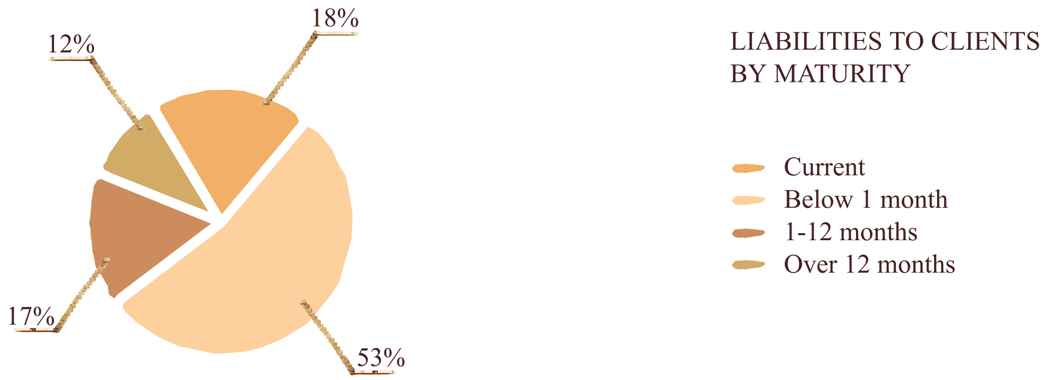
	2001		2000		Growth
	PLN ' 000	%	PLN ' 000	%	2000=100%
Total liabilities	**22 978 641**	**100.0**	**16 290 067**	**100.0**	**141.1**
Liabilities to financial institutions	7 030 096	30.6	4 723 406	29.0	148.8
Liabilities to clients and the public sector	9 607 717	41.8	7 606 382	46.7	126.3
Special funds and other liabilities	3 068 338	13.4	1 482 548	9.1	207.0
Equity	2 096 505	9.1	1 858 030	11.4	112.8
Net profit	336 180	1.5	355 828	2.2	94.5
Other liabilities	839 805	3.7	263 873	2.0	318.3

Liabilities to clients and the public sector totalling PLN 9 607.7 million remained the Bank's main source of financing. Their volume grew during 2001 by 26.3% but given the much higher growth rate of the balance sheet total, their share in total liabilities fell from 46.7% to 41.8%. The growth in deposits was due to the rising amount of funds deposited by corporate clients and retail clients, a new client group. mBank and Multibank accounts and deposits were PLN 1 067.2 million, 11% of all of BRE Bank's client deposits at the end of 2001.

The structure of funds deposited by retail customers ("savings deposits" in the balance sheet) by maturity is shown in the chart below.

SAVINGS DEPOSITS
BY MATURITY

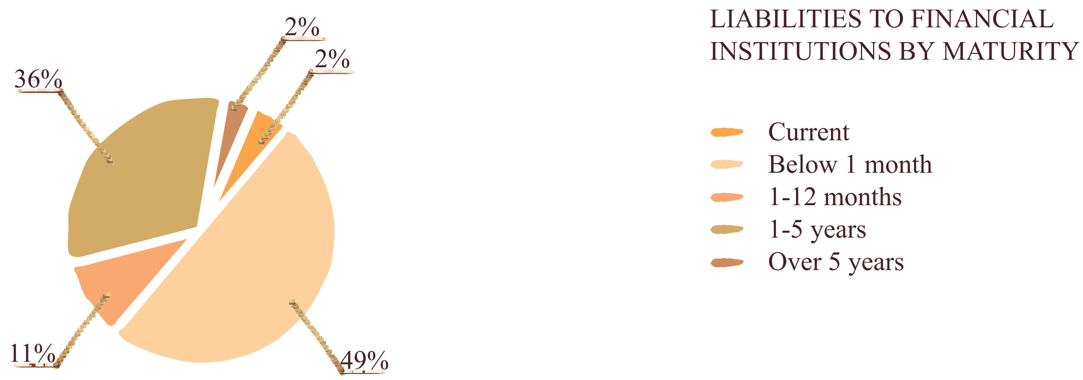
The dominant share (58%) is that of current accounts. Term deposits over 1 year also have a large share. Funds of retail customers deposited for longer terms stabilise the deposit base of the Bank as corporate clients mainly deposit short-term funds, up to 1 month. The structure of deposits placed by clients and the public sector (excluding savings deposits) is shown in the chart below.



It bears emphasising that this core deposit base witnessed longer maturities in 2001 compared to 2000. The share of deposits over 1 month grew to approximately 30% of the portfolio at the end of 2001 (18.7% in 2000); 12% of the total were deposited for more than 12 months (0.5% of all liabilities to clients at the end of 2000).

Liabilities to banks and financial institutions grew by PLN 2 364 million, up 50.7% since 2000. This growth was mainly due to a EUR 225 million syndicated loan taken in June 2001 from a consortium of 22 banks for 2 years plus 1 day with an extension option for one year. The deal was arranged and underwritten by Commerzbank AG, IntesaBCI SpA and The Royal Bank of Scotland.

The Bank's total liabilities to banks and financial institutions represented 30.6% of all its liabilities. Their structure by maturity shows a larger share of longer maturities than in the case of client deposits (see chart below).



There was a large, two-fold growth in "Special funds and other liabilities." This item includes, among others, funds related to the issue of eurobonds by BRE Bank's subsidiary BRE International Finance BV. The funds totalling EUR 325 million contribute an important part of the Bank's financing. The 2001 inflow consisted in EUR 125 million received from the issue of the first tranche of the Bank's Medium Term Note Programme. The Programme provides for issues of both senior and subordinated debt of up to EUR 1.5 billion, in various currencies, with diverse maturity and interest structure. Debt issued under the Programme is unconditionally and irrevocably guaranteed by BRE Bank. The revenue from the issue is transferred to BRE Bank as a cash deposit (*kaucja*). The debt to be issued under the Programme is rated by Moody's Baa1 (raised in January 2002 to A3) and for subordinated debt raised from Baa2 to Baa1. EUR 200 million of the eurobonds issued in 2000 (not part of the Programme) will remain in the Bank's liabilities until June 2005.

THE LOAN PORTFOLIO

Amounts due from customers and the public sector stood at PLN 9 831.4 million at the end of 2001, up 45.4% since 2000. These amounts include PLN 960 million in receivables from the public sector and approximately PLN 590 million in receivables from retail clients. PLN 8 281.4 million in receivables from corporate clients represented 5% of the entire portfolio of corporate loans from Polish banks, compared to 4% in 2000.

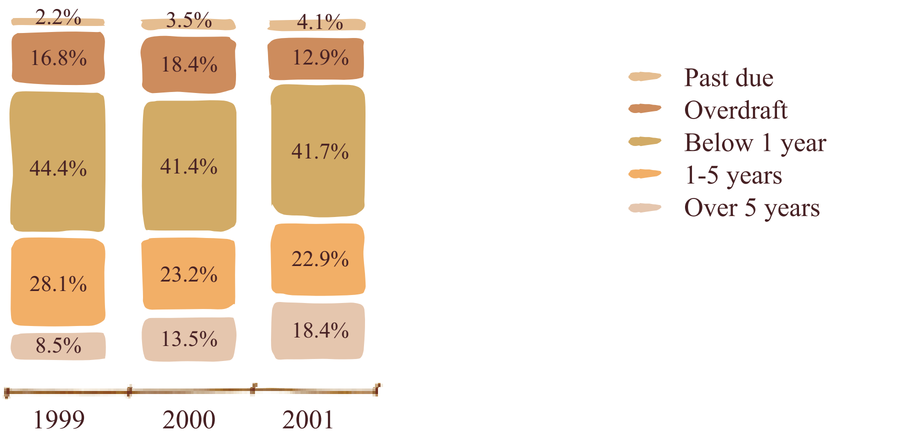
Of loans granted to customers, the largest share was traditionally that of loans to trading companies (17.1%). Pension funds represented a new group of clients: they accounted for approximately 10% of all loans extended by the Bank at the end of 2001. As the growth rate of the entire portfolio was very high, the share of loans to private individuals fell from 9.4% in 2000 to 6.2% in 2001. These included loans to private banking clients, retail clients, and instalment loans distributed by instalment loan agents.

The structure of loans changed since 2000. The share of revolving loans grew by 7 percentage points (9.1% in 2000). The share of investment loans fell from 41.9% to 36.4%; that of overdraft facilities dropped from 20.4% to 15.2% of the loan portfolio. The lending structure in 2001 was as follows:

investment loans	36.4%
working capital loans	27.1%
overdraft facilities	15.2%
revolving loans	16.1%
other loans	5.2%

In terms of the currency structure, PLN loans accounted for 60.3% of the portfolio (50% in 2000).

LOANS BY MATURITY



The structure of the portfolio by outstanding maturity (period between the balance sheet date and the scheduled repayment of the loan) saw an increase in the share of long-term loans (over 5 years) while the share of overdraft facilities shrank.

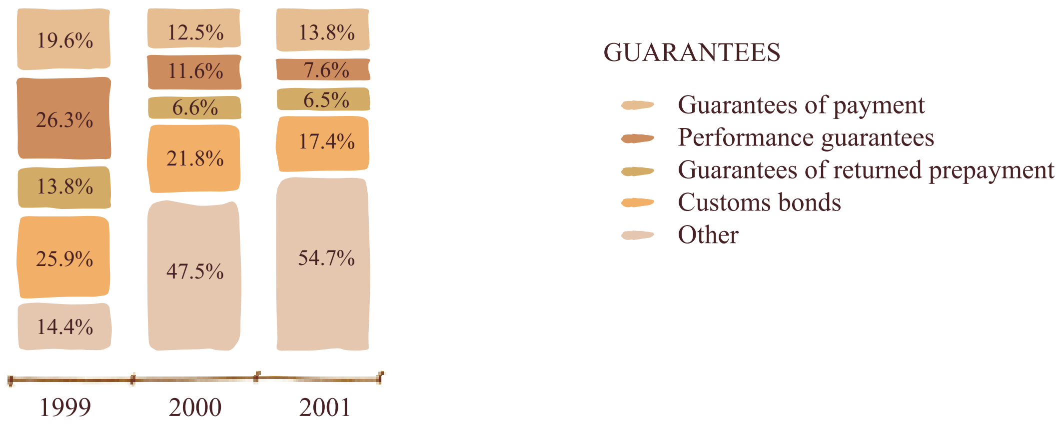
Irregular debt represented 11.8% of gross receivables from clients (the average for commercial banks was 18.3%). Thus, the quality of the portfolio improved: the share of irregular debt in 2000 was 12.9%. Of irregular debt, substandard receivables represented 3.2% (4.9% in 2000), doubtful receivables 5.2% (4.5% in 2000), and lost receivables 3.4% of the portfolio (3.5% in 2000).

THE PORTFOLIO OF GUARANTEES

At the end of 2001, the value of off-balance-sheet liabilities in respect of guarantees and sureties given was PLN 2 452.7 million, up 28.3% since 2000.

The major share in value (46.6% of the portfolio) was that of guarantees given to the subsidiary BRE International Finance BV for its issue of eurobonds totalling EUR 325 million (see "Sources of Financing"). The guarantees were worth the equivalent of PLN 1 144.6 million at the end of 2001.

Given its value, the guarantee for BRE International Finance BV had a significant impact on the currency structure (fx guarantees represented 65% of the total) and the type structure of the portfolio. As at 31 December 2001, the type structure of guarantees was as follows:



"Other" includes guarantees for BRE International Finance BV representing 46.6% of the portfolio.

As a result of the said guarantee, the sector structure of the portfolio also changed: 52.4% relates to guarantees given to companies in the sector of "financial intermediation except insurance and pension funds", 12.8% are guarantees for wholesalers and retail traders, and 8.6% are guarantees to the construction sector.

THE BANK'S EQUITY AND SHAREHOLDERS

The equity of the Bank grew after the allocation of the 2000 profit by PLN 238.5 million, fully allocated to reserves. The equity was PLN 2 096.5 million as at the end of 2001 (excluding the 2001 profit), 12.8% up since 2000. The equity as a percentage of the Bank's liabilities fell from 11.4% to 9.2%. Importantly, the share of first-tier equity is very high at 99.6%.

The Bank plans to restructure its equity in 2002 with a dividend pay-out of approximately 70% of the 2001 profit and possible cancellation of part of the share capital. First-tier equity reduced that way will be replaced with subordinated debt. This operation will improve the return on equity and other performance ratios.

	PLN ' 000	%
Equity	**2 096 505**	**100.0%**
Share capital	91 882	4.4%
Supplementary capital	748 738	35.7%
Other reserves	1 247 916	59.5%
Total first-tier equity	**2 088 536**	**99.6%**
Revaluation reserve	7 969	0.4%

Commerzbank was the main shareholder with 50% of the Bank's equity in 2001.

Considering that the stock price of BRE Bank remained much below the book value, the Bank's Management formed a Management Investment Group in August 2001 in order to invest private funds in not less than 1% of the Bank's shares.

After the terrorist attacks on the WTC on 11 September 2001, in anticipation of dramatic though short-lived disturbances on world stock markets and their repercussions on the Warsaw Stock Exchange, the Bank started to buy BRE Bank shares for its own portfolio (quasi-buy-back). The Bank controlled 4.6% of BRE Bank shares at the end of 2001. The shares are a potential tool to restructure the Bank's equity.

CHANGE ON THE AUTHORITIES OF THE BANK

The number of Supervisory Board Members decreased from 12 to 10 in 2001. Mr Klaus-Peter Müller, appointed Chairman of the Board of Managing Directors of Commerzbank AG, resigned from the Supervisory Board in February 2001. Mr Andreas de Maizière replaced Mr Müller as Deputy Chairman of the Supervisory Board. Mr Christian R. Eisenbeiss was elected Supervisory Board Member. Mr Enrico Meucci and Mr Maciej Leśny (appointed Undersecretary of State with the Ministry of the Economy) also resigned from their positions. Mr Leśny was replaced on the Executive Committee by Mr Jan Szomburg, Supervisory Board Member.

At the end of 2001, the Supervisory Board included:

- Krzysztof Szwarc - Chairman,
- Andreas de Maizière - Deputy Chairman,
- Members: Henryka Bochniarz, Gromosław Czempiński, Christian R. Eisenbeiss, Jan Guz, Jan Kulczyk, Jan Szomburg, Nicholas Teller, Sławomir Wiatr.

Mr Sławomir Wiatr, appointed Governmental Plenipotentiary for European Information, resigned from the Supervisory Board as of 1 February 2002.

The Executive Committee had 4 members including: Krzysztof Szwarc, Andreas de Maizière, Jan Szomburg and Nicholas Teller.

The composition of the Management Board remained unchanged throughout 2001. By decision of the Supervisory Board dated 27 April 2001, Mr Sławomir Lachowski, Management Board Member and the Head of the Retail Banking Line, was appointed Deputy President as of 1 May 2001.

The Management Board included:

- Wojciech Kostrzewa - President, General Director,
- Anton M. Burghardt - Deputy President, Bank Director,
- Sławomir Lachowski - Deputy President, Bank Director,
- Krzysztof Kokot - Deputy President, Bank Director,
- Henryk Okrzeja - Deputy President, Bank Director,
- Jan Zieliński - Deputy President, Bank Director, Chief Financial Officer.

On 7 December 2001, the Supervisory Board appointed Mrs Alicja Kos-Gołaszewska, Head of Communications, as Management Board Member as of 1 January 2002.

The abbreviated financial report of BRE Bank SA for the year ended 31 December 2001 that follows was prepared on the basis of the financial statements of the Bank for the above period. It does not contain all data presented in the financial statements of BRE Bank SA as at and for the year ended 31 December 2001. Moreover, part of that data was presented in a different format. The financial statements of BRE Bank SA as at and for the year ended 31 December 2001 were prepared and signed by the Bank's Management Board and the person responsible for maintaining its accounting records in accordance with Article 52.2 of the Accounting Act. The Shareholders may read the financial statements of BRE Bank SA as at and for the year ended 31 December 2001 at the registered office of BRE Bank SA.

The Registered Auditor's opinion included herein has been expressed on the abbreviated financial report presented below. The Registered Auditor's opinion on the financial statements of BRE Bank SA as at and for the year ended 31 December 2001 was signed by PricewaterhouseCoopers Sp. z o.o. on 1 March 2002. The Bank's Shareholders may read the Registered Auditor's opinion and report at the Bank's registered office.

Translators Explanatory Note

The following document comprises a free translation of the abbreviated financial report of the above mentioned Polish company and the opinion expressed thereon.

The accompanying translated financial report and the opinion expressed thereon have not been reclassified or adjusted in any way to conform to accounting principles generally accepted in countries other than Poland, but certain terminology current in Anglo Saxon countries has been adopted to the extent practicable.

REGISTERED AUDITOR'S OPINION ON THE ABBREVIATED FINANCIAL REPORT TO THE SHAREHOLDERS OF BRE BANK SA

The attached abbreviated financial report of BRE Bank SA, Warsaw, 18 Senatorska Street (hereafter referred as "the Bank") was prepared by the Management Board of the Bank based on the audited annual financial statements of the Bank for the year ended 31 December 2001 ("the financial statements").

We have audited the annual financial statements of the Bank from which the abbreviated financial report was derived. On 1 March 2002 we issued an unqualified audit opinion on these financial statements.

In our opinion, the accompanying abbreviated financial report is consistent, in all material respects, with the Bank's annual financial statements from which it was derived.

For a better understanding of the Bank's financial position and the results of its operation for the year ended 31 December 2001, the abbreviated financial report should be read in conjunction with the financial statements from which it was derived and our opinion and audit report thereon.

On behalf of PricewaterhouseCoopers Sp. z o.o.:

Antoni F. Reczek
Chairman of the Management Board

Registered auditor
No. 90011/503

PricewaterhouseCoopers Sp. z o.o.

Registered Audit
Company No. 144

Warsaw, 1 March 2002

INTRODUCTION TO THE 2001 ABBREVIATED FINANCIAL REPORT

1. COMPANY PROFILE

Bank Rozwoju Eksportu SA was formed on the basis of Resolution No. 99 of the Council of Ministers dated 20 June 1986. On 23 December 1986, the Bank was registered in the Commercial Register under number RHB 14036 on the basis of a decision of the District Court in Warsaw, 16th Business and Registration Department. On 4 March 1999, the Ninth Extraordinary Shareholders' Meeting passed a resolution changing the Bank's name to BRE Bank SA ("the Bank"). The new name of the Bank was registered on 23 March 1999.

On 11 July 2001, the District Court in Warsaw decided to register the Bank in the National Court Register, entry no. KRS 0000025237.

Under the Polish Classification of Activities, the Bank is engaged in activity no. 6512A "Other banking activity". According to the Stock Exchange Register, the Bank is classified under the macro-sector "Finance", sector "Banks".

The Head Office of the Bank is located in Warsaw, ul. Senatorska 18.

Under the Bank's By-laws, the Bank is engaged in providing banking and financial consulting services as well as business operations within the scope defined in the Bank's By-laws.

The Bank provides services to both domestic and foreign legal entities and individuals, in Polish zloty and in foreign currencies. In particular, the Bank supports all activities aimed at enhancing the growth of export.

The Bank may open and maintain accounts in Polish and foreign banks and has a foreign exchange permit.

In the above-mentioned operations, the Bank engages in the following:

1) banking activities:
- maintaining bank accounts;
- accepting savings and deposits;
- clearing financial transactions;
- granting and taking out loans;
- transactions in bills of exchange and cheques;
- issuing and accepting guarantees and warranties;
- foreign exchange transactions and financial services with respect to foreign trade;
- servicing government loans;
- issuing securities, trading in the said securities and maintaining security deposit accounts;
- engaging in commissioned activities connected with issuing securities;
- custody of securities and providing safe deposit boxes;
- engaging in future and forward transactions;
- purchase and sale of receivables;
- engaging in activities of a representative bank as stipulated in the Act on bonds.

2) other activities:
- economic and financial consulting;
- managing funds as commissioned by State authorities and other entities;
- purchasing shares in banks and companies operating under the Commercial Code, and purchasing units and investment certificates in investment funds in Poland and abroad;
- establishing and participating in establishing banks and companies operating under the Commercial Code in Poland and abroad;
- engaging in acquisition activities on behalf of pension funds;
- acting as depositary as defined in the Act on the organisation and functioning of pension funds;
- acting as depositary as defined in the Act on investment funds;
- engaging in activities which consist of accepting orders for purchasing and repurchasing and subscribing for units or investment certificates in investment funds;
- maintaining registers of pension fund and investment fund members.

The operations of BRE Bank SA are not limited in time.

The presented financial report includes data for the period from 1 January 2001 to 31 December 2001, and comparative data for the period from 1 January 2000 to 31 December 2000.

The Bank does not have any internal organisational units which would draft stand-alone financial statements.

The Bank prepares financial statements based on going concern in the foreseeable future. At present there are no circumstances which would suggest a threat to continued operations.

There was no change of the accounting policy in the reporting period.

The authorised auditor raised no reservations about the audited financial statements.

2. ACCOUNTING POLICY

a) BASIS OF THE REPORT

The financial statements of BRE Bank SA were prepared based on binding regulations included in:
- the Accounting Act of 29 September 1994 (Journal of Laws No. 121, item 591, as amended) (the Accounting Act);
- the Banking Law of 29 August 1997 (Journal of Laws No. 140, item 939, as amended) (the Banking Law);
- the Decree of the Council of Ministers of 16 October 2001 on current and periodical reports submitted by issuers of securities (Journal of Laws No. 139, item 1569);
- the Act on Corporate Income Tax of 15 February 1992 (Journal of Laws No. 106, item 482, as amended) (the Corporate Income Tax Act);
- Resolution No. 1/98 of the Banking Supervision Commission of 3 June 1998 on detailed accounting principles for banks and the preparation of notes to financial statements (NBP Official Journal No. 14, item 27) (BSC Resolution No. 1/98);
- Resolution No. 8/99 of the Banking Supervision Commission of 22 December 1999 (NBP Official Journal No. 26, item 43) concerning the principles for provisioning against banking risk (BSC Resolution No. 8/99).

The notes to the financial statements were prepared in accordance with the Decree of the Council of Ministers of 16 October 2001 concerning current and periodic reports submitted by issuers of securities (Journal of Laws No. 139, item 1569).

b) BASIS OF ACCOUNTING

In the reporting periods ended 31 December 2000 and 31 December 2001, the Bank used the accounting policies adopted on a consistent basis. The said policies are described below.

In accordance with the matching principle, the accounting records and the financial result include all income earned and corresponding costs incurred relating to a given financial year, irrespective of the dates of their payment.
Individual assets and liabilities are stated at cost actually incurred, taking account of the prudence principle. The value of individual assets, liabilities, income and the corresponding cost items are determined individually for each item. Assets, liabilities, income and the corresponding costs or extraordinary gains and losses which differ in nature are not netted off against one another.

c) BILLS OF EXCHANGE ELIGIBLE FOR REDISCOUNTING AT THE CENTRAL BANK

Bills of exchange eligible for rediscounting at the Central Bank comprise bills of exchange denominated in Polish zloty, redeemable within up to three months, from clients with a regular standing.

d) AMOUNTS DUE FROM FINANCIAL INSTITUTIONS, CUSTOMERS AND THE PUBLIC SECTOR

Amounts due from financial institutions, customers and the public sector are stated in the balance sheet in net amounts, i.e. at the nominal value plus accrued interest not due, due and subject to capitalisation, less specific provisions for receivables classified as "watch", "substandard", "doubtful", and "loss".

e) RECEIVABLES/PAYABLES RELATING TO PURCHASING/SELLING SECURITIES WITH A RE-PURCHASE CLAUSE

'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. Regardless of the underlying assets, the said transactions are posted to balance sheet accounts as deposits (sale of securities) or placements (purchase of securities) secured with a lien on the securities. The transaction effects no change in the composition of the securities portfolio.

f) DEBT SECURITIES

Debt securities held for trading are stated at the lower of cost adjusted for accrued interest, discount or premium and net realisable value (e.g. a stock quotation).
A decrease or an increase in value, determined on the valuation date, i.e. as at the month-end, separately for each type of security, is recorded in the books of account. There is a decrease in value when the net realisable value is lower than cost. There is an increase in value when the net realisable value is higher than in the previous month. The securities are then stated at the lower of the said value and their cost.

Debt securities held as investments are stated at cost adjusted for accrued interest, discount or premium and write-downs due to permanent diminution in value.

Permanent diminution in value of securities or permanent improvement in their value, determined on the valuation date, e.g. as at the month-end, separately for each type of security, is recorded in the books of account. Permanent diminution in value means that the stock quotation of securities has remained below their cost for at least three consecutive months. Permanent improvement in value of securities means that their stock quotation has reached or exceeded the value determined during the last valuation for at least three consecutive months. The securities are stated at an adjusted amount as at the last day of the three-month period unless their cost was lower than the said value.

The Bank performs an assessment of the credit risk associated with bonds issued by non-financial entities and records a specific provision to counterbalance the said risk.

The Bank sells debt securities from its portfolio, issued by the same issuer but purchased in different periods and at different prices, in accordance with the FIFO (First In First Out) principle.

There is a discount if the cost is lower than the nominal value. There is a premium if the cost is higher than the nominal value. They are amortised on a straight-line basis over the period from the date of purchase to the date of sale or redemption. Amortised discount or the issuer's premium are credited or debited to the income statement.
Bonds issued by the National Bank of Poland, acquired by the bank in lieu of the previously maintained mandatory reserve bearing no interest, are stated at cost and accrued interest.

g) EQUITY INVESTMENTS

Equity investments comprise shares categorised into trading and investment portfolios.

Shares in the trading portfolio are stated at the lower of cost and net realisable value (e.g. a stock quotation). The difference between cost and net realisable value is charged to financial costs. If the value of the said shares increases, they are none the less stated at cost.

Shares in the investment portfolio are stated at the cost net of write-downs due to permanent diminution in value. Permanent diminution in value means that the stock quotation of securities has remained below their cost for three consecutive months. Provision for such diminution in value is determined by comparing the cost with the market price as at the end of the month in which the valuation is performed.

h) INTANGIBLE AND TANGIBLE FIXED ASSETS

Intangible and tangible fixed assets are stated at cost less accumulated amortisation/depreciation. Amortisation/depreciation is calculated on a straight-line basis, in accordance with the principles and rates specified in the Corporate Income Tax Act. In the past, the Bank's tangible fixed assets were revalued periodically in accordance with the principles specified in the applicable regulations. The revaluation of the said assets is reflected in the revaluation reserve in the balance sheet.

The Bank has depreciated the principal categories of its tangible and intangible fixed assets using the following rates:

Buildings and structures	2.5% - 4.0%
Plant and machinery	6.0% - 12.5%
Vehicles	20.0%
Computer hardware	30.0%
Leasehold improvements	2.5% - 10.0%
Office equipment, furniture	14.0% - 20.0%
Computer software	20.0% - 50.0%
Goodwill	10.0%

Tangible fixed assets with a cost of less than PLN 3 500 are entered in the register and depreciated on a one-off basis upon purchase.

i) ACCRUALS AND PREPAYMENTS

The Bank records prepaid expenses if the expenditure relates to the months following the month in which it was incurred. Prepayments also comprise deferred tax assets.

Accruals comprise the cost of benefits provided to the Bank which do not yet constitute a liability. Accrued income also comprises income received in advance and interest payable to the Bank capitalised and qualified until received or written off.

j) LIABILITIES

The Bank's liabilities mainly arise from deposits accepted from customers and inter-bank deposits and loans. Liabilities are stated at amounts due as at the balance sheet date, including interest accrued but not due.

k) PROVISIONS AND RESERVES

The Bank records specific provisions for doubtful receivables in accordance with the BSC Resolution No. 8/99. General banking risk reserves are recorded in accordance with the Banking Law.

Transfers to the general risk reserves are determined in accordance with Art. 130.2 of the Banking Law. Amounts to be transferred are calculated as 1.5% of the loan portfolio based on the average value of outstanding loans less the value of loans which are covered in full by specific provisions.
The Bank also records deferred tax provisions based on timing differences in recognition of income as earned and costs as incurred for accounting and tax purposes. A positive difference is shown in the liabilities as a deferred tax provision. A negative difference is included in prepayments. Movements in the deferred tax provision compared with the previous year are charged to tax in the income statement. The Bank calculates deferred tax provisions using the liability method.
The Bank accrues for long service bonuses and retirement payments.
All provisions for risks and losses are taken into account in determining the net profit/loss.

l) EQUITY

The Bank's equity comprises capital and funds accumulated by the Bank in accordance with the applicable laws, i.e. the relevant acts and the Bank's By-laws.

The Bank's share capital is stated in the amount specified in the Bank's By-laws and entered in the National Court Register at par.

Supplementary capital is accumulated from transfers from profits and a share premium. In addition, the difference between the pre- and post-revaluation balance of tangible fixed assets sold is transferred from reserves to supplementary capital.
Other reserves which serve the purposes specified in the Bank's By-laws are accumulated from transfers from profits or share premium. In addition, the difference between the pre- and post-revaluation balance of tangible fixed assets may be credited to other reserves. In accordance with the Banking Law, the Bank's general risk fund is also composed of transfers from profits.

Revaluation reserve is credited with the net difference in the value of tangible fixed assets before and after revaluation performed in accordance with the Act. The reserve represents a movement in the net value of tangible fixed assets shown in the balance sheet as a result of revaluation. Upon disposal of a tangible fixed asset (i.e. selling, giving away, scrapping or concluding that it is missing), the corresponding portion of revaluation reserve is transferred to supplementary capital.

The net profit/loss for the year represents a profit/loss as shown in the income statement. Net profit is presented net of the corporation income tax charge and deferred tax provision based on timing differences in recognition of income as earned and costs as incurred for accounting and tax purposes.

m) FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated into Polish zloty on a daily basis, using the average NBP exchange rate in force on a given day, including the exchange rate in force on the last working day of the reporting period. Both realised and unrealised foreign exchange gains and losses are recognised in the income statement for a given period.

The Bank includes foreign exchange gains and losses on derivatives in its income statement on their valuation.

The following exchange rates were used in translating the data given in the report into EUR:

- Individual assets and liabilities were translated at the average exchange rate in force as at 31 December 2001, announced by the National Bank of Poland, i.e. PLN 3.5219.
- Individual components of the income statement for the 12 months of 2001 were translated at an exchange rate which constituted the arithmetical mean of the average NBP rates in force on the last day of each of the 12 months of 2001. The average exchange rate computed in this way was PLN 3.6509.
- The highest average rate at the month-end in the reporting period was noted in August (PLN 3.8843), the lowest rate in June (PLN 3.3783).

n) OFF-BALANCE SHEET DERIVATIVES AND FORWARD AND FUTURE TRANSACTIONS

Derivatives and forward and future transactions are stated at the nominal value of the underlying instrument in off-balance sheet accounts, in their absolute values, i.e. both receivables and payables arising on the transactions are recorded.

As at the balance sheet date both off-balance sheet derivatives and forward and future transactions are valued. The supreme policy in the valuation of off-balance sheet instruments is the market valuation.

Quoted derivatives and forward and future transactions are valued based on current exchange quotations as at the valuation date. Other derivatives and forward and future transactions are valued using mathematical models, based on current financial data as at the valuation date.

The valuation results are shown according to the classification of the derivatives and forward and future transactions into **hedging transactions** and **other.**

Hedging transactions are concluded to offset the risk connected with a given asset or liability, referred to as the hedged item, by a hedging transaction. The hedging instrument is valued according to the "mirror image" principle. This principle consists of "matching" the recorded value of the hedging instrument with the recorded value of the hedged instrument. It assumes the superiority of the matching principle over the prudence principle and underlines the importance of reflecting the economic substance of the transaction in the books of account. If, as a result of the valuation, the value of the hedged item exceeds the cost of the item (adjusted for the discount or premium which had already been accounted for), then in accordance with the prudence principle such excess value of the hedged instrument should not be disclosed in the balance sheet nor in the income statement. Additionally, in accordance with the "mirror image" principle, the proportional loss on the valuation of the hedging instrument should neither be disclosed in the balance sheet nor in the income statement. On the other hand, if, as a result of the valuation, the value of the hedged item (adjusted for the premium or discount already accounted for) is lower than cost, then the difference is set off against the comparable gain on the valuation of the hedging instrument. The "mirror image" principle may only be used on the assumption that the identification of the hedging relationship, as well as the assumed effectiveness of the hedge as at the date of its inception and throughout its duration are documented. When the hedging strategy becomes partially or completely ineffective, the valuation of the hedging instrument (or a non-hedging part thereof) is disclosed using principles applicable to other derivatives.

The result on valuation of **other derivatives and forward and future transactions** is always disclosed in the income statement.

The Bank uses the following valuation methods with respect to off-balance sheet instruments and forward and future transactions:

"MARKET RISK" INSTRUMENTS

SELL/BUY BACK TRANSACTIONS

Sell/buy back transactions are defined as selling or purchasing securities at a fixed price in the future. They are recorded in off-balance-sheet accounts until cleared.

Such transactions, regardless of the type of underlying assets, are booked as two separate transactions, i.e. sale of assets involving a decrease in the portfolio balance with a receipt of cash from discount amortisation or/and a coupon interest, and a purchase of underlying assets involving an increase in the portfolio balance with the commencement of discount amortisation until the redemption date.

Sell/buy back transactions (or forward and future calls/puts) are valued by comparing the current market price of the underlying instrument with its discounted future/forward price as at the valuation date, based on the zero-coupon rates in force as at the given date. The valuation result is disclosed in the income statement under "Provisions and write-downs" or "Reversal of provisions and write-downs". The discount receivable is amortised on a straight-line basis and disclosed in the income statements under "Interest income or expense".

WARRANTS FOR SECURITIES

Warrants for securities are recorded off balance sheet at the nominal values of underlying assets. Premium earned on selling a warrant is recorded in the balance sheet under "Other assets" until realised. The profit or loss on selling a warrant is calculated using a mathematical model and recorded in the balance sheet in correspondence with the "Result on financial transactions" in the income statement.

FUTURES

Future contracts are recorded on off-balance sheet accounts at nominal value. They are valued based on exchange quotations. Gains or losses on the valuation are recorded in the income statement under "Result on financial transactions" in correspondence with the nostro account in the balance sheet.

INTEREST RATE INSTRUMENTS

FORWARD RATE AGREEMENT (FRA)

Forward Rate Agreements involve purchasing/selling interest rate contracts denominated in a specific currency, with a specific amount, maturity and interest rate. The nominal value of the interest rate contract is recorded off-balance sheet. The FRAs are valued using a mathematical model and recorded in the balance sheet in correspondence with the "Result on financial transactions" in the income statement.

INTEREST RATE SWAP (IRS)

Interest Rate Swaps involve exchanging streams of fixed and floating interest payments calculated, respectively, on the basis of a fixed interest rate and a floating interest reference rate with respect to interest sub-periods and notional amounts of transactions in individual interest sub-periods, denominated in a specific currency. The notional amount is recorded off-balance sheet. Net unrealised gain/loss on IRS transactions is calculated using a mathematical model and recorded in the balance sheet in correspondence with the "Result on financial transactions" in the income statement, whereas interest accrued as at the balance sheet date is disclosed in the balance sheet in correspondence with the "Net interest income/expense" in the income statement.

If there are two-currency transactions the notional amount is valued identically as in forward/future contracts.

INTEREST RATE OPTIONS

Interest rate options are stated at nominal value on off-balance sheet accounts. The premium received/paid on sale/ purchase of the option is disclosed in "Other assets" until cleared. Options are valued using a mathematical model and disclosed in the balance sheet in correspondence with the "Result on financial transactions" in the income statement.

CURRENCY FUTURES AND FORWARDS

These transactions are disclosed by the Bank in off-balance sheet accounts at nominal value. Currency purchase/ sale options and currency warrants are valued using a mathematical model.

Gains/losses on spot transactions are calculated by comparing the transaction rates with the average NBP rate in force as at the valuation date.

The profit/loss on forward transactions is calculated by comparing the discounted forward transaction rate as at the valuation date with the average NBP rate as at that date.

Unrealised profit/loss on the market valuation of currency future and forward transactions is stated in the income statement under "Foreign exchange result".

o) DETERMINING THE FINANCIAL RESULT

INTEREST INCOME

Interest income comprises income received or due on loans, inter-bank deposits and securities.

Interest income, including interest on regular loans is credited to the income statement and disclosed in the balance sheet in amounts due from financial institutions, customers and the public sector.

Accrued interest due, not received, constitutes suspended interest and is shown as part of "deferred income" in the balance sheet not later than 30 days after the due date.

Interest on irregular loans is included in interest income on a cash basis and recorded in the income statement upon receipt.

Income received in advance is recorded as part of "deferred income" and recorded in the income statement of the period to which it relates to.

Interest income also comprises capital gains on selling bonds.

INTEREST EXPENSE

Interest expense comprises interest paid and accrued on clients' deposits and loans and deposits from the financial sector.
Interest payable is calculated on a cumulative basis as at the end of each day. Costs relating to a given reporting period are recorded in the income statement on an accruals basis.

COMMISSION

Commission mainly comprises income other than interest received on loans and bank guarantees granted. Commission also comprises the Bank's fees for conducting cash transactions, maintaining accounts for clients, making money transfers, fees relating to letters of credit and other charges. Commission also comprises income from brokerage activities. Commission is credited to the income statement when paid.

Commission cost which comprises payments made in connection with loans raised, re-financing transactions, letters of credit, collection procedures and exchange transactions is charged to costs when paid.

INCOME FROM SHARES AND OTHER SECURITIES

This income includes dividends received from entities in which the Bank holds shares. Dividends are recognised in the income statement upon receipt.

RESULT ON FINANCIAL TRANSACTIONS

This item comprises gains/(losses) on selling securities and gains/(losses) on transactions in derivatives recognised upon receipt of payment. It also comprises increases and decreases in the value of trading securities and unrealised gains and losses from the valuation of derivatives.

FOREIGN EXCHANGE RESULT

Foreign exchange result comprises both realised and unrealised foreign exchange gains and losses.
Both realised and unrealised income and costs for the financial year, denominated in foreign currencies, were translated at the NBP mid-exchange rate as at the year-end rather than the rate applicable on the transaction date.

PROVISIONS AND WRITE-DOWNS

Provisions are created in respect of:
- non-performing loans;
- permanent diminution in value of financial fixed assets;
- guarantees;
- general banking risk.

Specific provisions cover the risks associated with individual transactions. Provisions for risk associated with specific transactions relate to assets and off-balance-sheet liabilities which were analysed on an individual basis and classified as "watch", "sub-standard", "doubtful" or "loss".

The classification is performed in accordance with Resolution No. 8/99 of the Banking Supervision Commission.
The general risk reserve is set up in accordance with the provisions of the Banking Law.

CORPORATE INCOME TAX

Corporate income tax is charged at 28% (in 2000 30%) and calculated on the basis of the profit before tax computed in accordance with accounting regulations and adjusted for tax exempt income and disallowed costs.

The deferred tax provision is calculated based on timing differences in recognition of income as earned and costs as incurred for accounting and tax purposes. The deferred tax provision was calculated at the rates in force in the years when the costs were actually expensed and the income earned. The method of calculation led to an increase in the deferred tax provision of PLN 3 301 thousand compared to the method used at the end of 2000. Timing differences include investment relief, the valuation of derivative and future and forward transactions, interest income and expense calculated on an accruals basis, provisions for "lost" loans and guarantees that were non-deductible for tax purposes, 75% of provisions for "doubtful" loans and guarantees granted after 1 January 1997 and 100% of provisions for "doubtful" loans granted until 31 December 1996. The corporate income tax charge is the total of corporate income tax due and increases or decreases in the deferred tax provision.

In accordance with the Corporate Income Tax Act of 15 February 1992 (uniform text: Journal of Laws from 2000, No. 54, item 654, as amended), the Bank used investment relief in 1994-2000, reducing the tax base by the following amounts:

1994	-	PLN	5 539	thousand,
1995	-	PLN	11 490	thousand,
1996	-	PLN	49 140	thousand,
1997	-	PLN	47 327	thousand,
1998	-	PLN	58 915	thousand,
1999	-	PLN	128 495	thousand,
2000	-	PLN	28 904	thousand.

The Bank also used an investment bonus of:

1995	-	PLN	2 770	thousand,
1996	-	PLN	5 745	thousand,
1997	-	PLN	24 570	thousand,
1998	-	PLN	24 631	thousand,
1999	-	PLN	29 457	thousand,
2000	-	PLN	43 974	thousand,
2001	-	PLN	14 452	thousand.

p) ITEMS NOT RECOGNISED IN THE INCOME STATEMENT

Interest (due and not due) on non-performing loans and capitalised interest is not recognised in the Bank's income statement; it constitutes suspended income until paid. Income arising on discount, other interest received in advance (relating to future reporting periods) and costs paid in advance (relating to future reporting periods) is also excluded from the Bank's income statement.

3. MAIN ITEMS OF THE BALANCE SHEET, THE INCOME STATEMENT AND THE CASH FLOW STATEMENT

MAIN ITEMS OF ASSETS

EUR ' 000

		31.12.01	**31.12.00**
1.	Cash	209 624	93 014
2.	Debt securities eligible for rediscounting at the Central Bank	18 934	20 248
3.	Amounts due from the financial sector	736 331	811 163
4.	Amounts due from customers and the public sector	2 791 494	1 754 082
5.	Debt securities	1 293 418	814 112
6.	Shares in subsidiaries	186 689	106 922
7.	Shares in associates	34 215	41 961
8.	Shares in other entities	5 950	6 605
9.	Other securities and property rights	182 034	99 885
10.	Intangible assets	70 610	47 751
11.	Tangible fixed assets	233 163	205 620
12.	Other assets	746 641	219 654
13.	Prepayments and accrued income	15 398	5 339
14.	Total assets	6 524 501	4 226 356

MAIN ITEMS OF LIABILITIES AND EQUITY

EUR ' 000

		31.12.01	**31.12.00**
1.	Amounts due to the Central Bank	772	15 567
2.	Amounts due to the financial sector	1 995 337	1 209 892
3.	Amounts due to customers and the public sector	2 727 993	1 973 428
4.	Special funds and other liabilities	871 217	384 638
5.	Accruals, deferred income and qualified income	212 693	46 361
6.	Provisions	25 759	22 099
7.	Share capital	26 089	23 838
8.	Supplementary capital	212 595	194 255
9.	Revaluation reserve	2 263	2 068
10.	Other reserves	354 330	261 893

MAIN ITEMS OF INCOME STATEMENT

EUR ' 000

		31.12.01	**31.12.00**
1.	Net interest income	99 231	99 049
2.	Net commission income	55 325	48 876
3.	Result on financial transactions	-38 882	30 308
4.	Profit on banking activities	247 479	232 553
5.	Operating profit	112 740	121 460
6.	Profit (loss) before tax	112 772	121 468
7.	Net profit (loss)	92 081	91 477

MAIN ITEMS OF CASH FLOW STATEMENT

EUR ' 000

		31.12.01	**31.12.00**
1.	Equity as at the beginning of the year	107 232	112 417
2.	Net cash from operating activities	232 953	351 013
3.	Net profit (loss)	92 081	91 477
4.	Total adjustment	140 871	259 536
5.	Net cash from investing activities	-117 275	-91 662
6.	Investing activity inflows	198 883	171 812
7.	Investing activity outflows	316 157	263 473
8.	Net cash from financing activities	-7 785	-271 123
9.	Financing activity inflows	440 902	49 180
10.	Financing activity outflows	448 687	320 303
11.	Total net cash flows	107 893	-11 772
12.	Cash and cash equivalents at the end of the year	215 124	100 646

Individual assets and liabilities were translated into EUR at the average exchange rate in force as at 31 December 2001, announced by the National Bank of Poland, i.e. PLN 3.5219. Individual components of the income statement and the cash flow statement for the 12 months of 2001 were translated into EUR at an exchange rate which constituted the arithmetical mean of the average NBP rates in force on the last day of each of the 12 months of 2001. The average exchange rate computed in this way was PLN 3.6509.
In comparable financial data, individual assets and liabilities were translated into EUR at the average exchange rate in force as at 31 December 2000, announced by the National Bank of Poland, i.e. PLN 3.8544. Individual components of the income statement and the cash flow statement for the 12 months of 2000 were translated into EUR at an exchange rate which constituted the arithmetical mean of the average NBP rates in force on the last day of each of the 12 months of 2000. The average exchange rate computed in this way was PLN 3.8898.

BALANCE SHEET

ASSETS

PLN ' 000

		Note	31.12.01 current year	31.12.00 previous year
I.	Cash and balances with the Central Bank		738 276	358 513
II.	Debt securities eligible for rediscounting at the Central Bank		66 683	78 043
III.	Amounts due from the financial sector	1	2 593 285	3 126 545
	1. Current		186 705	78 635
	2. Term		2 406 580	3 047 910
IV.	Amounts due from customers and the public sector	2	9 831 362	6 760 935
	1. Current		1 276 284	1 260 965
	2. Term		8 555 078	5 499 970
V.	Amounts due arising from purchased securities with a repurchase clause		-	-
VI.	Debt securities	3	4 555 289	3 137 915
VII.	Shares in subsidiaries	4, 6	657 499	412 120
VIII.	Shares in associates	5, 6	120 501	161 733
IX.	Shares in other entities	7	20 954	25 457
X.	Other securities and property rights	8	641 105	384 995
XI.	Intangible assets	9	248 683	184 052
XII.	Tangible fixed assets	10	821 178	792 542
XIII.	Treasury shares for resale		-	-
XIV.	Other assets	11	2 629 596	846 637
	1. Assets for resale		22 750	24 007
	2. Other		2 606 846	822 630
XV.	Prepayments and accrued income	12	54 230	20 580
	1. Deferred tax assets		12 564	13 744
	2. Other		41 666	6 836
TOTAL ASSETS			**22 978 641**	**16 290 067**

LIABILITIES AND EQUITY

PLN ' 000

		Note	31.12.01 current year	31.12.00 previous year
I.	Amounts due to the Central Bank		2 718	60 000
II.	Amounts due to the financial sector	13	7 027 378	4 663 406
	1. Current		168 273	138 150
	2. Term		6 859 105	4 525 256
III.	Amounts due to customers and the public sector	14	9 607 717	7 606 382
	1. Saving deposits, including:		1 072 557	-
	a) current		614 385	-
	b) term		458 172	-
	2. Other, including:		8 535 160	7 606 382
	a) current		1 536 818	1 399 702
	b) term		6 998 342	6 206 680
IV.	Amounts due arising from sold securities with a repurchase clause		-	-
V.	Liabilities arising from securities issued		-	-
VI.	Special funds and other liabilities	15	3 068 338	1 482 548
VII.	Accruals, deferred income and qualified income	16	749 084	178 693
VIII.	Provisions	17	90 722	85 180
	1. Deferred tax provision		-	-
	2. Other provisions		90 722	85 180
IX.	Subordinated liabilities		-	-
X.	Share capital	18	91 882	91 882
XI.	Share capital not paid up (negative amount)		-	-
XII.	Supplementary capital	19	748 738	748 738
XIII.	Revaluation reserve		7 969	7 969
XIV.	Other reserves	20	1 247 915	1 009 441
XV.	Foreign exchange gains/losses on the translation of foreign branch offices		-	-
XVI.	Retained earnings or loss brought forward		-	-
XVII.	Net profit		336 180	355 828
TOTAL LIABILITIES AND EQUITY			**22 978 641**	**16 290 067**
Capital adequacy ratio			12.05	13.10
Book value			2 432 684	2 213 858
Number of shares			22 970 500	22 970 500
Book value per share (in PLN)			105.90	96.38
Anticipated number of shares			22 970 500	-
Diluted book value per share (in PLN)			105.90	-

OFF-BALANCE SHEET ITEMS

PLN ' 000

		31.12.01 current year	31.12.00 previous year
I.	Off-balance sheet commitments	6 941 195	7 372 023
	1. Granted:	6 465 737	6 603 641
	a) relating to financing	4 013 084	4 691 798
	b) guarantees	2 452 653	1 911 843
	2. Received:	475 458	768 382
	a) relating to financing	117 480	166 421
	b) guarantees	357 978	601 961
II.	Liabilities arising from sales/purchase transactions	142 863 566	85 973 455
III.	Other	-	-
	TOTAL OFF-BALANCE SHEET LIABILITIES	**149 804 761**	**93 345 478**

INCOME STATEMENT

PLN ' 000

		Note	For the year ended 31 December 2001	For the year ended 31 December 2000
I.	Interest income	21	1 807 514	1 625 939
II.	Interest expense	22	1 445 232	1 240 660
III.	**Net interest income (I-II)**		**362 282**	**385 279**
IV.	Commission income	23	242 434	210 552
V.	Commission expense		40 449	20 436
VI.	**Net commission income (IV-V)**		**201 985**	**190 116**
VII.	Income from shares and other securities and property rights	24	20 076	20 027
VIII.	**Result on financial transactions**	25	**(141 954)**	**117 893**
IX.	Foreign exchange result		461 131	191 268
X.	**Profit on banking activities**		**903 520**	**904 583**
XI.	Other operating income		160 411	91 908
XII.	Other operating expenses		45 879	26 126
XIII.	Overhead costs of the Bank	26	433 015	444 759
XIV.	Amortisation of intangible assets and depreciation of tangible fixed assets		116 480	80 664
XV.	Provisions and write-downs	27	540 037	369 846
XVI.	Release of provisions and reversal of write-downs	28	483 083	397 358
XVII.	Net provisions and write-downs (XV- XVI)		(56 954)	27 512
XVIII.	**Operating profit**		**411 603**	**472 454**
XIX.	Net extraordinary gains/losses		117	31
	1. Extraordinary gains		348	157
	2. Extraordinary losses		231	126
XX.	**Profit before tax**		**411 720**	**472 485**
XXI.	Corporate income tax	29	75 540	116 657
XXII.	Other mandatory appropriations of profit		-	-
XXIII.	**Net profit**	30	**336 180**	**355 828**

Net profit	**336 180**	**355 828**
Average weighted number of ordinary shares	**22 970 500**	**22 856 833**
Earnings per ordinary share (in PLN)	**14.64**	**15.57**
Average weighted anticipated number of ordinary shares	**22 970 500**	**-**
Diluted profit per ordinary share (in PLN)	**14.64**	**-**

MOVEMENTS IN EQUITY

PLN ' 000

		For the year ended 31 December 2001	For the year ended 31 December 2000
I.	**Equity as at the beginning of the year (OB)**	**2 213 858**	**2 030 423**
	a) changes to accounting policies	-	-
	b) adjustment of fundamental errors	-	-
I.a.	**Equity as at the beginning of the year (OB) after reconciliation to comparative data**	**2 213 858**	**2 030 423**
1.	**Share capital as at the beginning of the year**	**91 882**	**91 200**
1.1.	Movements in the share capital	-	682
	a) increase (due to):	-	682
	- issue of shares	-	682
	b) decrease	-	-
1.2.	**Share capital as at the end of the year**	**91 882**	**91 882**
2.	**Share capital not paid up as at the beginning of the year**	-	-
2.1.	**Change in the share capital not paid up**	-	-
	a) increase	-	-
	b) decrease	-	-
2.2.	**Share capital not paid up as at the end of the year**	-	-
3.	**Supplementary capital as at the beginning of the year**	**748 738**	**737 913**
3.1.	Movements in the supplementary capital	-	10 825
	a) increase (due to):	-	11 483
	- issue of shares above nominal value	-	11 483
	- appropriation of profit (statutory)	-	-
	- appropriation of profit (above the minimum amount required by law)	-	-
	b) decrease (due to):	-	658
	- coverage of a loss	-	-
	- issue of shares	-	658
3.2.	**Suplementary capital as at the end of the year**	**748 738**	**748 738**
4.	**Revaluation reserve as at the beginning of the year**	**7 969**	**7 969**
4.1.	**Movements in the revaluation reserve**	-	-
	a) increase	-	-
	b) decrease	-	-
4.2.	**Revaluation reserve as at the end of the year**	**7 969**	**7 969**
5.	**General banking risk reserve as at the beginning of the year**	**353 000**	**233 000**
5.1.	Movements in the general banking risk reserve	100 000	120 000
	a) increase (due to):	100 000	120 000
	- appropriation of profit	100 000	120 000
	b) decrease	-	-
5.2.	**General banking risk reserve as at the end of the year**	**453 000**	**353 000**

PLN ' 000

		For the year ended 31 December 2001	For the year ended 31 December 2000
6.	**Brokerage activity fund as at the beginning of the year**	-	-
6.1.	Movements in the brokerage activity fund	-	-
	a) increase	-	-
	b) decrease	-	-
6.2.	**Brokerage activity fund as at the end of the year**	**-**	-
7.	**Other reserves as at the beginning of the year**	**656 441**	**295 294**
7.1.	Movements in other reserves	138 474	361 147
	a) increase (due to):	138 475	361 147
	- appropriation of profit	138 475	361 147
	b) decrease (due to):	1	-
	- other (arising from rounding the figures)	1	-
7.2.	**Other reserves as at the end of the year**	**794 915**	**656 441**
8.	**Foreign exchange losses on the translation of foreign branch offices**	-	-
9.	**Retained earnings or loss brought forward as at the beginning of the year**	**355 828**	**665 047**
9.1.	**Retained earnings as at the beginning of the year**	**355 828**	**665 047**
	a) changes to accounting policies	-	-
	b) adjustment of fundamental errors	-	-
9.2.	**Retained earnings as at the beginning of the year after reconciliation to comparative data**	**355 828**	**665 047**
	a) increase	-	-
	b) decrease (due to):	355 828	665 047
	- transfer to the general banking risk reserve	100 000	120 000
	- transfer to other reserves	138 475	361 147
	- transfer to the Social Fund	2 500	1 500
	- dividends for the shareholders	114 853	182 400
9.3.	**Retained earnings as at the end of the year**	**-**	**-**
9.4.	**Loss brought forward as at the beginning of the year**	**-**	-
	a) changes to accounting policies	-	-
	b) adjustment of fundamental errors	-	-
9.5.	**Loss brought forward as at the beginning of the year after reconciliation to comparative data**	**-**	-
	a) increase	-	-
	b) decrease	-	-
9.6.	**Loss brought forward as at the end of the year**	**-**	-
9.7.	**Retained earnings or loss brought forward as at the end of the year**	**-**	-
10.	**Net profit**	**336 180**	**355 828**
	a) net profit	336 180	355 828
	b) net loss	-	-
II.	**Equity as at the end of the year (CB)**	**2 432 684**	**2 213 858**

CASH FLOW STATEMENT

PLN ' 000

	For the year ended 31 December 2001	For the year ended 31 December 2000
A. NET CASH FROM OPERATING ACTIVITIES (I +/- II) - indirect method	**850 487**	**1 365 371**
I. Net profit (loss)	**336 180**	**355 828**
II. Total adjustments:	**514 307**	**1 009 543**
1. Amortisation and depreciation	116 480	80 664
2. Foreign exchange gains/losses	(116 178)	(1 349)
3. Interest and dividends	98 797	140 105
4. (Gain) loss on investing activities	(146 255)	(120 333)
5. Movements in other provisions	(19 117)	4 056
6. Corporate income tax (disclosed in the income statement)	75 540	116 657
7. Corporate income tax paid	(198 013)	(82 287)
8. Change in debt securities	(1 333 722)	(304 129)
9. Change in amounts due from the financial sector	547 401	78 199
10. Change in amounts due from customers and the public sector	(3 278 339)	(543 411)
11. Change in receivables arising from purchased securities with a repurchase clause	-	-
12. Change in shares and other floating income securities	70 363	27 440
13. Change in amounts due to the financial sector	2 682 845	669 228
14. Change in amounts due to customers and the public sector	2 001 335	249 682
15. Change in liabilities arising from sold securities with a repurchase clause	-	-
16. Change in liabilities arising from securities	-	-
17. Change in other liabilities	(523 571)	646 943
18. Change in accruals and prepayments	(16 651)	11 825
19. Change in deferred income	553 392	36 253
20. Other adjustments	-	-
B. NET CASH FROM INVESTING ACTIVITIES (I-II)	(428 158)	(356 545)
I. Investing activity inflows	**726 101**	**668 313**
1. Sale of intangible assets	-	-
2. Sale of tangible fixed assets	76 016	39 539
3. Sale of shares in subsidiaries	43 336	7 064
4. Sale of shares in associates	104 296	40 491
5. Sale of shares in the holding company	-	-
6. Sale of shares in other entities, other securities (including marketable ones) and other property rights	482 219	565 247
7. Other proceeds	20 234	15 972
II. Investing activity outflows	**1 154 259**	**1 024 858**
1. Purchase of intangible assets	17 120	19 267
2. Purchase of tangible fixed assets	166 997	198 801
3. Purchase of shares in subsidiaries	180 331	131 274
4. Purchase of shares in associates	62 154	165 206
5. Purchase of shares in the holding company	-	-
6. Purchase of shares in other entities, other securities (including marketable) and other property rights	626 345	510 310
7. Purchase of own shares	101 312	-
8. Other outflows	-	-

PLN ' 000

	For the year ended 31 December 2001	For the year ended 31 December 2000
C. NET CASH FROM FINANCING ACTIVITIES (I-II)	**(28 424)**	**(1 054 615)**
I. Financing activity inflows	**1 609 688**	**191 301**
1. Long-term bank loans raised	984 755	179 136
2. Long-term loans raised with financial institutions other than banks	162 562	-
3. Issue of debentures or other debt securities for other financial institutions	462 371	-
4. Increase in subordinated liabilities	-	-
5. Proceeds from issuing shares	-	12 165
6. Repayable contributions from the shareholders	-	-
7. Other inflows	-	-
II. Financing activity outflows	**1 638 112**	**1 245 916**
1. Repayment of long-term bank loans	1 320 353	842 851
2. Repayment of long-term loans raised with financial institutions other than banks	83 875	63 930
3. Redemption of bonds or other securities from other financial institutions	-	-
4. Decrease in subordinated liabilities	-	-
5. Cost of issuing shares	-	658
6. Redemption of own shares	-	-
7. Dividends and other payments to the shareholders	114 853	182 400
8. Payments out of profit to members of the management and supervisory bodies	-	-
9. Expenditure for social causes	-	-
10. Payment of finance lease liabilities	-	-
11. Other outflows	119 031	156 077
D. TOTAL NET CASH FLOWS (A+/-B+/-C)	**393 905**	**(45 789)**
E. (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS AS AT THE BALANCE SHEET DATE	**393 905**	**(45 789)**
- including (decrease)/increase in cash and cash equivalents in respect of foreign exchange gains and losses	(4 167)	(1 847)
F. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**391 492**	**437 281**
G. CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR (F+/- D)	**785 397**	**391 492**
- including items of limited capacity to be disposed of	-	-

NOTES

NOTE 1

AMOUNTS DUE FROM THE FINANCIAL SECTOR BY TYPE

PLN ' 000

	31.12.01 current year	31.12.00 previous year
1. Current accounts	186 705	79 298
2. Bank loans, placements and other borrowings	2 386 451	3 000 737
3. Receivables purchased	21 034	18 776
4. Realised guarantees and warranties	9 626	10 005
5. Other receivables:	37 767	60 314
a) suspended accounts	37 767	-
6. Interest:	26 245	26 236
a) not due	23 054	23 986
b) due	3 191	2 250
Total (gross) amounts due from the financial sector	**2 667 828**	**3 195 366**
7. Provision for non-performing loans to the financial sector (negative amount)	(74 543)	(68 821)
Total (net) amounts due from the financial sector	**2 593 285**	**3 126 545**

AMOUNTS DUE FROM THE FINANCIAL SECTOR BY MATURITY

PLN ' 000

	31.12.01 current year	31.12.00 previous year
1. Current amounts due	186 705	79 298
2. Term amounts due within:	2 454 878	3 089 832
a) up to 1 month	914 382	2 116 339
b) 1 to 3 months	96 761	370 053
c) 3 months to 1 year	163 454	196 391
d) 1 to 5 years	1 137 626	336 729
e) over 5 years	75 841	5 312
f) overdue	66 814	65 008
3. Interest:	26 245	26 236
a) not due	23 054	23 986
b) due	3 191	2 250
Total (gross) amounts due from the financial sector	**2 667 828**	**3 195 366**

NOTE 2

AMOUNTS DUE FROM CUSTOMERS AND THE PUBLIC SECTOR BY TYPE

PLN ' 000

	31.12.01 current year	31.12.00 previous year
1. Bank and other loans	9 444 987	6 740 863
2. Receivables purchased	373 502	55 545
3. Realised guarantees and warranties	4 962	1 422
4. Other receivables:	98 384	61 099
a) suspended accounts	96 629	-
b) receivables under extraordinary transactions	1 755	-
5. Interest:	160 352	130 447
a) not due	124 038	100 636
b) due	36 314	29 811
6. Refunds of interest on preference loans	**-**	**-**
Total (gross) loans to customers and the public sector	**10 082 187**	**6 989 376**
7. Provision for non-performing loans to customers and the public sector (negative amount)	(250 825)	(228 441)
Total (net) amounts due from customers and the public sector	**9 831 362**	**6 760 935**

AMOUNTS DUE FROM CUSTOMERS AND THE PUBLIC SECTOR BY MATURITY

PLN ' 000

	31.12.01 current year	31.12.00 previous year
1. Current amounts due	1 276 355	1 260 965
2. Term amounts due within:	8 645 480	5 597 964
a) up to 1 month	335 701	570 757
b) 1 to 3 months	475 192	402 390
c) 3 months to 1 year	3 326 911	1 865 201
d) 1 to 5 years	2 275 843	1 593 015
e) over 5 years	1 821 472	924 672
f) overdue	410 361	241 929
3. Interest:	160 352	130 447
a) not due	124 038	100 636
b) due	36 314	29 811
Total (gross) amounts due from customers and the public sector	**10 082 187**	**6 989 376**

GROSS AMOUNTS DUE FROM CUSTOMERS AND THE PUBLIC SECTOR

PLN ' 000

	31.12.01 current year	31.12.00 previous year
1. "Normal" loans	7 907 119	5 383 322
2. "Watch" loans	846 138	589 824
3. Non-performing loans, including:	1 168 578	885 783
a) substandard	314 695	337 877
b) doubtful	515 348	308 427
c) loss	338 535	239 479
4. Interest	160 352	130 447
a) not due	124 038	100 636
b) due	36 314	29 811
- on "normal" and "watch" loans	3 200	-
- on non-performing loans	33 114	29 811
Total (gross) amounts due from customers and the public sector	**10 082 187**	**6 989 376**

PROVISIONS FOR NON-PERFORMING LOANS TO CUSTOMERS AND THE PUBLIC SECTOR

PLN ' 000

	31.12.01 current year	31.12.00 previous year
1. Normal	15	-
2. Watch	9 000	14
3. Non-performing	241 810	228 427
a) substandard	13 041	27 745
b) doubtful	42 368	44 563
c) loss	186 401	156 119
Total provisions for non-performing loans to customers and the public sector	**250 825**	**228 441**

MOVEMENTS IN PROVISIONS FOR NON-PERFORMING LOANS TO CUSTOMERS AND THE PUBLIC SECTOR

PLN ' 000

	31.12.01 current year	31.12.00 previous year
Provisions for non-performing loans to customers and the public sector as at the beginning of the year	**228 441**	**186 245**
1. Increase (due to):	256 912	251 267
a) provisions created	256 912	249 199
b) reclassification	-	2 068
c) foreign exchange gains and losses	-	-
2. Application (due to):	40 214	12 179
a) charge-offs	15 286	7 247
b) reclassification	21 066	-
c) foreign exchange gains and losses	3 862	4 932
3. Release (due to):	194 314	196 892
a) release of provisions	194 314	196 892
Provisions for non-performing loans to customers and the public sector as at the end of the year	**250 825**	**228 441**

NOTE 3

DEBT SECURITIES

PLN ' 000

	31.12.01 current year	31.12.00 previous year
1. Issued by central banks, including:	434 603	1 227 958
a) bonds denominated in foreign currencies	-	-
2. Issued by other banks, including:	127 511	30 386
a) denominated in foreign currencies	27 971	26 380
3. Issued by other financial institutions, including:	774 827	313 328
a) denominated in foreign currencies	279 881	74 025
4. Issued by non-financial entities, including:	225 649	64 442
a) denominated in foreign currencies	-	18 704
5. Issued by the State Budget, including:	2 922 819	1 501 801
a) denominated in foreign currencies	-	1 169 593
6. Issued by local budget authorities:	69 880	-
a) denominated in foreign currencies	-	-
7. The Bank's own debt securities repurchased	-	-
Total debt securities	**4 555 289**	**3 137 915**

DEBT SECURITIES

PLN ' 000

	31.12.01 current year	31.12.00 previous year
1. Trading	3 558 626	2 791 892
2. Investment	996 663	346 023
Total debt securities	**4 555 289**	**3 137 915**

NOTE 4

SHARES IN SUBSIDIARIES

PLN ' 000

	31.12.01 current year	31.12.00 previous year
1. In banks	135 768	36 077
2. In other financial entities	505 218	340 988
3. In non-financial entities	16 513	35 055
Total shares in subsidiaries	**657 499**	**412 120**

NOTE 5

SHARES IN ASSOCIATES

PLN ' 000

	31.12.01 current year	31.12.00 previous year
1. In banks	-	66 150
2. In other financial entities	22 071	78 886
3. In non-financial entities	98 430	16 697
Total shares in associates	**120 501**	**161 733**

NOTE 6

INVESTMENT SHARES IN SUBSIDIARIES AND ASSOCIATES

No.	Company (including its legal status)	Registered office	Business	Type of equity relationship	Date of taking control/starting to exert significant influence	Shares at cost PLN ' 000	Total value adjustments PLN ' 000	Carrying value of shares PLN ' 000	Shareholding %	Proportion of voting rights at GSM %
1.	BRE Corporate Finance SA	Warsaw	services	subsidiary	07-1997	10 898	-	10 898	100.00	100.00
2.	Dom Inwestycyjny BRE Banku SA (BRE Bank Securities)	Warsaw	services	subsidiary	07-1998	34 700	-	34 700	100.00	100.00
3.	Drugi Polski Fundusz Rozwoju - BRE Sp. z o.o.	Warsaw	fund	subsidiary	10-1995	67 690	16 589	51 101	100.00	100.00
4.	AMBRESA Sp. z o.o.	Warsaw	services	subsidiary	01-1996	850	-	850	100.00	100.00
5.	BRE International Finance B.V.	Amsterdam, Netherlands	services	subsidiary	05-2000	70	-	70	100.00	100.00
6.	Skarbiec Serwis Finansowy Sp. z o.o.	Sopot	services	subsidiary	10-1999	16 697	12 522	4 174	100.00	100.00
7.	BRE Agent Transferowy Sp. z o.o.	Warsaw	services	subsidiary	12-2000	5 066	-	5 066	100.00	100,00
8.	PTE Skarbiec Emerytura SA	Warsaw	pension fund	subsidiary	08-1998	313 744	-	313 744	100.00	100.00
9.	Trzeci Polski Fundusz Rozwoju - BRE Sp. z o.o.	Kraków	services	subsidiary	12-2001	4	-	4	100.00	100.00
10.	Leszek 3 Sp. z o.o.	Jabłonna	services	subsidiary	12-2001	15	-	15	100.00	100.00
11.	IT ADVISER Sp. z o.o.	Warsaw	services	subsidiary	12-2001	15	-	15	100.00	100.00
12.	IT TRADER Sp. z o.o.	Warsaw	services	subsidiary	12-2001	15	-	15	100.00	100.00
13.	BRELINVEST Sp. z o.o. Fly 1 Sp. komandytowa	Warsaw	services	subsidiary	03-2000	13 196	-	13 196	99.84	99.84
14.	BRELINVEST Sp. z o.o. Fly 2 Sp. komandytowa	Warsaw	services	subsidiary	03-2000	12 919	-	12 919	99.84	99.84
15.	AMBRESA Sp. z o.o. - BRELLA Sp. komandytowa	Warsaw	services	subsidiary	07-1999	30 627	-	30 627	99.67	99.67
16.	FERREX Sp. z o.o.	Poznań	manufacturing	subsidiary	07-1993	1 815	-	1 815	97.86	97.86
17.	Promes Sp. z o.o.	Gdańsk	services	subsidiary	12-1993	955	-	955	93.98	93.98
18.	Bank Częstochowa S.A.	Częstochowa	bank	subsidiary	09-2001	35 000	-	35 000	81.57	79.95
19.	BRE Asset Management SA	Warsaw	services	subsidiary	09-2000	4 800	-	4 800	80.00	80.00
20.	BRE.locum Sp. z o.o.	Łódź	services	subsidiary	09-2000	2 800	-	2 800	70.00	70.00
21.	Intermarket Bank AG	Vienna, Austria	bank	subsidiary	07-2000	32 965	-	32 965	51.43	51.43
22.	Skarbiec TFI SA	Warsaw	services	subsidiary	08-1997	33 966	-	33 966	51.00	51.00
23.	RHEINHYP-BRE Bank Hipoteczny SA	Warsaw	bank	subsidiary	03-1999	67 802	-	67 802	50.00	50.00
24.	Transfinance a.s.	Prague, Czech Republic	services	associate	10-2000	13 086	-	13 086	50.00	50.00
25.	BRE Private Equity I Sp. z o.o.	Warsaw	services	associate	11-1993	5 940	-	5 940	50.00	50.00
26.	BRE Leasing Sp. z o.o.	Warsaw	services	associate	06-1991	2 940	-	2 940	49.00	49.00
27.	ZM Pozmeat SA	Poznań	manufacturing	associate	05-1999	20 279	3 312	16 967	34.50	34.50
28.	Xtrade SA	Warsaw	services	associate	06-2001	11 745	-	11 745	24.90	24.90
29.	Tele-Tech Investment Sp. z o.o.	Warsaw	services	associate	12-1999	2	-	2	24.00	24.00
30.	Gdańska Giełda Towarowa SA	Gdańsk	services	associate	01-1994	188	85	103	23.15	23.15
31.	Szeptel SA	Warsaw	services	associate	08-2001	69 718	-	69 718	20.87	20.17

NOTE 7

SHARES IN OTHER ENTITIES

PLN ' 000

	31.12.01 current year	31.12.00 previous year
1. In other financial entities	19 478	23 980
2. In non-financial entities	1 476	1 477
Total shares in other entities	**20 954**	**25 457**

NOTE 8

OTHER SECURITIES AND PROPERTY RIGHTS BY TYPE

PLN ' 000

	31.12.01 current year	31.12.00 previous year
1. Participation units in trust funds	79 616	18 258
2. Pre-emptive rights	-	-
3. Derivative rights	-	-
4. Other (by type):	561 489	366 737
a) shares in companies admitted to public trading	203 474	180 472
b) shares in companies not admitted to public trading	337 869	164 725
c) mass privatisation programme certificates	-	-
d) National Investment Funds	20 146	21 540
e) operating securities of the Brokerage House	-	-
Total other securities and property rights (by type)	**641 105**	**384 995**

OTHER SECURITIES AND PROPERTY RIGHTS

PLN ' 000

	31.12.01 current year	31.12.00 previous year
1. Trading	31 806	102 169
2. Investment	609 299	282 826
Total other securities and property rights	**641 105**	**384 995**

NOTE 9

INTANGIBLE ASSETS

PLN ' 000

	31.12.01 current year	31.12.00 previous year
1. Accrued start-up costs or further share issue expenses	3 106	5 152
2. Development costs	14 426	7 062
3. Goodwill on acquisition	70 753	81 366
4. Purchased concessions, patents, licences and similar assets, including:	106 932	80 131
a) purchased computer software	104 874	80 124
5. Purchased right of perpetual usufruct of land	53 017	10 341
6. Other intangible assets	449	-
7. Prepayments for intangible assets	-	-
Total intangible assets	**248 683**	**184 052**

NOTE 10

TANGIBLE FIXED ASSETS

PLN ' 000

	31.12.01 current year	31.12.00 previous year
1. Tangible fixed assets, including:	702 043	552 981
a) own land and buildings used for the bank's business	474 860	245 481
b) other land and buildings	-	-
c) equipment	143 267	105 387
d) vehicles	20 187	17 636
e) other tangible fixed assets	33 493	34 383
f) leasehold improvements	30 236	150 094
2. Assets under construction	118 977	239 434
3. Prepayments for assets under construction	158	127
Total tangible fixed assets	**821 178**	**792 542**

NOTE 11

OTHER ASSETS

PLN ' 000

	31.12.01 current year	31.12.00 previous year
1. Assets repossessed, held for resale	22 750	24 007
2. Other, including:	2 606 846	822 630
a) debtors	202 232	77 107
b) income tax receivable	140 507	9 143
c) repayable contributions to capital of subsidiaries and associates	50 013	61 698
d) interbank balances	776	733
e) interbranch balances	-	-
f) balances in respect of trading in securities and financial instruments	2 199 611	663 374
g) other	13 707	10 575
Total other assets	**2 629 596**	**846 637**

NOTE 12

OTHER PREPAYMENTS

PLN ' 000

	31.12.01 current year	31.12.00 previous year
1. Prepayments, including:	8 198	4 534
a) prepaid expenses	8 198	4 534
b) prepaid premiums in respect of early redemption of securities	-	-
2. Other prepayments, including:	33 468	2 302
a) income receivable	33 468	2 302
Total prepayments	**41 666**	**6 836**

NOTE 13

AMOUNTS DUE TO THE FINANCIAL SECTOR BY TYPE

PLN ' 000

	31.12.01 current year	31.12.00 previous year
1. Accounts and deposits	4 811 348	2 089 276
2. Loans and other borrowings received	2 149 068	2 521 140
3. Other payables (in respect of):	11 386	6 323
a) suspended accounts	9 860	-
b) other	1 526	-
4. Interest	55 576	46 667
Total amounts due to the financial sector	**7 027 378**	**4 663 406**

AMOUNTS DUE TO THE FINANCIAL SECTOR BY MATURITY

PLN ' 000

	31.12.01 current year	31.12.00 previous year
1. Current amounts due	168 273	138 150
2. Term amounts due within:	6 803 529	4 478 589
a) up to 1 month	3 441 863	1 802 751
b) 1 to 3 months	375 051	160 510
c) 3 months to 1 year	364 036	937 038
d) 1 to 5 years	2 482 722	1 308 110
e) over 5 years	139 857	270 180
f) overdue	-	-
3. Interest	55 576	46 667
Total amounts due to the financial sector	**7 027 378**	**4 663 406**

NOTE 14

AMOUNTS DUE TO CUSTOMERS AND THE PUBLIC SECTOR BY TYPE

PLN ' 000

	31.12.01 current year	31.12.00 previous year
1. Accounts and deposits	9 527 072	7 499 494
2. Other payables (in respect of):	31 863	39 671
a) suspended accounts	31 863	-
3. Interest	48 782	67 217
Total amounts due to customers and the public sector	**9 607 717**	**7 606 382**

AMOUNTS DUE TO CUSTOMERS AND THE PUBLIC SECTOR BY MATURITY

PLN ' 000

	31.12.01 current year	31.12.00 previous year
1. Current amounts due	2 151 200	1 399 702
2. Term amounts due within:	7 407 735	6 139 463
a) up to 1 month	4 469 829	4 725 547
b) 1 to 3 months	672 306	712 337
c) 3 months to 1 year	882 523	660 196
d) 1 to 5 years	1 099 673	41 383
e) over 5 years	283 404	-
f) overdue	-	-
3. Interest	48 782	67 217
Total amounts due to customers and the public sector	**9 607 717**	**7 606 382**

NOTE 15

SPECIAL FUNDS AND OTHER LIABILITIES

PLN ' 000

	31.12.01 current year	31.12.00 previous year
1. Special funds (in respect of):	17 479	13 110
a) Social Fund	-	122
b) Housing Fund	17 479	12 988
2. Other liabilities (in respect of):	3 050 859	1 469 438
a) corporate income tax liabilities	-	-
b) interbank balances	4 773	9 051
c) settlements in respect of trading in securities and financial instruments	1 597 197	545 878
d) creditors	44 577	46 944
e) liabilities in respect of cash collateral	1 404 312	867 565
f) other liabilities	-	-
Total special funds and other liabilities	**3 068 338**	**1 482 548**

NOTE 16

ACCRUALS, DEFERRED INCOME AND QUALIFIED INCOME

PLN ' 000

	31.12.01 current year	31.12.00 previous year
1. Accruals, including:	66 468	62 326
a) accrued expenses - own business activity	66 468	62 326
2. Deferred income, including:	549 043	5 428
a) unrealised foreign exchange gains	520 108	-
b) income received in advance	12 857	5 428
c) capitalised interest	5 559	-
d) due discount of receivables	10 519	-
3. Qualified income (in respect of):	133 573	110 939
a) suspended interest	132 912	110 939
b) other	661	-
Total accruals, deferred income and qualified income	**749 084**	**178 693**

NOTE 17

OTHER PROVISIONS BY TYPE

PLN ' 000

	31.12.01 current year	31.12.00 previous year
1. For off-balance sheet liabilities	26 877	27 660
2. General banking risk reserve	63 845	57 520
Total other provisions	**90 722**	**85 180**

NOTE 18

SHARE CAPITAL

In the first half of 2001, BRE Bank SA converted BRE Bank registered shares into bearer shares:

- 1 500 shares admitted to stock exchange trading on 2 February 2001 under Resolution No. 30/2001 of the Management Board of the Warsaw Stock Exchange dated 26 January 2001;
- 1 000 shares admitted to stock exchange trading on 3 April 2001 under Resolution No. 91/2001 of the Management Board of the Warsaw Stock Exchange dated 22 March 2001;
- 500 shares admitted to stock exchange trading on 7 May 2001 under Resolution No. 116/2001 of the Management Board of the Warsaw Stock Exchange dated 25 April 2001.

The following shareholders hold directly or indirectly through their subsidiaries at least 5% of the share capital of BRE Bank SA or at least 5% of the total number of voting rights at the General Shareholders Meeting:
Commerzbank AG, 60261 Frankfurt on the Main, Germany - as at 31 December 2001 held 11 485 250 BRE Bank shares, i.e., 50.00% of the share capital.

NOTE 19

SUPPLEMENTARY CAPITAL

PLN ' 000

	31.12.01 current year	31.12.00 previous year
1. Share premium	744 320	744 320
2. Statutory reserve	4 352	4 352
3. Reserves created in accordance with the By-laws above the minimum amount required	-	-
4. Repayable contributions from the shareholders	-	-
5. Other (reclassification of revaluation reserve)	66	66
Total supplementary capital	**748 738**	**748 738**

NOTE 20

OTHER RESERVES BY DESIGNATION

PLN ' 000

	31.12.01 current year	31.12.00 previous year
1. General banking risk fund	453 000	353 000
2. Brokerage activity fund	-	-
3. Other reserves	794 916	656 441
Total other reserves	**1 247 916**	**1 009 441**

NOTE 21

INTEREST INCOME

PLN ' 000

	31.12.01 current year	31.12.00 previous year
1. From the financial sector	219 096	227 385
2. From customers and the public sector	1 016 856	944 932
3. From securities, including:	569 874	451 400
a) fixed income securities	569 874	451 400
b) floating income securities	-	-
4. Other	1 688	2 222
Total interest income	**1 807 514**	**1 625 939**

NOTE 22

INTEREST EXPENSE

PLN ' 000

	31.12.01 current year	31.12.00 previous year
1. On transactions with the financial sector	527 762	444 927
2. On transactions with customers and the public sector	916 652	790 387
3. Other	818	5 346
Total interest expense	**1 445 232**	**1 240 660**

NOTE 23

COMMISSION INCOME

PLN ' 000

	31.12.01 current year	31.12.00 previous year
1. Commissions on banking activities	242 434	210 552
2. Commissions on brokerage activities	-	-
Total commission income	**242 434**	**210 552**

NOTE 24

INCOME FROM SHARES AND OTHER SECURITIES AND PROPERTY RIGHTS

PLN ' 000

	31.12.01 current year	31.12.00 previous year
1. From subsidiaries	13 772	10 471
2. From associates	3 201	202
3. From other entities	3 103	9 354
Total income from shares and other securities and property rights	**20 076**	**20 027**

NOTE 25

RESULT ON FINANCIAL TRANSACTIONS

PLN ' 000

	31.12.01 current year	31.12.00 previous year
1. Result on financial transactions in securities	(19 988)	104 379
a) income from transactions in securities	424 123	235 132
b) cost of transactions in securities	444 111	130 753
2. Result on other financial transactions	(121 966)	13 514
Total result on financial transactions	**(141 954)**	**117 893**

NOTE 26

OVERHEAD COSTS OF THE BANK

PLN ' 000

	31.12.01 current year	31.12.00 previous year
1. Wages and salaries	190 036	201 543
2. Employee benefits	1 560	1 338
3. Material costs	227 696	210 113
4. Taxes and fees	4 512	2 374
5. Contribution and transfers to the Bank Guarantee Fund	7 629	28 119
6. Other:	1 582	1 272
a) transfers to the Social Fund	1 582	1 272
Total overhead costs of the Bank	**433 015**	**444 759**

NOTE 27

PROVISIONS AND WRITE-DOWNS

PLN ' 000

	31.12.01 current year	31.12.00 previous year
1. Provisions for:	387 517	296 950
a) regular receivables	3 019	-
b) watch receivables	19 250	-
c) irregular receivables	262 185	255 656
d) off-balance sheet liabilities	18 314	27 770
e) general banking risk	84 333	-
f) provision for accrued cost	-	13 059
g) other	416	465
2. Write-downs:		
a) in respect of amortisation of financial fixed assets, including:	152 520	72 896
- debt securities	4 013	1 139
- shares in subsidiaries	75 923	54 645
- shares in associates	13 231	3 131
- minority interests	4 390	2 977
- other securities and property rights	54 963	11 004
Total provisions and write-downs	**540 037**	**369 846**

NOTE 28

RELEASE OF PROVISIONS AND REVERSAL OF WRITE-DOWNS

PLN ' 000

	31.12.01 current year	31.12.00 previous year
1. Release of provisions for:	330 134	359 495
a) regular receivables	4 504	2 200
b) watch receivables	8 764	-
c) irregular receivables	229 199	220 958
d) off-balance sheet liabilities	9 659	7 100
e) general banking risk provision	77 945	70 455
f) future costs and losses	-	16 830
g) other	63	41 952
2. Reversal of write-downs:		
a) financial fixed assets, including:	152 949	37 863
- debt securities	-	5 852
- shares in subsidiaries	109 494	2 028
- shares in associates	15 064	5 936
- minority interests	1 127	640
- other securities and property rights	27 264	23 407
Total release of provisions and reversal of write-downs	**483 083**	**397 358**

NOTE 29

CORPORATE INCOME TAX PLN ' 000

		31.12.01 current year	31.12.00 previous year
1.	Profit before tax	411 720	472 485
2.	Permanent differences between profit before tax and taxable income	130 111	47 044
3.	Temporary differences between profit before tax and taxable income	16 040	103 663
4.	Other differences between profit before tax and taxable income	-	-
5.	Tax base	265 569	321 778
6.	Corporate income tax at 30% in 2000 and 28% in 2001	74 359	96 533
7.	Tax waivers, exemptions, deductions and reductions	-	-
8.	Corporate income tax due	74 359	96 533
9.	Corporate income tax provision	-	-
10.	Deferred tax asset	-	321 778
	a) opening balance	13 745	33 868
	b) increase	452 930	147 261
	c) decrease	454 111	167 385
	d) closing balance	12 564	13 744
11.	**Corporate income tax stated in the income statement**	**75 540**	**116 657**

NOTE 30

Under Resolution No. 20 of the Ordinary General Meeting of Shareholders held on 27 April 2001, the net profit of BRE Bank SA at PLN 355 828 thousand was allocated to:

Dividend to the shareholders	PLN 114 853 thousand
Reserve capital	PLN 138 475 thousand
General banking risk fund	PLN 100 000 thousand
Company social fund	PLN 2 500 thousand
Total:	**PLN 355 828 thousand**

The Management Board of BRE Bank SA plans to propose to the General Meeting of Shareholders of BRE Bank SA the following allocation of the 2001 net profit:

Dividend to the shareholders	PLN 229 705 thousand
General banking risk fund	PLN 105 000 thousand
Company social fund	PLN 1 475 thousand
Total:	**PLN 336 180 thousand**

ADDITIONAL EXPLANATORY NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS FOR 2001

Additional explanatory notes were prepared in accordance with the requirements of the Council of Ministers' Decree dated 16 October 2001 (Journal of Laws No. 139, item 1569)

1. CONCENTRATION OF THE BANK'S EXPOSURE TO INDIVIDUAL ENTITIES, SECTORS, GROUPS, INCLUDING RISK ASSESSMENT RELATED TO THIS EXPOSURE

LOANS

BRE BANK SA CREDIT PORTFOLIO BY SECTOR *
(as at 31.12.2001)

Sector (according to PKB)	**Principal debt (PLN million)**	**% of the portfolio**
Wholesale and consignment trade	1 588	15.5%
Insurance and pension funds	930	9.1%
Real estate servicing	645	6.3%
Construction industry	629	6.1%
Energy sector	502	4.9%
Post and telecommunication	428	4.2%
Production of foodstuffs and beverages	399	3.9%

*) The table covers receivables from clients, financial institutions (excluding banks), public entities, and bills of exchange eligible for discounting. It does not cover employee loans, interest, disputed amounts.

Total exposure to the listed sectors accounts for half of the credit portfolio. According to the latest study by Instytut Badań nad Gospodarką Rynkową (Institute of Market Economy Studies, Report No. 18, December 2001), the investment risk in these sectors (measured according to the 1 - 5 scale - i.e. low, average, increased, high, and very high) in the first half 2001 was as follows:

1. Wholesale and consignment trade	average
2. Insurance and pension funds	(not assessed)
3. Real estate servicing	low
4. Construction industry	high
5. Energy sector	low
6. Post and telecommunication	low
7. Production of foodstuffs and beverages	average

Ad. 1. Among the wholesale trade clients there are large individual exposures. These can be divided in two groups of borrowers.

1.1. The first group includes large former foreign trade enterprises (mainly publicly-traded companies), which are parent companies for large manufacturing and trading groups. Traditionally the largest clients are enterprises connected with metal and fuel and chemical markets. In this group of borrowers, a bigger exposure of the Bank to individual clients may be noted.

1.2. The second group includes smaller clients, specialised in local wholesale trading. In the second group, a very considerable diversification of exposure may be noted.

Ad. 2. Exposure in the insurance and pension fund sector relates in principle to a single client with a good risk profile.
Ad. 3. During the last year, indebtedness connected with the financing of projects on the real estate market (so-called real estate servicing) increased considerably. According to IBnGR, this is a low risk area of activity.
Ad 4. As far as construction enterprises are concerned, lending activities concentrate on industrial and specialised construction enterprises. Housing sector is hardly ever financed. Publicly traded companies associated with construction groups dominate among construction companies. These groups intensify the diversification of their activities and, striving to optimise the risk, get involved in activities other than construction.
Ad 5. There is a large concentration of exposure in the energy sector. This sector carries a low risk. Investment loans, in particular syndicated loans, account for much of the exposure.
Ad 6. Exposure to the sector of post and telecommunications relates to lending extended to telecommunication companies, including mobile phone operators. The risk of this sector is believed to be low.
Ad 7. Production of foodstuffs and beverages is the most diversified sector as far as the production profile is concerned. It includes many different food processing subsectors. The Bank is mostly involved in the financing of meat plants (many of them are associated in sectoral trade groups), production of beverages (including alcoholic beverages) and production of vegetable fats. Lending activities are limited to large enterprises, which are either members of strong groups or are publicly traded companies in an attempt to minimise credit risk. Economic situation of these sectors is constantly monitored.

EQUITY INVESTMENTS

BRE Bank's shareholding by sectors is as follows:

Asset management	32.2%
Telecommunication	30.3%
Corporate banking	7.3%

The above sectors/business lines represent 69.8% of Bank's equity investments.

Investment in asset management companies (e.g. PTE Skarbiec-Emerytura SA, Skarbiec TFI SA, BRE Asset Management SA, BRE Agent Transferowy Sp. z o.o., BRE Private Equity I Sp. z o.o.) is long-term investment closely connected with the Bank's strategy. The risk is mainly associated with volatile market conditions on the domestic capital market and the overall macroeconomic situation. The Bank's asset management companies have a strong position in this market segment.
Investments in the telecommunication sector are long-term investments of BRE Bank. This is due to the high capital needs of the telecommunication sector and the long period of return on investment (several years). The telecommunication sector also offers higher profit margins and better growth rates than the traditional economy. Exit opportunities are mostly dependent on the country's macroeconomics and the sentiment prevailing on the stock market.
Equity investment in companies involved in corporate banking is connected with the Bank's long-term strategy of offering a comprehensive mix of financial services and products to corporate clients. Considering the results achieved by individual companies and the outlook of their development, this activity belongs to the group of low investment risk. Importantly, each of the corporate banking line companies has a strong position on its market (leasing, factoring, mortgage banking) while their expanding service range further consolidates their position.

2. INFORMATION ON FINANCIAL INSTRUMENTS - SECURITIES, DERIVATIVES, FORWARDS, AND FUTURES

Off-balance sheet items of BRE Bank's financial statements include the following categories of financial instruments, disclosed as "Liabilities in respect of purchase/sale transactions":

	PLN ' 000
*Spot and forward foreign currency transactions (foreign currency and PLN to be released)	25 480 106
*Spot and forward foreign currency transactions (foreign currency and PLN to be received)	25 618 774
Placements to be released	182 164
Deposits to be received	875 557
Sell/buy back transactions - securities purchased	1 296 137
Sell/buy back transactions - securities sold	56 790
Forward purchase of securities	136 600
Forward sale of securities	148 969
FRA transactions - sold	16 285 000
FRA transactions - purchased	18 435 000
Call options - purchased	4 950 004
Call options - sold	5 568 542
Put options - purchased	4 286 825
Put options - sold	5 846 794
Call warrants - purchased	1 434
Call warrants - sold	2 814
Put warrants - purchased	70
Put warrants - sold	878
Futures - purchased	36
Futures - sold	1 095 360
Swap transactions - streams of interest received	16 263 155
Swap transactions - streams of interest paid	16 237 057
Take-over of the commercial papers issue	94 500
Total:	**142 863 566**

Transactions in derivatives are one of BRE Bank's operating activities. These instruments help to occupy strategic positions on financial markets and are also offered to the Bank's clients.

* The amount of contractual amount for foreign currency spot and forward transactions and swap transactions was presented both as a receivable and as a liability.

The accounting policy applied to financial instruments is outlined in the Introduction to this report, section 2(n), "Off-balance sheet derivatives and forward and future transactions".

3. OFF-BALANCE SHEET COMMITMENTS

3.1. COMMITMENTS GRANTED, INCLUDING:

	PLN ' 000
Letters of credit	61 688
Guarantees granted	2 452 653
Unutilised credit facilities	3 951 396
Total:	**6 465 737**

Letters of credit are classified as follows:

	PLN ' 000
Letters of credit, including:	**61 688**
Import letters of credit issued	59 338
Export letters of credit confirmed	2 350

Guarantees granted include performance bonds, guarantees of timely payments, customs bonds, tender guarantees, guarantees of returned prepayment refund, loans repayment guarantees. The largest item of PLN 1 144 618 thousand (equivalent to EUR 325 million) is the guarantee of the repayment of eurobonds issued for BRE International Finance B.V., a 100% subsidiary of BRE Bank SA.

Provisions for off-balance sheet commitments amounted to PLN 26 877 thousand.

BRE Bank SA's commitments to subsidiaries and associated companies as at 31.12.2001 were as follows:

			PLN ' 000
	Subsidiaries	Associates	Total
Letters of credit	0	0	0
Guarantees	1 225 186	20 054	1 245 240
Unutilised credit facilities	65 711	50 103	115 814
Other	9 500	-	9 500

On 22 October 1999 DeTe Mobil Deutsche Telekom MobilNet GmbH with a registered seat in Bonn, Germany ("DeTe Mobil") filed a suit with the International Arbitration Court at the Austrian Chamber of Commerce in Vienna against BRE Bank SA and Kulczyk Holding SA, TUiR Warta SA, Drugi Polski Fundusz Rozwoju BRE Sp. z o.o., Elektrim SA ("Defendants"). DeTe Mobil demands, among others, the following:

1. Recognising the assignment of shares in PTC Sp. z o.o. made by the Bank and other Defendants to Elektrim SA as ineffective in full or in the part in which DeTe Mobil had pre-emptive rights to these shares;
2. Obliging the Defendants to provide compensation of US$ 1 000 000 for damages to DeTe Mobil. The value of the subject matter of litigation is US$ 135 456 700, of which US$ 134 456 700 represent the value of the shares in question, whereas US$ 1 000 000 - the compensation for damages to DeTe Mobil. DeTe Mobil filed a petition to a District Court in Warsaw to issue an interim order to secure the above claims. The District Court in Warsaw dismissed DeTe Mobil's suit in full, and the ruling on this matter was upheld by the Appeal Court in Warsaw. In May 2001 procedural issues were completed. In November 2001, another hearing was held in Vienna and some witnesses were heard. The schedule of further hearings is now being arranged (March, April 2002) and procedures are underway to hear two witnesses before a court of law in Poland. The Bank's Management Board, on the basis of its legal advisors' opinions, has reasons to believe that the suit lodged by DeTe Mobil is most likely to be dismissed by the Arbitration Court.

On 23 May 2001, Art-B Export-Import in liquidation filed a procedural writ with the District Court of Warsaw sitting on the case, estimating the losses incurred as a result of the transfer of US$ 43.4 million (equivalent to ca. PLN 173 million at the current fx rate) to Israel by order of Art-B Export-Import. The estimated loss is PLN 20 262 thousand, ca. 1/10 of the amount stated in the original complaint. A proxy of Art-B Export-Import in liquidation confirmed this estimate during a hearing on 22 August 2001, which implies that even in the case of a court decision against BRE Bank SA (which is very unlikely), the court will not require the Bank to pay an amount higher than estimated by Art-B Export-Import in liquidation as the total figure. The date of the next hearing remains unknown (a hearing scheduled for November was cancelled). By motion of the bank LEUMI LE ISRAEL, BRE Bank SA has been served a third-party notice to participate in litigation in Jerusalem filed by Art-B Export-Import in liquidation. The motion of the Israeli bank was based on the participation of BRE Bank SA in the transfer of a claimed amount.

On 12 November 2001, a share capital increase of BEST SA was registered; thereby, BRE Bank SA acquired shares representing 57.69% of the share capital and 43.6% of the votes at the General Meeting of Shareholders for PLN 16 200 000. Following the transaction, BRE Bank SA held BEST SA shares representing 97% of the share capital and 97.7% of the votes at the General Meeting of Shareholders. On 27 December 2001, BRE Bank SA sold all its shares in BEST SA with the book value of PLN 44 731 870. The shares were sold to subsidiaries of BRE Bank SA including:

- Trzeci Polski Fundusz Rozwoju BRE Sp. z o.o.: shares representing 6.61% of the share capital and 25% of votes at the General Meeting of Shareholders, sold for PLN 1;
- IT Adviser Sp. z o.o.: shares representing 27.04% of the share capital and 25% of votes at the General Meeting of Shareholders, sold for PLN 1;
- IT Trader Sp. z o.o.: shares representing 33.05% of the share capital and 25% of votes at the General Meeting of Shareholders, sold for PLN 1;
- Leszek 3 Sp. z o.o.: shares representing 30.31% of the share capital and 22.9% of votes at the General Meeting of Shareholders, sold for PLN 1;

BRE Bank SA executed contingent agreements concerning the sale to a natural person of shares in the said subsidiaries which jointly hold 97% of the share capital and 97.7% of the votes at the General Meeting of Shareholders of BEST SA. The said agreements will enter into force provided that all their conditions precedent are met. The following conditions are still outstanding:

1. the said natural person to obtain all permits and approvals of the public administration;
2. BRE Bank SA and BEST SA to execute annexes to co-operation agreements whereby BRE Bank SA will revoke the right to present irregular loans for purchase by BEST SA.

Under an agreement with International Trading and Investments Holdings SA ("ITI") with its seat in Luxembourg, BRE Bank SA and Zbigniew Jakubas hold a call option towards ITI on some of the shares acquired by ITI in a newly formed company originating from the split of Optimus, involved in the production of computers and the provision of computer system integration service. ITI holds a put option on the shares towards BRE Bank SA. The selling price of the shares is PLN 45 million (65% available to BRE Bank SA) assuming that the acquired shares are 31.1% of all shares of Optimus SA.

Under a sale agreement of cable.com SA shares, BRE Bank SA holds a call option for the shares towards four companies which bought the shares from BRE Bank SA. The companies hold a put option on the shares towards BRE Bank SA.

3.2. OFF-BALANCE SHEET COMMITMENTS RECEIVED

As at 31 December 2001 off-balance sheet commitments received amounted to PLN 475 458 thousand.
Guarantee commitments received amounting to PLN 357 978 thousand represent collateral for loans and guarantees granted to clients.
Commitments received in respect of financing, amounting to PLN 117 480 thousand, represent unutilised loans obtained from foreign banks.

4. LIABILITIES TO THE STATE BUDGET OR LOCAL AUTHORITIES IN RESPECT OF THE ACQUISITION OF THE TITLE TO BUILDINGS AND STRUCTURES

Total liabilities of BRE Bank SA to the state budget or local authorities in respect of the acquisition of the ownership title to buildings and structures in 2001 amounted to PLN 1 388 thousand, including mainly the real estate in Warsaw, Senatorska and Królewska Streets (PLN 672 thousand); the real estate taken over for debt from Swarzędz SA (PLN 518 thousand); the real estate in Katowice housing the premises of the local branch of BRE Bank SA (PLN 158 thousand).

5. CAPITAL EXPENDITURE INCURRED AND PLANNED FOR THE NEXT 12 MONTHS AFTER THE BALANCE SHEET DATE

Capital expenditure incurred in 2001 amounted to PLN 159 242 thousand, including IT investment of PLN 125 379 thousand.
Capital expenditure amounting to PLN 256 283 thousand is planned for 2002, including PLN 213 000 thousand for IT investment.

The value of assets under construction by branch was as follows:

	PLN ' 000
Head Office	64 602
Gdańsk	425
Katowice	99
Lublin	921
Olsztyn	79
Poznań	29
Szczecin	25
Retail Banking	52 797
Total:	**118 977**

6. MATERIAL TRANSACTIONS WITH RELATED PARTIES EXCEEDING 10% OF THE EQUITY OF BRE BANK SA

1. An international banking consortium provided BRE Bank SA with a EUR 225 million loan. The share of Commerzbank AG in the loan is EUR 15.5 million.

2. In 2001, BRE Bank SA granted an unconditional and irrevocable guarantee for a repayment of liabilities of BRE International Finance B.V., a company with a registered office in Holland, in which BRE Bank SA holds 100% of shares, in respect of an issue of bonds with a par value of EUR 125 million and maturing in 2004. At the same time, BRE International Finance B.V. a cash deposit (*"kaucja"*) of EUR 124 733 thousand to secure the above guarantee placed with BRE Bank SA. Under the agreement, the deposit will stay with BRE Bank SA until the redemption of the bonds in 2004. The total commitments of BRE Bank SA to BRE International Finance B.V. in respect of bond issues are EUR 325 million. The total amount of cash deposits provided by BRE International Finance B.V. in the books of BRE Bank SA is PLN 1 142 million.

3. On 29 June 2001 and 18 December 2001, Drugi Polski Fundusz Rozwoju BRE Sp. z o.o. ("DPFR") and BRE Bank SA executed dealer agreements and agent and depositary agreements. Under the former agreements, BRE Bank SA arranged and implemented a DPFR Bond Issue Programme totalling US$ 43 141 000 (PLN 171 972 968 at the rate quoted on 31 December 2001). Under the latter agreements, BRE Bank SA arranged and implemented a DPFR Zero-Coupon Bond Issue Programme with the total nominal value of PLN 102 000 000 and the issue price of PLN 99 416 055. The bonds of both issues were acquired by BRE Bank SA for its portfolio.

BRE Bank SA includes the following companies in the consolidated financial statements:

Name of the company	**% of voting rights**	**Consolidation method**
PPFR-BRE Sp. z o.o.	100%	acquisition accounting
DPFR-BRE Sp. z o.o.	100%	acquisition accounting
Dom Inwestycyjny BRE Banku SA (BRE Bank Securities)	100%	acquisition accounting
BRE Corporate Finance SA	100%	equity method
PTE Skarbiec-Emerytura SA	100%	equity method
BEST SA	97.74%	equity method
Bank Częstochowa S.A.	79.95%	acquisition accounting
Intermarket Bank AG	51.43%	equity method
Skarbiec TFI SA	51%	equity method
BRE Private Equity I Sp. z o.o.	50%	equity method
RHEINHYP-BRE Bank Hipoteczny SA	50%	acquisition accounting
Transfinance a.s.	50%	equity method
BRE Leasing Sp. z o.o.	49%	equity method

7. INFORMATION ON THE AVERAGE NUMBER OF EMPLOYEES IN BRE BANK SA BY PROFESSIONAL GROUPS

The average number of employees in 2001 was 2 613.
The Bank has no data in respect of different professional groups.

8. INFORMATION ON REMUNERATION AND BONUSES PAID OR DUE TO THE MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS

In 2001 remuneration amounted to:

BRE Bank SA's Management Board	PLN 7 210 thousand
Supervisory Board	PLN 1 698 thousand

In addition, during the current year members of the Management Board of BRE Bank SA received PLN 180 thousand in respect of their participation in the management and supervisory boards of the Bank's subsidiaries and associates.
The members of the Bank's Management Board joined the managerial option plan for the members of the Bank's management and signed an agreement with BRE Bank giving them the right to purchase the total of 159 000 options for BRE Bank SA's shares from a new issue planned for 2003.

9. INFORMATION ON OUTSTANDING CASH ADVANCES, CREDITS, LOANS, GUARANTEES OR OTHER AGREEMENTS PROVIDING FOR COMMITMENTS TOWARDS THE ISSUER, ITS SUBSIDIARIES AND ASSOCIATES, GRANTED TO MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD, INDICATING INTEREST AND REPAYMENT TERMS.

Outstanding loans granted to members of the Bank's Management Board as at 31.12.2001:

Housing loans	PLN	1 415	thousand
Cash advances	PLN	650	thousand
	CHF	143	thousand
	EUR	514	thousand
	US$	325	thousand
	JPY	31 000	thousand
Guarantees	PLN	2.5	thousand

As at 31.12.2001 members of the Supervisory Board had no loans from the Bank.

Interest on cash advances granted by the Bank to its employees is calculated according to the bill of exchange at a variable rediscounting rate. Loans taken over from PBR SA with interest rate fixed at 6% p.a. expired in April 2001. Interest on foreign currency loans is calculated according to market terms. Interest on housing loans amounts to 1% p.a. Loans are repaid in monthly instalments.
As at 31 December 2001, members of the Management Board and the Supervisory Board, their spouses, relatives, and other associates did not have any commitments under outstanding cash advances, guarantees or other agreements providing for such commitments towards the Bank's subsidiaries and associates.

10. INFORMATION ON SIGNIFICANT EVENTS OF PRIOR YEARS DISCLOSED IN THE ANNUAL FINANCIAL STATEMENTS

In the dispute between BRE Bank SA as the successor of the former Polski Bank Rozwoju SA and the State Treasury concerning the reimbursement of the cost of the real estate in Aleja Szucha in Warsaw, the Appeal Court decided to award BRE Bank SA the reimbursement of cost plus interest accrued from 1 December 1998 until the date of payment. The relevant income of PLN 40 971 thousand was shown under "Other operating income" in the income statement.

11. INFORMATION ON SIGNIFICANT POST-BALANCE SHEET DATE EVENTS NOT DISCLOSED IN THE BALANCE SHEET OR THE INCOME STATEMENT

- On 8 January 2002, BRE Bank SA acquired 87 144.2786 shares through subscription in CICM Midas plc with its registered office in Dublin, Ireland, a floating capital collective investment fund whose only fund is Midas I. The book value of the shares in the books of BRE Bank SA is PLN 87 580 thousand. The stake of BRE Bank SA in the capital of CICM Midas plc is 100%, representing 99.9977% of all votes at the company's meeting of shareholders. The investment was financed with BRE Bank SA's own funds and is a long-term investment.
- On 31 January 2002, BRE Bank SA acquired Tele-Tech Investment Sp. z o.o. bonds with the nominal value of PLN 59 600 thousand, issued under the agent and dealer agreement executed on 27 September 2001 and the annex prolonging the agreement until 29 March 2002. The yield of the issued bonds is based on WIBOR; the bonds mature on 29 March 2002.
- Following acquisitions in stock exchange transactions, the last cleared on 31 January 2002, BRE Bank SA holds ELEKTRIM SA shares representing 9.52% of the share capital and votes at the company's General Meeting of Shareholders while Drugi Polski Fundusz Rozwoju BRE Sp. z o.o., a subsidiary of BRE Bank SA, holds ELEKTRIM SA shares representing 1.11% of the share capital and votes at the company's General Meeting of Shareholders. BRE Bank SA holds (directly and indirectly) a total of 8 906 089 ELEKTRIM SA shares representing 10.63% of the share capital and votes at the company's General Meeting of Shareholders.
- In a package transaction cleared on 8 February 2002, BRE Bank SA sold 1 607 727 shares of Stomil Olsztyn SA. The shares were sold at PLN 28 per share, i.e., for PLN 45 016 356. The said shares represent 5.91% of the share capital and votes at the General Meeting of Shareholders of Stomil Olsztyn SA.
- By its resolution dated 7 December 2001, the Supervisory Board of BRE Bank SA appointed Bank Director Mrs Alicja Kos-Gołaszewska Member of the Management Board as of 1 January 2002 until the end of the current term of the Management Board. Mrs Alicja Kos-Gołaszewska supervises the Human Resources Department, the Strategy and Development Department, the Organisation Department, and the Communication and Promotion Department. She is the spokesperson for BRE Bank SA and the Plenipotentiary of the Management Board for Quality.
- On 1 February 2002, Mr Sławomir Wiatr, Member of the Supervisory Board, submitted his resignation from this post effective immediately. Mr Sławomir Wiatr was appointed Governmental Plenipotentiary for European Information.

12. LIST OF CHANGES MADE TO ENSURE COMPARABILITY OF DATA IN FINANCIAL REPORTS FOR THE CURRENT AND THE PRIOR FINANCIAL YEARS

As at 31 December 2000, BRE Bank SA stated in the balance sheet the result of the valuation of derivative instruments as a net figure in assets or liabilities (following the netting off of unrealised gains and losses from the valuation of derivatives). As of 1 January 2001, unrealised gains from the valuation of individual contracts are presented in the assets under "Other assets" while unrealised losses from the valuation are stated in the liabilities under "Accruals and deferred income" (result of the valuation of fx derivatives) and under "Other liabilities" (result of the valuation of other derivatives). If the said method of presentation was used to state the unrealised gains/losses from the valuation in the balance sheet as at 31 December 2000, the said balance sheet items would be PLN 843 million higher. This report includes no such adjustments of the balance sheet as at 31 December 2000.

THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

SUPERVISORY BOARD

Krzysztof Szwarc	- Chairman of the Supervisory Board, Chairman of the Executive Committee of the Supervisory Board
Andreas de Maizière	- Deputy Chairman of the Supervisory Board, Member of the Executive Committee of the Supervisory Board
Henryka Bochniarz	- Member of the Supervisory Board
Gromosław Czempiński	- Member of the Supervisory Board
Christian R. Eisenbeiss	- Member of the Supervisory Board
Jan Guz	- Member of the Supervisory Board
Jan Kulczyk	- Member of the Supervisory Board
Jan Szomburg	- Member of the Supervisory Board Member of the Executive Committee of the Supervisory Board
Nicholas Teller	- Member of the Supervisory Board Member of the Executive Committee of the Supervisory Board

The term of office of the Supervisory Board expires on 25 April 2002.

MANAGEMENT BOARD

Wojciech Kostrzewa
President of the Board - CEO

Henryk Okrzeja
Deputy President - Head of Banking Operations

Anton M. Burghardt
Deputy President - Head of Investment Banking

Jan Zieliński
Deputy President - Head of Finance and Controlling

Krzysztof Kokot
Deputy President - Head of Corporate Banking

Sławomir Lachowski
Deputy President - Head of Retail Banking

Alicja Kos-Gołaszewska
Member of the Board (from 1.01.2002) - Head of Communications

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MultiBank

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