

This is translation from the original Prospectus dated 28.10.2009 and should not be read in substitution of the original Prospectus. This translation of the original Prospectus dated 28.10.2009 dose not constitute an offer of, or invitation by or on behalf of the Issuer or the Offer or to subscribe or purchase of any of the Covered Bond.

## **BASE PROSPECTUS**

for Bearer Public Sector and Mortgage Covered Bond Programme  
with the total par value of PLN 6,000,000,000



**BANK HIPOTECZNY**

registered office at Al. Armii Ludowej 26, Warsaw, Poland

[www.rhb.com.pl](http://www.rhb.com.pl)

This Prospectus has been drawn up in connection with the intention to conduct a public offering and seek admission of Public Sector and Mortgage Covered Bonds ("Covered Bonds") to trading on a regulated market. Covered Bonds are issued pursuant to Resolution No. 1 of the Issuer's Extraordinary General Shareholders Meeting of November 17th 2008 and shall be offered – pursuant to Art. 3.1 in conjunction with Art. 21.2.2 of the Polish Public Offering Act – for sale to the public in cycles comprising at least two offerings executed at intervals not longer than 12 months.

Covered Bonds shall be issued in multiple series and offered in accordance with the terms and conditions set forth in this Prospectus and the Supplements, which for each series of Covered Bonds shall constitute the detailed terms and conditions of the offering as referred to in Art. 24.1 of the Polish Public Offering Act.

Details concerning the number of Covered Bonds to be issued and offered in a given series and the opening and closing dates of the subscription period shall be provided in a Supplement.

THE PUBLIC OFFERING SHALL BE CARRIED OUT ONLY IN THE TERRITORY OF THE REPUBLIC OF POLAND. OUTSIDE THE REPUBLIC OF POLAND, THIS PROSPECTUS MAY NOT BE TREATED AS A PURCHASE PROPOSAL OR OFFER. NEITHER THIS PROSPECTUS NOR THE SECURITIES COVERED BY THIS PROSPECTUS HAVE BEEN SUBJECT TO ANY REGISTRATION, APPROVAL OR NOTIFICATION PROCEDURE IN ANY COUNTRY OTHER THAN THE REPUBLIC OF POLAND, IN PARTICULAR UNDER THE PROVISIONS OF THE PROSPECTUS DIRECTIVE OR THE U.S. SECURITIES ACT.

THE SECURITIES COVERED BY THIS PROSPECTUS MAY NOT BE OFFERED OR SOLD OUTSIDE THE REPUBLIC OF POLAND UNLESS SUCH AN OFFER OR SALE MAY BE CARRIED OUT IN A GIVEN COUNTRY IN COMPLIANCE WITH APPLICABLE LAWS, WITHOUT THE NEED TO FULFIL ANY ADDITIONAL LEGAL REQUIREMENTS. INVESTORS RESIDING OUTSIDE THE REPUBLIC OF POLAND OR WHOSE REGISTERED OFFICE IS SITUATED OUTSIDE THE REPUBLIC OF POLAND SHOULD FAMILIARISE THEMSELVES WITH THE PROVISIONS OF POLISH LAW AND LAWS OF OTHER COUNTRIES WHICH MAY BE APPLICABLE TO SUCH INVESTORS.

INVESTING IN THE SECURITIES OFFERED UNDER THIS PROSPECTUS INVOLVES RISKS TYPICAL OF CAPITAL MARKET INSTRUMENTS AND RISKS RELATED TO THE ISSUER'S BUSINESS AND THE ENVIRONMENT IN WHICH THE ISSUER OPERATES. A DETAILED DISCUSSION OF THE RISK FACTORS WITH WHICH INVESTORS SHOULD FAMILIARISE THEMSELVES IS PROVIDED IN CHAPTER III.

Offeror of Covered Bonds under this Prospectus



**DOM INWESTYCYJNY  
BRE BANKU S.A.**

Dom Inwestycyjny BRE Banku S.A.

ul. Wspólna 47/49, 00-684 Warsaw, Poland

Financial Adviser



**BRE Corporate Finance SA**

BRE Corporate Finance S.A.

ul. Wspólna 47/49, 00-684 Warsaw, Poland

Prospectus date: October 28th 2009

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## **DISCLAIMER**

This Prospectus has been prepared in connection with the public offering of Public Sector and Mortgage Covered Bonds in the territory of Poland and in connection with the admission of the Covered Bonds to trading on a regulated market operated by the Warsaw Stock Exchange or BondSpot S.A. (operator of the over-the-counter market).

This Prospectus has been prepared in compliance with the provisions of Commission Regulations (EC) No. 809/2004 and other laws regulating the capital market in Poland, in particular the Polish Public Offering Act. This Prospectus was approved by the Polish Financial Supervision Authority on October 28th 2009.

Unless the context requires otherwise, the expressions contained in this Prospectus, such as "we", "our Company", "BRE Bank Hipoteczny S.A.", "BRE Bank Hipoteczny" or other expressions with a similar meaning and their grammatical inflections shall refer to BRE Bank Hipoteczny S.A.

Apart from the persons mentioned in this Prospectus, i.e. the members of the Company's Management Board, no other person is authorised to disclose to the public any information related to the Offering. Any public disclosure of such information requires approval of the Management Board.

This Prospectus has been prepared in accordance with the best knowledge and with due care, and the information contained herein is provided as at the Prospectus Date, unless otherwise indicated.

WHERE IT DOES NOT RELATE TO HISTORICAL FACTS, THE INFORMATION CONTAINED IN THIS PROSPECTUS REPRESENTS FORWARD-LOOKING STATEMENTS. THE STATEMENTS CONTAINED IN THIS PROSPECTUS CONCERNING MATTERS WHICH ARE NOT HISTORICAL FACTS SHOULD BE TREATED ONLY AS PROJECTIONS ENTAILING RISK AND UNCERTAINTY. THERE CAN BE NO ASSURANCE THAT THE PROJECTIONS WILL BE MET, IN PARTICULAR AS A RESULT OF THE RISK FACTORS DISCUSSED IN THIS PROSPECTUS.

Investment decisions made by investors regarding Covered Bonds offered pursuant to this Prospectus should be based only on their own conclusions and analyses concerning the Issuer, as well as the terms and conditions of the Covered Bond Issue Programme, with particular attention given to the risk factors. The Programme is carried out only on the basis of this Prospectus, while detailed information on Covered Bonds of individual series shall be provided in the Supplements hereto.

The Issuer and the Offeror do not intend to take any steps to stabilise the price of the securities offered under this Prospectus before, during or after the Offering.

## **DOCUMENTS ON DISPLAY**

This Prospectus together with its updates shall be made available in electronic form on the Issuer's website ([www.rhb.com.pl](http://www.rhb.com.pl)) and on the websites of the entities taking part in the subscription for Covered Bonds. The printed version of this Prospectus shall be available at:

- the registered office of the Issuer at Al. Armii Ludowej 26, Warsaw, Poland;
- the registered office of the Offeror at ul. Wspólna 47/49, Warsaw, Poland;
- the Information Centre of the Financial Supervision Authority of Warsaw at pl. Powstańców Warszawy 1, Warsaw, Poland;
- the registered office of the Warsaw Stock Exchange at ul. Książęca 4, Warsaw, Poland, or the registered office of BondSpot S.A. at ul. Armii Ludowej 26, Warsaw, Poland.

During the subscription period, the following documents shall be available for inspection at the registered office of the Issuer: (a) the consolidated text of the Issuer's Articles of Association, (b) the Issuer's financial statements for 2007 and 2008, prepared in accordance with the International Financial Reporting Standards, audited by PricewaterhouseCoopers Sp. z o.o. (along with the audit opinions and reports), (c) the Issuer's condensed financial statements for H1 2009, prepared in accordance with the International Financial Reporting Standards, containing comparable data for H1 2008, reviewed by PricewaterhouseCoopers Sp. z o.o. (along with the review report), (d) this Prospectus together with any Supplements hereto, as well as (e) annual financial statements of the Issuer for the subsequent financial years ending before the completion of the Programme, however, not prior to the repurchase/redemption date for all Covered Bonds issued under the Programme.

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## II. Summary

This Summary should be read as an introduction to the Prospectus.

Any decision to invest in the Issuer's Covered Bonds offered under the Prospectus should be based upon consideration of the Prospectus as a whole.

An Investor filing a claim relating to the information contained in the Prospectus shall bear the costs of translating the Prospectus (if required) before initiation of the court proceedings.

The persons preparing this Summary, including its translation, are liable only for losses caused by this Summary being misleading, inaccurate or inconsistent with other parts of the Prospectus.

### 1. Key Areas and Types of Operations

The financial information presented below is based on the audited, IFRS-compliant, financial statements for the financial year ended December 31st 2008, containing comparable data for the year ended December 31st 2007, as well as on the condensed, IFRS-compliant, financial statements for H1 2009, containing comparable data for H1 2008. The financial information is supplemented with selected unaudited operating and financial data sourced from the Issuer's management accounts.

#### 1.1. Lending Activities

As at the end of June 2009, the volume of the loan portfolio (including off-balance-sheet items) fell slightly (by PLN 32,212 thousand) relative to the end of 2008, with the total on-balance-sheet and off-balance-sheet exposures reaching PLN 4,995.5m as at the end of H1 (commercial loans, housing loans, loans for local government institutions and loans for public healthcare centres (ZOZ) guaranteed by local government institutions). The value of loans advanced in the period from January through June 2009 was PLN 220.4m (table 3). In 2008, the volume of the loan portfolio (including off-balance-sheet items) rose significantly (by PLN 901.6m), with the total on-balance-sheet and off-balance-sheet exposures reaching PLN 5,027.7m as at the end of 2008 (commercial loans, housing loans, loans for local government institutions and loans for public healthcare centres (ZOZ) guaranteed by local government institutions). The value of loans advanced in 2008 alone was PLN 1,473.8m (table 3).

Loans for the financing of commercial real estate as at the end of H1 2009 and the end of 2008 accounted for 80.2% and 80.9% of the Bank's entire loan portfolio, respectively. In terms of currency, PLN-denominated loans prevailed in the Bank's loan portfolio, followed by EUR-denominated loans. As at the end of June 2009, foreign currency loans accounted for 36.6% of the aggregate loan portfolio (Table 2). From 2002 until mid-2008, the share of PLN-denominated loans was growing steadily, which was attributable to strong and sharp exchange rate fluctuations and the Bank's financing of residential developers, who contract PLN-denominated loans. The increase in the share of foreign currency loans recorded in 2008 and H1 2009 was driven by the depreciation of the zloty both against the euro and the US dollar.

BRE Bank Hipoteczny S.A. specialises in long-term financing of commercial real estate developed for sale or lease (in particular office buildings, shopping centres, modern warehouse and distribution space, housing estates of single- and multi-family houses).

BRE Bank Hipoteczny S.A. is looking to finance medium-sized commercial projects with loan amounts of up to EUR 20m. Commercial real estate will remain a strategic market segment for the Bank's business. In its financing of commercial projects, BRE Bank Hipoteczny S.A. focuses on cooperating with recognised international or Polish developers with solid market reputation, which are able to contribute the required share of their own funds. BRE Bank Hipoteczny finances real estate of high technical standard, with good locations, mainly in the largest cities of Poland.

Table 1 The Bank's total loan portfolio by product group (PLN '000)\*

Product	Jun 30 2009	Jun 30 2008	Change H1 2009 / H1 2008	Dec 31 2008	Dec 31 2007	Change 2008 / 2007
<i>On-balance-sheet exposure</i>	3,636,509	2,914,825	24.8%	3,537,700	2,568,795	37.7%
<i>Off-balance-sheet exposure</i>	369,789	771,545	-52.1%	531,242	737,383	-28.0%
<b>Commercial loans</b>	<b>4,006,298</b>	<b>3,686,370</b>	<b>8.7%</b>	<b>4,068,942</b>	<b>3,306,178</b>	<b>23.1%</b>
<i>On-balance-sheet exposure</i>	67,835	70,503	-3.8%	70,804	83,014	-14.7%
<i>Off-balance-sheet exposure</i>	1,687	1,657	1.8%	1,448	2,121	-31.7%
<b>Housing loans</b>	<b>69,522</b>	<b>72,160</b>	<b>-3.7%</b>	<b>72,252</b>	<b>85,135</b>	<b>-15.1%</b>
<i>On-balance-sheet exposure</i>	722,851	572,259	26.3%	702,023	566,708	23.9%
<b>Loans to local government</b>	<b>196,844</b>	<b>146,323</b>	<b>34.5%</b>	<b>184,511</b>	<b>168,085</b>	<b>9.8%</b>

<b>institutions</b>	<b>Total exposure</b>	<b>919,695</b>	<b>718,582</b>	28.0%	<b>886,534</b>	<b>734,793</b>	20.7%
	<b>On-balance-sheet exposure</b>	4,427,195	3,557,587	24.4%	4,310,527	3,218,517	33.9%
	<b>Off-balance-sheet exposure</b>	568,321	919,525	-38.2%	717,200	907,589	-21.0%
<b>Total</b>	<b>Total exposure</b>	<b>4,995,516</b>	<b>4,477,112</b>	11.6%	<b>5,027,728</b>	<b>4,126,106</b>	21.9%

Source: the Issuer.

\* The above data concerns the portfolio value inclusive of loan interest, less impairment losses. Unaudited operating and financial data sourced from the Issuer's management accounts.

Table 2 Total loan portfolio by currency and main product groups\*

Product	Jun 30 2009			Jun 30 2008			Dec 31 2008			Dec 31 2007		
	PLN	EUR	USD	PLN	EUR	USD	PLN	EUR	USD	PLN	EUR	USD
Commercial loans	55.4%	41.2%	3.5%	68.8%	28.7%	2.5%	61.6%	36.7%	1.7%	65.3%	31.6%	3.2%
Housing loans	42.2%	43.6%	14.2%	55.3%	36.9%	7.8%	48.4%	41.0%	10.6%	52.3%	38.9%	8.8%
Loans to local government institutions	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%
<b>Total loan portfolio (on-balance-sheet and off-balance-sheet exposure)</b>	<b>63.4%</b>	<b>33.6%</b>	<b>3.0%</b>	<b>73.6%</b>	<b>24.2%</b>	<b>2.2%</b>	<b>68.2%</b>	<b>30.3%</b>	<b>1.5%</b>	<b>71.2%</b>	<b>26.1%</b>	<b>2.7%</b>

Source: the Issuer.

\* Unaudited operating and financial data sourced from the Issuer's management accounts.

Table 3 Sales of loans – value and number of executed loan agreements by product group (PLN '000)\*

Product	Jun 30 2009		Jun 30 2008		Dec 31 2008		Dec 31 2007	
	value*	number	value*	number	value*	number	value*	number
<b>Commercial loans</b>	<b>184,021</b>	<b>8</b>	<b>758,782</b>	<b>59</b>	<b>1,203,137</b>	<b>93</b>	<b>1,673,967</b>	<b>167</b>
including:								
- construction projects	0	0	153,939	8	428,687	17	301,448	19
-refinancing of real estate	3,500	1	276,864	31	274,803	43	624,407	83
-purchase of land	2,362	1	67,565	4	79,101	7	134,265	18
- loans to residential developers	178,159	6	260,415	16	420,546	26	613,848	47
<b>Loans to local government institutions</b>	<b>36,359</b>	<b>1</b>	<b>24,359</b>	<b>7</b>	<b>270,648</b>	<b>23</b>	<b>301,163</b>	<b>32</b>
including:								
- financing of local government institutions	36,359	1	24,359	7	243,648	22	101,391	6
- financing of public healthcare centres (ZOZ), guaranteed by local government institutions	0	0	0	0	27,000	1	199,772	26
<b>Total</b>	<b>220,380</b>	<b>9</b>	<b>783,141</b>	<b>66</b>	<b>1,473,785</b>	<b>116</b>	<b>1,975,13</b>	<b>199</b>

*Source: the Issuer.*

*\*Unaudited operating and financial data sourced from the Issuer's management accounts.*

### **1.1.1. Commercial Loans**

The Bank offers business customers loans for the financing of real estate, including:

- construction and mortgage loans for the financing of new commercial real estate,
- loans for the purchase or refinancing of existing real estate (including purchase of shares in special purpose vehicles owning real estate),
- loans to residential developers.

#### **Maximum Loan Term**

The maximum loan term for commercial real estate is 25 years.

#### **Loan Currency**

The Bank advances loans in EUR, USD and PLN.

#### **Borrower's downpayment**

As a rule, the borrower's downpayment accounts for at least 20% of the total cost of an investment project.

#### **Collateral**

The main collateral types required by the Bank include:

- mortgage created for the Bank's benefit over the ownership or perpetual usufruct right,
- registered pledge over shares in a special purpose vehicle,
- assignment of rights under a fire and other acts of God insurance policy covering the loan-financed real estate, issued by an insurance company accepted by the Bank,
- assignment of receivables under lease agreements concerning space in the loan-financed facility,
- powers of attorney over the bank account of a special purpose vehicle,
- block on funds held in the Debt Servicing Account, in an amount agreed upon with the Bank.

#### **Construction and Mortgage Loan for the Financing of New Commercial Real Estate**

The Bank finances the construction of office buildings, shopping centres, warehouses, logistics centres, hotels and multi-family residential buildings developed for sale.

A loan is structured in two phases:

- Construction Phase

The loan is advanced in tranches and monitored by the Bank's technical inspector. The first tranche is paid out if the outcome of a legal and technical review is positive. Payment of further tranches is conditional upon the progress of the project. Lease agreements should guarantee servicing of interest on the total principal amount at the level of at least 130%.

- Investment Phase

Upon obtaining an occupancy permit, the construction loan is converted into a long-term investment loan. Lease agreements should be concluded for specified periods and guarantee monthly servicing of the loan at the level of at least 120% of the principal and interest instalment.

#### **Loans for the Purchase or Refinancing of Existing Real Estate (Including the Purchase of Shares in Special Purpose Vehicles Owning Real Estates)**

The Bank finances the purchase of or refinances commercial real estate, including: logistics centres, shopping centres, hotels and office buildings.



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The Bank may provide refinancing with respect to the repayment of existing bank loans, shareholder loans, or other not enforced claims, as well as with respect to own funds invested in the implementation of a project in the past.

The financial analysis of a project includes a review of concluded lease agreements. The lease agreements should be concluded for specified periods and guarantee a debt-service coverage ratio of at least 120%.

#### *Project Finance*

Project finance is a standard legal and financial structure used in real estate refinancing transactions.

Project finance involves the establishment of a special purpose vehicle (SPV) employing minimum personnel. Such an SPV should be the owner and administrator of the financed or refinanced real estate. This should be the only business activity of such an SPV.

As at the end of H1 2009, the total value of the loan portfolio was PLN 4,995,516 thousand, compared with PLN 5,027,728 thousand as at the end of 2008 (on-balance-sheet and off-balance-sheet exposures). The increase in the loan portfolio in 2008 was attributable to a considerable growth in lending activity, despite the fact that it was accompanied by the repayment of loans originated in previous years. However, in view of the market situation, lending has been seriously curtailed in 2009.

The loan portfolio comprises primarily agreements with large institutional customers (including in the first place loans for refinancing of commercial real estate, followed by loans to residential developers and loans for new construction projects). Loans having an average maturity period of eleven years, bearing variable-rate interest, prevailed in the portfolio. PLN-denominated loans had the largest share in the total commercial loan portfolio – 55.4%, as at the end of June 2009.

The Bank financed chiefly developers of office and service buildings, as well as retail space and residential development projects. Loans for property purchase or refinancing accounted for a significant portion of the commercial loan portfolio. The share of loans for the financing of hotels and entertainment and recreation facilities was insignificant due to the higher credit risk connected with such financing.

A geographical diversification was clearly visible in the structure of lending activity. The projects financed by the Bank were located in the most part in the Warsaw and Wrocław Provinces; loans advanced in these provinces accounted for 55% of the Bank's total on-balance-sheet exposure. The growing importance of the Kraków and Gdańsk Provinces in the portfolio's geographical structure is also worthy of notice.

In line with the concentration limit, the financing of a single entity or a group of entities with capital or organisational links does not exceed 25% of the Bank's equity (i.e. PLN 102,556 thousand as at June 30th 2009).

### **Loans to Residential Developers**

BRE Bank Hipoteczny S.A. specialises in the financing of residential buildings and estates constructed for sale or lease by experienced and recognised developers enjoying stable financial standing; the number of such developers in the Bank's customer base is steadily growing year by year.

#### **1.1.2 Loans to Local Government Institutions**

In 2004, BRE Bank Hipoteczny S.A. started to provide financing to a new customer group – local government institutions. This area of the Bank's business has been developing dynamically. At the end of H1 2009, the value of loan agreements signed with the public sector accounted for 18.4% of the total value of sold loans, compared with 17.6% at the end of 2008. The high growth in the sales of loans to local government institutions and loans guaranteed by such institutions (contracted to finance public hospitals and healthcare centres) in recent years is attributable, among other things, to the fact that such loans are a low-risk product since local government institutions have no legal capacity to go bankrupt. However, due to the lack of structural changes in the Polish healthcare system, in 2008 the Bank discontinued financing of public healthcare centres with loans guaranteed by local government institutions.

The system transformations in Poland in the past 15 years have brought about a greater independence of local government institutions, including with regard to financial matters. The change was reflected in the statutory delegation of tasks and decision-making powers from central administration bodies to local government institutions. The ongoing decentralisation of responsibilities related to the execution of public projects, as well as numerous investment challenges facing local government institutions necessitate a new approach to managing the finances of local government institutions. This new approach involves selecting various financing sources for planned projects and making informed decisions on the terms and conditions of such financing. By selecting appropriate loan terms, local government institutions may control the annual debt servicing charges in their budgets.

#### **Loan Term**

The Issuer offers local government institutions loans with the repayment term of up to 30 years.

#### **Application of Loans**

##### a) Refinancing of real estate owned by local government institutions

Refinancing of real estate, i.e. using real estate owned by local government institutions as assets enabling them to contract loans and release the funds "frozen" in such real estate and necessary for the execution of other tasks. A refinancing transaction involves the use of a special purpose vehicle controlled by a given local government institution and established to implement the project and manage the financed real estate. A refinancing loan is not disclosed as a liability in the local government institution's budget, nor does it affect its debt limits, because it is the special purpose vehicle that acts as the borrower in such a transaction.

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In assessing the advantages of real estate refinancing one must take into consideration the restrictions imposed on financial management of local government institutions under the Public Finance Act of November 26th 1998. Pursuant to the relevant provisions, the total debt of a local government institution as at the end of a budget year may not exceed 60% of its income. The total annual repayment of liabilities under contracted loans, borrowings, related interest, bond redemption and potential repayments under issued sureties is also limited to 15% of the institution's income planned for a given budget year.

b) Revitalisation of old or historic urban areas

Revitalisation projects financed with long-term loans enable local government institutions to recover valuable plots of land and foster the development of specified areas within old urban districts, post-industrial areas, property formerly used by the army, or high-rise housing estates.

c) Financing of infrastructure projects

d) Construction and modernisation of facilities representing public amenities

e) Refinancing of consolidated debt of local government institutions

Refinancing of existing loans and borrowings with a long-term loan enables local government institutions to reduce the annual debt servicing costs in their budgets.

f) Financing of municipal and social construction projects

In 2005, the Bank started to grant loans, guaranteed by local government institutions, to free-standing public healthcare centres. A new legal framework encouraged hospitals, supported by their founding bodies, to launch restructuring programmes and use commercial loans in addition to traditional financing sources, such as loans from the State Treasury.

Pursuant to Art. 4.1.7 of the Public Finance Act, healthcare centres which are free-standing public healthcare centres form part of the public finance sector, which is divided into the central government sub-sector and the local government sub-sector. If the founding body of such a public healthcare centre is a local government institution, then the centre is classified as belonging to the local government sub-sector. Pursuant to Art. 19 in conjunction with Art 31 of the Public Finance Act, public healthcare centres being legal entities belonging to the local government sub-sector are subject to the provisions of the act based on which such centres are established – in this case the Act on Healthcare Centres. Pursuant to Art. 60 of the Act on Healthcare Centres, if a free-standing public healthcare centre generates losses, it must cover the loss by itself. Pursuant to Art. 60.3 of the Act on Healthcare Centres, if a loss generated by a free-standing public healthcare centre cannot be covered by such a centre, its founding body issues an order or adopts a resolution on changing the centre's financial management system or on its liquidation.

The straightforward wording of this regulation indicates that there is an obligation to undertake such steps by the founding body. However, this must not be interpreted as an obligation arising automatically when a centre incurs a loss or even if it has been generating losses for some time, but rather as a duty being a consequence of determining that the loss cannot be covered by the centre alone. For this reason the Issuer has never granted healthcare centres loans without a guarantee from the founding body (local government institution). If a public healthcare centre is liquidated, its founding body takes over its liabilities and receivables by virtue of the act (Art. 60.6 the Act on Healthcare Centres).

The guarantee granted by a local government institution under Art. 876 of the Polish Civil Code in conjunction with Art 86.1 of the Public Finance Act represents a separate (civil) obligation of the local government institution in the event that the free-standing public healthcare institution fails to meet its monetary obligations towards the creditor. The legislator does not prohibit local government institutions from providing a guarantee for the financial obligations of entities belonging to the public finance sector, established or managed by the local government institution issuing the guarantee. It is important to note, however, that the Issuer, having security in the form of the guarantee issued by the local government institution, may not seek its claims under two legal titles because the fulfilment by the local government institution of its obligation under the guarantee leads to the extinguishment of any debt owed by the healthcare centre as the main debtor (pursuant to the second sentence of Art. 366 of the Polish Civil Code). A local government institution may not be responsible for the same debt as the guarantor and the party taking over the debt, and thus one of the bases for satisfaction of claims by the local government institution will expire, depending on which of the events occurs first.

As no structural changes had been introduced in the Polish healthcare system, in 2008 the Bank discontinued financing of public healthcare centres with loans guaranteed by local government institutions.

The Bank also financed municipal construction projects with loans used to construct buildings designed to serve social and commercial purposes.

In 2005, after the Public-Private Partnership Act took effect, the Bank organised – in cooperation with regional associations of municipalities and counties – several conferences for the representatives of local government institutions and devoted to financial and legal aspects of implementing investment projects under the public-private partnership framework.

Loans granted to small and medium-sized communes and municipalities, with an average repayment term of 15.7 years, account for the majority of the portfolio of loans for local government institutions.

The enhancement of the Bank's offering with products for local government institutions helps mainly to diversify the loan portfolio, which no longer comprises only real estate loans, and is a response to the needs and expectations of Polish communes and municipalities, which must quickly develop their infrastructure and embrace new finance management methods.

### **1.1.3 Housing Loans for Retail Customers**

In mid-2004, the Bank's Management Board resolved to discontinue financing of retail customers purchasing residential real estate. Thus, after four and a half year of advancing housing loans, the Bank withdrew from the retail market. The decision was made following re-allocation of tasks and specialisations within the BRE Bank Group, whereupon the activities related to housing loans were transferred to other members of the Group – Multibank and mBank.

As at the end of H1 2009, the total value of the housing loan portfolio stood at PLN 69.52m. PLN-indexed loans prevailed in the portfolio: their share rose sharply from approximately 10% in 2002 to 48.4% as at the end of 2008 and 42.2% as at the end of H1 2009.

Table 4 Housing loans for retail customers – total value of the portfolio as at June 30th 2009\*

Housing loans in	Total exposure (PLNm)
PLN	29.37
EUR	30.28
USD	9.87
<b>Total</b>	<b>69.52</b>

Source: the Issuer.

\*Unaudited operating and financial data sourced from the Issuer's management accounts.

### 1.2. Term Deposits

BRE Bank Hipoteczny S.A. offers its corporate customers opportunities to place cash surpluses in term deposits with attractive interest rates. The minimum deposit is PLN 500,000, USD 100,000 or EUR 100,000, and the deposit terms range from one week to 12 months.

### 1.3. Issues of Covered Bonds

BRE Bank Hipoteczny S.A. has carried out a total of 25 issues of covered bonds, including 11 private placements and 14 public offerings, maintaining the leading position on the Polish covered bonds market as at the end of H1 2009. The total value of covered bonds issued by BRE Bank Hipoteczny and outstanding as at the end of H1 2009 was in excess of PLN 2bn. The Bank offers chiefly covered bonds with three- and five-year maturities. In the opinion of the Bank's Management Board, BRE Bank Hipoteczny S.A. has remained the largest issuer of covered bonds since they were first introduced into the Polish capital market, with a market share of approximately 68% at the end of 2008.

In 2008, BRE Bank Hipoteczny S.A. issued covered bonds of the record value of PLN 900m. The issues comprised four tranches of mortgage covered bonds and one tranche of public sector covered bonds. At the end of 2008, the value of all outstanding bonds issued by BRE Bank Hipoteczny S.A. was almost PLN 2bn.

In addition to mortgage covered bonds, BRE Bank Hipoteczny S.A., as the only bank among the new EU member states from Central Europe, issues public sector covered bonds where the underlying instrument are claims under loans granted to local government institutions or loans granted to public healthcare centres and guaranteed by local government institutions. First public sector covered bonds were issued by BRE Bank Hipoteczny S.A. at the end of July 2007. The European Investment Bank of Luxemburg is one of their main purchasers.

In H1 2009, the Bank carried out two issues of mortgage covered bonds with an aggregate value of PLN 360m.

As at June 30th 2009, the covered bonds issued by BRE Bank Hipoteczny S.A. were assigned an investment-grade rating by international rating agency Moody's Investors Service Ltd. The respective ratings assigned to the mortgage covered bonds and public sector covered bonds issued by the Bank were Baa2 and Baa1.

Table 5 Mortgage covered bonds issued by BRE Bank Hipoteczny S.A., not traded on a regulated market, as at June 30th 2009

<b>Issue Date</b>	<b>Maturity Date</b>	<b>Currency</b>	<b>Value ('000)</b>	<b>Moody's Rating</b>
Nov 21 2005	Nov 22 2010	USD	10,000	Baa2

Source: the Issuer.

Table 6 Mortgage covered bonds issued by BRE Bank Hipoteczny S.A., traded on a regulated market, as at June 30th 2009

<b>Issue Date</b>	<b>Maturity Date</b>	<b>Currency</b>	<b>Value ('000)</b>	<b>Moody's Rating</b>
Apr 14 2005	Apr 12 2010	PLN	100,000	Baa2
Nov 28 2007	Nov 29 2010	PLN	170,000	Baa2
Mar 12 2008	Sep 28 2010	PLN	200,000	Baa2
Apr 25 2008	Apr 28 2011	PLN	250,000	Baa2
Jun 13 2008	Jun 15 2011	PLN	200,000	Baa2
Oct 10 2008	Oct 7 2011	PLN	150,000	Baa2
May 20 2009	May 16 2011	PLN	60,000	Baa2
Jun 24 2009	Jun 15 2012	PLN	300,000	Baa2
<b>TOTAL</b>		<b>PLN</b>	<b>1,430,000</b>	

Source: the Issuer.

Table 7 Public sector covered bonds issued by BRE Bank Hipoteczny S.A., traded on a regulated market, as at June 30th 2009

<b>Issue Date</b>	<b>Maturity Day</b>	<b>Currency</b>	<b>Value ('000)</b>	<b>Moody's Rating</b>
Jul 27 2007	Jul 27 2012	PLN	100,000	Baa1
Sep 28 2007	Sep 28 2012	PLN	200,000	Baa1
Nov 28 2007	Nov 29 2010	PLN	170,000	Baa1
Sep 22 2008	Sep 20 2013	PLN	100,000	Baa1
<b>TOTAL</b>		<b>PLN</b>	<b>570,000</b>	

Source: the Issuer.

Table 8 Mortgage covered bonds issued by BRE Bank Hipoteczny S.A.– matured as at June 30th 2009

<b>Issue Date</b>	<b>Maturity Date</b>		<b>Currency</b>	<b>Value ('000)</b>
Jun 28 2000	Jun 28 2005	Private placement	PLN	5,000
Jul 29 2002	Jul 31 2006	Private placement	PLN	50,000
Sep 14 2001	Sep 14 2004	Private placement	EUR	5,000
May 20 2002	May 20 2009	Private placement	EUR	10,000
May 20 2003	May 20 2009	Private placement	EUR	20,000
May 20 2004	May 20 2009	Private placement	EUR	25,000
Sep 14 2001	Sep 14 2004	Private placement	USD	10,000

*Source: the Issuer.*

In tables 5, 6, 7 and 8, the "Issue Date" means the date of the allocation of particular covered bond series.

## 2. Financial Information

The financial information presented below is based on the audited, IFRS-compliant, financial statements prepared for the financial year ended December 31st 2008, containing comparable data for the financial year ended December 31st 2007, as well as the condensed, IFRS-compliant, financial statements for H1 2009, containing comparable data for H1 2008. The financial information is supplemented with selected unaudited operating and financial data sourced from the Issuer's management accounts.

Table 9 Financial highlights of the Issuer (PLN '000)

	Jun 30 2009	Dec 31 2008	Dec 31 2007
<b>ASSETS</b>			
Cash and balances with Central Bank	41,202	15,537	2,653
Amounts due from other financial institutions	176,038	42,828	41,794
Derivative financial instruments	33,962	59,730	34,038
Amounts due from non-financial sector	4,427,195	4,310,527	3,218,517
Investment securities	147,674	224,445	79,967
Pledged assets	2,566	1,292	799
Investments in subsidiaries	65	65	65
Intangible assets	2,425	2,387	1,694
Property, plant and equipment	8,743	9,658	7,891
Deferred tax assets	4,391	7,696	6,892
Other assets	5,682	939	1,388
<b>Total assets</b>	<b>4,849,943</b>	<b>4,675,104</b>	<b>3,395,698</b>

Source: the Issuer's financial statements.

Table 10 Financial highlights of the Issuer (PLN '000)

	Jun 30 2009	Dec 31 2008	Dec 31 2007
<b>EQUITY AND LIABILITIES</b>			
Amounts due to other financial institutions	1,759,884	1,672,447	406,771
Derivative financial instruments	4,970	2,346	8,039
Amounts due to non-financial sector	215,425	217,981	278,799
Liabilities under debt securities in issue	2,440,967	2,358,941	2,325,084
Subordinated liabilities	100,267	100,369	100,292
Other liabilities, including:	2,337	9,993	7,062
- current income tax liabilities	-	4,411	1,463
<b>Total liabilities</b>	<b>4,523,850</b>	<b>4,362,077</b>	<b>3,126,047</b>
<b>Equity</b>			
Share capital	175,000	175,000	175,000
Other items of equity	335	464	0
<b>Retained earnings</b>	<b>150,758</b>	<b>137,563</b>	<b>94,651</b>
- Profit/(loss) brought forward	137,400	94,500	59,300
- Current year profit/(loss)	13,358	43,063	35,351
<b>Total equity</b>	<b>326,093</b>	<b>313,027</b>	<b>269,651</b>
<b>Total equity and liabilities</b>	<b>4,849,943</b>	<b>4,675,104</b>	<b>3,395,698</b>

Source: the Issuer's financial statements.

As at the end of H1 2009, the Bank's total assets stood at PLN 4,849,943 thousand and were PLN 174,839 thousand higher compared with the end of 2008. In 2008, the Bank's total assets grew significantly (up by PLN 1,279,406 thousand), to PLN 4,675,104 thousand as at December 31st 2008.

With the share of 91.3% as at June 30th 2009 and 92.2% as at December 31st 2008, amounts due from the non-financial sector were the key item in the asset structure.

As at the end of June 2009, the total value of the Bank's loan portfolio was PLN 4,995,516 thousand, i.e. roughly the same as at the end of 2008, in line with the policy followed by the Bank in that period. As at the end of H1 2009, 80.2% of amounts due from the non-financial sector (gross) were attributable to corporate customers, and the remaining 19.8% – to retail customers and the budget sector.

In 2008, the total value of the loan portfolio rose by PLN 901,622 thousand on the figure as at the end of 2007. The lending activity was financed chiefly with a PLN 1,265,676 thousand increase in amounts due to other financial institutions, issues of debt securities (the liabilities related to the issues rose by PLN 33,857 thousand), and out of the net profit, which in 2008 was PLN 43,063 thousand.

The Bank's liabilities are dominated by liabilities under debt securities in issue (covered bonds and bonds), which as at June 30th 2009 accounted for 50.3% of total equity and liabilities, down from 50.5% as at the end of 2008. As at the end of 2008, liabilities under mortgage covered bonds and public sector covered bonds grew by PLN 534,089 thousand, while those under bonds fell by PLN 500,232 thousand from the 2007 year-end level. Another item of liabilities are amounts due to other financial institutions (accounting for 36.3% and 35.8% of total equity and liabilities respectively as at June 30th 2009 and December 31st 2008) and amounts due to the non-financial sector (4.4% and 4.7% of total equity and liabilities, respectively, as at June 30th 2009 and December 31st 2008).

Table 11 Off-balance-sheet items (PLN '000)

<b>Contingent liabilities and commitments granted and received</b>	<b>Jun 30 2009</b>	<b>Dec 31 2008</b>	<b>Dec 31 2007</b>
<b>Financial commitments and liabilities</b>	572,355	722,020	913,265
Other commitments	1,852,634	2,426,007	1,603,065
Commitments and liabilities related to the execution of purchase/sale transactions (nominal value of SWAP, FX derivatives)	733,704	769,025	1,334,457
Financial commitments received	270,404	269,046	316,190
<b>Total off-balance-sheet items</b>	<b>3,429,097</b>	<b>4,186,098</b>	<b>4,166,977</b>

Source: the Issuer's financial statements.

Table 12 Selected items from the income statement (PLN '000)

	<b>Jan 1 - Jun 30 2009</b>	<b>Jan 1 - Jun 30 2008</b>	<b>2008</b>	<b>2007</b>
Interest income	141,497	130,511	297,581	189,436
Interest expense	-109,328	-90,695	-215,755	-120,351
<b>Net interest income</b>	<b>32,169</b>	<b>39,816</b>	<b>81,826</b>	<b>69,085</b>
Fee and commission income	2,438	1,787	3,116	2,704
Fee and commission expense	-786	-726	-1,125	-804
<b>Net fee and commission income</b>	<b>1,652</b>	<b>1,061</b>	<b>1,991</b>	<b>1,900</b>
<b>Trading profit, including:</b>	<b>1,491</b>	<b>1,586</b>	<b>8,620</b>	<b>2,395</b>
<i>Foreign exchange gains/(losses)</i>	<i>2,552</i>	<i>606</i>	<i>7,091</i>	<i>501</i>
<i>Profit/(loss) on other trading activities</i>	<i>-1,061</i>	<i>980</i>	<i>1,529</i>	<i>1,894</i>
Other operating income	525	834	1,060	1,588
Net impairment losses on loans and borrowings	-1,036	-275	-2,031	1,111
General and administrative expenses	-16,135	-17,225	-34,652	-31,241
Amortisation and depreciation	-1,602	-1,323	-2,888	-2,281

Other operating expenses	-400	-482	-818	-137
<b>Operating profit</b>	<b>16,662</b>	<b>23,992</b>	<b>53,108</b>	<b>42,420</b>
<b>Gross profit</b>	<b>16,662</b>	<b>23,992</b>	<b>53,108</b>	<b>42,420</b>
Corporate income tax	3,304	4,719	-10,045	-7,069
<b>Net profit</b>	<b>13,358</b>	<b>19,273</b>	<b>43,063</b>	<b>35,351</b>

Source: the Issuer.

The main items of the Bank's income and expenses were, respectively, interest on banking transactions and interest expense. These items had a decisive effect on the operating profit, which amounted to PLN 16,662 thousand in the first half of 2009 (down by PLN 7,330 thousand from the operating profit for the first half of 2008) and PLN 53,108 thousand for 2008 (up by PLN 10,688 thousand relative to the operating profit generated for 2007).

The deterioration in the financial performance in the first half of 2009 was due mainly to lower net interest income (down by PLN 7,647 thousand relative to the first half of 2008) and higher net impairment losses on loans (by PLN 763 thousand). At the same time, net fee and commission income grew by PLN 591 thousand, while general and administrative expenses and other operating expenses fell by PLN 1,090 thousand and PLN 309 thousand, respectively. The net profit reached PLN 13,358 thousand, down by PLN 5,915 thousand relative to the first half of 2008.

The increase in the Bank's profit in 2008 relative to 2007 was driven primarily by higher net interest income (by PLN 12,741 thousand) as well as higher trading profit (by PLN 6,225 thousand). Concurrently, there was a PLN 3,411 thousand rise in general and administrative expenses, while other operating expenses grew by PLN 681 thousand and the cost of amortisation and depreciation went up by PLN 607 thousand. The Bank generated a net profit of PLN 43,063 thousand, higher by PLN 7,712 thousand relative to 2007.

### 3. Growth Strategy

The Bank's strategic objective for the next few years is to maintain its current position among Polish mortgage banks, while pursuing its mission of a major lender on the commercial real estate market and the leading issuer of covered bonds. Additionally, in 2009 the Bank will be actively developing its real estate consultancy services – an important element of its mission which complements its offering of loan products.

Taking into account the current market environment as well as the impact of the global financial crisis on the Polish real estate market and the interbank market, the Bank has redefined the business objectives and assumptions underlying its mid-term strategy. In the years to come, the volume of lending (thus far driven mainly by market demand) will depend on the Bank's ability to place new issues of covered bonds on the market and refinance its operations drawing on external sources. As the market stabilises, the Bank – in line with its priority objective of building a low-risk loan portfolio – will focus on the provision of financing to corporate customers, particularly to refinance completed projects. Given the slowdown affecting the housing market, as well as the weakening demand and increased level of credit risk observed in that segment, the provision of financing for residential development projects will remain an ancillary area of the Bank's business.

The Bank's key objectives for 2009 include:

- maintaining the high quality of its loan portfolio,
- changing the composition of the loan portfolio towards an even greater share of loans for refinancing completed and leased out commercial properties.

In view of the changing market situation, the Bank is aware that its activities (especially the provision of financing for purchase of land and for residential development projects) will entail increasing credit risk and that it will face considerable liquidity risk. Those risks will therefore be closely monitored and controlled. As interest income is anticipated to stagnate in 2009, cost management is gaining more importance, so the Bank is taking measures aimed at streamlining and reducing costs.

As regards financing of its operations, the Bank will seek to:

- ensure liquidity at the lowest possible cost,
- mitigate the interest rate risk and the currency risk related to issues of covered bonds,
- cooperate with Polish and foreign banks with respect to transactions on the money market, currency market and derivatives market,
- increase the value of deposits placed by customers other than the Bank's borrowers in term deposit accounts.

The Bank will advance loans in PLN, EUR or USD depending on customers' needs and market conditions. Foreign currency loans are expected to enjoy interest, especially among customers building commercial real estate.

### 4. Rating

The Bank's creditworthiness is assessed by Moody's Investors Service, an international rating agency, which on November 12th 2008 – as a result of downgrading the financial strength rating of Commerzbank AG by one notch from C+ to C – lowered the



ratings for long-term deposits at BRE Bank Hipoteczny S.A. from A3 to Baa1 with a stable outlook. The agency maintained its current ratings for the Bank's short-term deposits at P-2 and financial strength at D- with a stable outlook.

On March 2nd 2009, as a result of downgrading the financial strength rating of Commerzbank AG by one notch from C to C-, Moody's Investors Service, an international rating agency assessing the Bank's creditworthiness, lowered the ratings for short-term deposits at BRE Bank Hipoteczny S.A. from P-2 to P-3 and for the Bank's long-term deposits from Baa1 to Baa3 with a stable outlook. The agency maintained its current rating for the Bank's financial strength at D- with a stable outlook.

On March 27th 2009, following the change of the Bank's ratings on March 2nd 2009, Moody's Investors Service downgraded the rating for the Bank's public sector covered bonds from Aa3 to A1 with a negative outlook. The agency's rating for the Bank's mortgage covered bonds remained at A2 with a negative outlook.

On May 26th 2009, Moody's Investors Service placed the Bank's financial strength D- rating on creditwatch with a possible downgrade, following its verification and reassessment of systemic support in Poland and placement of the A3 long-term deposit rating of BRE Bank S.A. on creditwatch with a possible downgrade.

On June 10th 2009, following the change of the Bank's ratings on March 2nd 2009, Moody's Investors Service downgraded the rating for the Bank's public sector covered bonds from A1 with a negative outlook to Baa1 and for the Bank's mortgage covered bonds from A2 with a negative outlook to Baa2.

Moody's Investors Service assigned the ratings taking into account such factors as:

- the credit strength of BRE Bank Hipoteczny S.A. (Baa3/Prime-3);
- the legal framework for the issue of covered bonds provided by the Covered Bond Act;
- the quality of claims entered in the register of collateral for Covered Bonds;
- lack of statutory requirement to overcollateralise issued securities.

The rating for particular series of Covered Bonds will be confirmed on the Issue Date for a given series.

Prior to the issue, a particular series of Covered Bonds is assigned a temporary rating specified each time in a supplement. On the Issue Date, the rating for a particular series of Covered Bonds will be confirmed by Moody's Investors Service.

## 5. Key Parameters of the Covered Bond Issue Programme

Size of the Issue Programme	PLN 6,000,000,000 or the equivalent of this amount in another currency (USD or EUR)
Manner of Offering	Covered Bonds shall be offered pursuant to Art. 9.1 of the Bond Act, i.e. by way of an offer of Covered Bonds to the public, as referred to in Art. 3.1 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of July 29th 2005 (Dz.U. No. 184, item 1539, as amended).
Number of issues under the Issue Programme	Covered Bonds may be issued under the Programme in at least two issues carried out at intervals of not more than 12 months.
Maturity of Covered Bonds	Not less than one year.
Type, series, number of Covered Bonds	The Issuer shall specify for each issue of Covered Bonds under the Programme the detailed terms and conditions of issue, and in particular:  type of issued Covered Bonds (Mortgage Covered Bonds or Public Sector Covered Bonds), series, number, par value per Covered Bond issued under the Programme, with a proviso that:  the issue of Mortgage Covered Bonds or Public Sector Covered Bonds under the Programme may be carried out only on the issue basis appropriate for the given type of Covered Bonds and specified in Art. 12.4 or Art. 12.5 of the Covered Bond Act.
Currency of Covered Bonds and par value per Covered Bond	Covered Bonds shall be denominated in the Polish zloty. Covered Bonds may be also denominated in USD (the US dollar) or in EUR (the euro). Depending on the issue currency, the par value per Covered Bond shall amount to PLN 1,000.00 (one thousand zloty), EUR 1,000.00 (one thousand euros) or USD 1,000.00 (one thousand US dollars) or to a multiple of those amounts in the issue currency. To determine the limit of utilisation of the maximum amount of the Issue Programme, the total par value of Covered Bonds of a given series issued in EUR or USD shall be translated into the zloty: (i) at the mid-exchange rate quoted by the National Bank of Poland for the date of the Issuer's resolution on the issue of Covered Bonds of a given series, or (ii) if the mid-exchange rate of the National

	Bank of Poland cannot be determined for that date – at the mid-exchange rate of the currency of Covered Bonds issue against the zloty, quoted by the National Bank of Poland immediately before the date of the Issuer's resolution on the issue of Covered Bonds of a given series.
Form of Covered Bonds	Under the Programme, Covered Bonds shall be issued in dematerialised form.
Issue Price of Covered Bonds (Ordinary Procedure)	Equal to the par value or below the par value (issue with a discount) or above the par value (issue with a premium).
Selling Price of Covered Bonds (Firm Commitment Underwriting Procedure)	Equal to the issue price at which the Firm Commitment Underwriter acquires the Covered Bonds and equal to the par value or below the par value (issue with a discount) or above the par value (issue with a premium).
Redemption price of Covered Bonds	Equal to the par value.
Day Count Convention	Actual/365 for PLN-denominated Covered Bonds; Actual/360 for USD or EUR-denominated Covered Bonds, unless otherwise specified in the Supplement.
Interest on Covered Bonds	Depending on the Issuer's decision, made in consultation with BRE Bank or the Calculation Agent, if appointed for Covered Bonds of a given series, the rate of interest on Covered Bonds shall be:  based on WIBOR rates (or LIBOR or EURIBOR, as appropriate) – for variable-rate Covered Bonds;  based on the yields on relevant Treasury bonds – for fixed-rate Covered Bonds;  determined in the bookbuilding process or specified prior to the beginning of the bookbuilding process.
Interest Payment Frequency	Every 1, 3, 6 or 12 months for variable-rate Covered Bonds; Every 3, 6 or 12 months for fixed-rate Covered Bonds.
Manner of Offering Covered Bonds in Primary Trading	For Covered Bonds with maturities above five years, a direct offering addressed to institutional investors (following completion of the bookbuilding process) or to retail investors (provided it is agreed upon between the Issuer and the Offeror);  For Covered Bonds with maturities of up to five years, an offering addressed to the Firm Commitment Underwriter following completion of the bookbuilding process.
Secondary trading in Covered Bonds (listing)	Depending on the provisions of the Supplement: the over-the-counter, regulated market operated by BondSpot S.A. ("the Securities Market"), or  exchange regulated market: the Warsaw Stock Exchange ("the WSE").
Par value of a single tranche of Covered Bonds issued under the Programme	Minimum par value: PLN 10,000,000 or its USD or EUR equivalent;  Maximum par value: (in PLN or the USD or EUR equivalent) to be agreed upon between the Issuer and the Dealers.
Required rating for issued Covered Bonds	International investment-grade rating for obligations in the local currency or a convertible currency, as appropriate, assigned by the Rating Agency.

## 6. Participants of the Issue Programme and Entities Issuing Opinions and Assessments

Issuer	BRE Bank Hipoteczny S.A.
Issue Programme Arrangers	BRE Bank S.A. ("BRE Bank") and Dom Inwestycyjny BRE Banku S.A. ("DI BRE")
Lead Manager	BRE Bank
Investment Firm, Offeror within the meaning of the Public Offering Act	DI BRE
Dealers	BRE Bank and DI BRE
Firm Commitment Underwriter	BRE Bank (following approval by internal bodies responsible for credit policy).
Rating Agency	Moody's Investors Service or another institution accepted by the Arrangers.
Auditor	PricewaterhouseCoopers Sp. z o.o., registered office at Al. Armii Ludowej 14, Warsaw, Poland.
Legal Adviser	Lovells (Warszawa) (Spółka partnerska) Poland Branch ("Lovells"), registered office at ul. Nowogrodzka 50, Warsaw, Poland
Capital market institutions	<ul style="list-style-type: none"> <li>• Komisja Nadzoru Finansowego (the Polish Financial Supervision Authority; "the PFSA")</li> <li>• Krajowy Depozyt Papierów Wartościowych S.A. (the National Depository for Securities; "the Polish NDS"), or</li> <li>• BondSpot, the WSE or another regulated market on which Covered Bonds may be listed, if such market is organised in Poland.</li> </ul>

### III. Risk Factors

#### 1. Risk Factors Related to the Issuer's Business

##### 1.1. Credit Risk

The Issuer conducts lending activities in accordance with its internal procedures and policies governing lending decisions and credit risk.

As at June 30th 2009, the Issuer's loan portfolio was of a high quality, evidenced by a low share (2.19%) of impaired loans in gross credit exposure.

Table 13 Quality of the Bank's loan portfolio

	Jun 30 2009		Dec 31 2008		Dec 31 2007	
	Exposure (PLN `000)	Share/ Coverage (%)	Exposure (PLN `000)	Share/ Coverage (%)	Exposure (PLN `000)	Share/ Coverage (%)
<b>Loans to customers</b>						
Not yet overdue, unimpaired	4,233,898	95.37%	4,080,176	94.41%	3,103,360	96.15%
Overdue, unimpaired	108,392	2.44%	207,144	4.79%	108,950	3.37%
Impaired	97,151	2.19%	34,427	0.80%	15,396	0.48%
<b>Total gross loans</b>	<b>4,439,441</b>	<b>100.00%</b>	<b>4,321,747</b>	<b>100.00%</b>	<b>3,227,706</b>	<b>100.00%</b>
Provision (for impaired and unimpaired loans)	-12,246	-0.28%	-11,220	0.26%	-9,189	0.28%
<b>Total net loans</b>	<b>4,427,195</b>	<b>99.72%</b>	<b>4,310,527</b>	<b>99.74%</b>	<b>3,218,517</b>	<b>99.72%</b>

Source: the Issuer's financial statements.

There is a risk that the quality of the Bank's loan portfolio may deteriorate as a result of the overall economic situation, decrease in real estate prices and higher yields required by investors. This may adversely affect the Bank's financial performance and impair its ability to service and repurchase Covered Bonds.

##### High Share of Commercial Loans in the Loan Portfolio

As at June 30th 2009, the share of commercial loans in the Issuer's total loan portfolio was high and stood at 80.2% (on-balance-sheet and off-balance-sheet exposure).

As BRE Bank Hipoteczny S.A. is a mortgage bank, the credit risk which it can take is limited by the provisions of the **Polish Act on Covered Bonds and Mortgage Banks** of August 29th 1997, including:

- the concept of the mortgage lending value of real estate and the rules for determining the value,
- a limit on the share of loans exceeding 60% of the mortgage lending value of real estate in the total loan portfolio, whose value may not exceed 30% of the loan portfolio value (Art. 13.1) – as at June 30th 2009, the share was **23.56%** (representing **78.54%** of limit utilisation),
- a limit on refinancing of loans under covered bonds of up to 60% of the mortgage lending value of real estate (Art. 14) – a mortgage bank may apply the proceeds from issue of covered bonds to refinance mortgage-backed loans and acquired claims of other banks under mortgage-backed loans originated by those banks; however, the amount of such refinancing may not exceed the equivalent of 60% of mortgage lending value of real estate – as at June 30th 2009, it amounted to **53.82%** (representing **89.70%** of limit utilisation),
- a limit on the share of loans secured with real estate under construction (Art. 23.1) – receivables secured with mortgages created during the execution of construction projects may not exceed 10% of the aggregate value of the mortgage-backed receivables which are the basis for issuing mortgage covered bonds – as at June 30th 2009, the share amounted to **8.45%** (representing **84.50%** of limit utilisation),

and the **Polish Banking Law** of August 29th 1997:

- a limit on large exposures (in excess of 10% of the Bank's equity), whose value may not exceed 800% of the Bank's equity (Art. 71.2) – as at June 30th 2009, it amounted to **536%** (representing **67%** of limit utilisation),

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- limit on concentration with respect to a single entity or group of entities with capital or organisational links, under which the concentration may not exceed 25% of the Bank's equity (Art. 71.1.2) – as at June 30th 2009, the **limit was not exceeded**.

As at June 30th 2009, **none of the above limits was exceeded**.

As at June 30th 2009, the Bank's equity was PLN **410,223** thousand.

As at the end of H1 2009, loans whose value exceeded 10% of the Bank's equity amounted to PLN **2,198,782** thousand, representing **536%** of the Bank's equity. Pursuant to Art. 71.6 of the Banking Law, the Bank's Management Board is required to notify immediately the Polish Financial Supervision Authority each time the limit of 10% of the Bank's equity is exceeded with respect to the level of the Bank's receivables or off-balance sheet liabilities and commitments exposed to the risk relating to a single entity or a group of entities with capital or organisational links. Such notifications are submitted on a monthly basis.

### **High Share of Foreign Currency Loans in the Loan Portfolio**

As at June 30th 2009, foreign currency loans represented 36.6% of the Issuer's total loan portfolio (on-balance-sheet and off-balance-sheet exposure).

If the substantial weakening of the zloty in relation to foreign currencies (including the euro and the US dollar) observed since mid 2008 persists, the borrowers' ability to service and repay debt could be impaired. Such a situation could adversely affect the Bank's performance and, consequently, impair the Issuer's ability to service and repurchase Covered Bonds

As at June 30th 2009, 44.6% of all commercial loans were denominated in foreign currencies. The relatively large share of foreign-currency loans in the Bank's commercial portfolio follows from the nature of the real estate market. The majority of cash flows, including the income from lease of commercial space, is denominated and generated in foreign currencies. The majority of funds for the repayment of commercial loans comes from the income from the rental of real estate purchased with a loan. The Bank grants EUR- and USD-denominated loans if the borrower's income is denominated in those currencies and when the dates of rent payment and debt servicing are concurrent, which reduces the effect of the zloty depreciation on the quality of the Bank's loan portfolio.

As at the end of H1 2009, PLN-denominated loans represented 63.4% of the total loan portfolio (68.2% as at the end of 2008 and 71.2% as at the end of 2007). The lower share of Polish currency loans is attributable, among other things, to depreciation of the zloty and the high share of commercial loans, of which a large portion is denominated in foreign currencies. In the recent years, the importance of PLN-denominated loans has been growing, driven by, among other things, the growing share of loans to residential developers and local government institutions, which are – as a rule – denominated in the zloty. In addition, most new loans were denominated in the zloty.

As at the end of 2005, 2006, 2007 and 2008 the share of PLN-denominated loans in the total loan portfolio was 41.9%, 56.9%, 71.2% and 68.2%, respectively. In 2008 and 2009, the higher share of foreign currency loans was attributable to the weakening of the zloty in relation to the main foreign currencies.

The characteristics of the Polish commercial real estate market described above, as well as the rules and policies applied by the Issuer in its lending activities, should limit the effects of fluctuations (should they arise and continue) in currency exchange rates between the zloty and foreign currencies.

The Issuer's credit policy strictly defines the rules of granting foreign currency loans. The majority of funds for the repayment of commercial loans comes from the income from the rental of real estate purchased with a loan; loans denominated in the euro and the U.S. dollar are granted provided that there are no inconsistencies regarding the currency of respective incomes and there are no significant discrepancies in the dates for rent payment and debt servicing. These factors limit the effects of potential depreciation of the zloty on the loan portfolio quality.

This is why the credit risk to which the borrower is exposed is taken into consideration when analysing the creditworthiness of customers applying for foreign currency loans. In accordance with the credit policy, the debt service ratio required by the Bank is determined on the assumption that the value of the zloty may decrease by 20%.

### **High Share of Variable Interest Rate Loans in the Loan Portfolio**

As at June 30th 2009, the proportion of variable interest rate loans to the total credit portfolio was high and amounted to 94.32%. A significant and lasting increase in interest rates may affect the borrowers' ability to service and repay debt. Consequently, this could have a bearing on the Bank's performance and have an adverse effect on the Issuer's ability to service and repurchase Covered Bonds.

Since mid 2008, the official interest rates in Poland and in the euro zone have been markedly lower while the interest rates in the USA were significantly reduced throughout the entire 2008. However, it should be noted that the succession of hikes in USD interest rates which took place in the period from 2004 to December 2007 (from 1% to, temporarily, as much as 5.25%) did not impair the quality of the Issuer's loan portfolio.

Lowering of the official interest rates by the National Bank of Poland had a limited effect on the market cost of borrowing due to the lack of liquidity on the inter-bank market and decline in trust among the participants of the market. For this reason, with a view to attracting deposits, some banks started offering significantly higher interest rates than the WIBOR reference rate.

### Concentration of the Loan Portfolio by Regions and Sectors

Pursuant to the credit policy, the real estate financed by the Bank should be situated in prime locations enabling its re-sale in a long term. These factors are reflected in the regional structure of the loan portfolio. 61% (as at the end of June 2009) of the Bank's entire commercial loan portfolio is real estate located in the Warsaw, Kraków and Wrocław Provinces. The capital cities of provinces show the highest demand for real estate. The largest cities, enjoying the fastest rates of economic growth, attract investors who have access to substantial sources of capital abroad. These cities are good markets for commercial real estate, which can be leased without undue delay.

Table 14 Loans by regional exposure\*

<b>Commercial loans – regional exposure (by provinces)</b>	<b>Jun 30 2009 Share of on-balance-sheet exposure</b>	<b>Dec 31 2008 Share of on-balance-sheet exposure</b>	<b>Dec 31 2007 Share in on-balance-sheet exposure</b>
Warsaw Province	37.45%	36.83%	37.10%
Wrocław Province	13.76%	14.41%	12.20%
Kraków Province	9.66%	8.49%	9.61%
Gdańsk Province	7.76%	7.65%	7.38%
Katowice Province	6.68%	6.82%	6.98%
Poznań Province	5.54%	5.60%	6.43%
Łódź Province	4.86%	4.39%	4.00%
Bydgoszcz Province	3.45%	4.05%	3.08%
Szczecin Province	2.66%	2.60%	1.93%
Lublin Province	2.45%	2.48%	3.36%
Olsztyn Province	1.54%	1.61%	1.75%
Zielona Góra Province	1.47%	1.56%	1.95%
Białystok Province	0.57%	1.20%	0.64%
Rzeszów Province	1.03%	1.09%	1.44%
Opole Province	0.70%	0.75%	0.94%
Kielce Province	0.42%	0.47%	1.21%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Source: the Issuer.

\* Unaudited operating and financial data sourced from the Issuer's management accounts.

Concentration of the loan portfolio in a given area could adversely affect the Issuer's performance and, consequently, impair its ability to service and repurchase Covered Bonds in the event of extraordinary circumstances, such as natural disasters.

The credit risk management policy provides also for sectoral diversification of the loan portfolio, as presented in the table below.

Table 15 Loans by sector exposure\*

<b>Loans by sector - loan-financed asset</b>	<b>Jun 30 2009 Share of on-balance-sheet exposure</b>	<b>Dec 31 2008 Share of on-balance-sheet exposure</b>	<b>Dec 31 2007 Share of on-balance-sheet exposure</b>
Office and services buildings	24.68%	23.15%	20.81%
Local government institutions	16.58%	16.56%	18.07%
Residential development projects	20.33%	20.75%	17.24%
Retail space	13.05%	13.31%	12.01%

Warehouse space	7.77%	7.47%	8.66%
Office and retail complexes	6.70%	6.59%	7.02%
Hotels	3.89%	3.91%	6.51%
Land	4.50%	5.59%	5.94%
Entertainment and recreation facilities	1.02%	1.08%	1.56%
Other	1.48%	1.59%	2.18%
Total	100.00%	100.00%	100.00%

Source: the Issuer.

\* Unaudited operating and financial data sourced from the Issuer's management accounts.

## 1.2. Market Risk

The Issuer is exposed to the following types of market risk: liquidity risk, currency risk and interest rate risk.

### Liquidity Risk

Liquidity risk relates to differences between maturities of the Bank's assets and liabilities, typical of all banks, including mortgage lenders. At the current stage of the Bank's development, in the case of Covered Bonds, there is a mismatch in maturities between the issued securities and the loans securing their redemption, specified in the Covered Bond Collateral Register. As at the end of June 2009, liabilities with a principal-weighted average maturity of 1.39 years were used to finance assets with an average maturity of 6.68 years and duration of 5.60 years, including depreciation of the principal. Therefore, it may prove necessary at the maturity dates of Covered Bonds to refinance part of the debt under the Bonds through, for instance, new securities issues or obtaining financing from other banks. The Bank strives to eliminate the mismatch between the structure of its assets and liabilities used to finance those assets, while enhancing the stability of its sources of financing, which is done by extending the maturities of long-term covered bonds and contracting long-term liabilities under loans and deposits with other banks. As at the end of 2008, the average maturity of the issued covered bonds was 1.76 years in the case of mortgage covered bonds and 3.34 years in the case of public sector covered bonds. As at the end of June 2009, the average maturity of the issued covered bonds was 1.92 years in the case of mortgage covered bonds and 2.84 years in the case of public sector covered bonds, while the average maturity of the contracted long-term deposits stood at 0.84 years. The average maturity of mortgage covered bonds issued in the first half of 2009 was 2.78 years.

The Issuer manages the liquidity risk by implementing monitoring and reporting procedures for expected inflows and outflows and available cash. In particular, the Issuer limits the prepayment risk through relevant contractual clauses. Additionally, the sources of financing are diversified through cooperation with many business partners and use of a wide selection of lending instruments. The mismatch in the maturities of assets and liabilities is compensated by the Issuer by financing non-current assets with covered bonds with long maturities in the first place, while current capital needs are satisfied with funds raised on the inter-bank market (acceptance of deposits and issue of short-term bonds). The Bank has also developed an emergency plan for liquidity deterioration.

### Currency Risk

The Bank does not maintain a significant currency mismatch between assets and liabilities due to the ban on such speculative activity, set forth the Covered Bond Act. Therefore, the risk of currency exchange rates affecting the Bank's performance is reduced to a minimum and the Bank's control and reporting procedures eliminate the risk almost entirely.

#### Currency Risk Related to Acquisition of EUR- and USD-denominated Covered Bonds

Investors purchasing EUR- and USD-denominated Covered Bonds may be exposed to currency risk as the Issuer will pay the benefits in the euro and U.S. dollar. The rate of return on an investment in Covered Bonds calculated in the zloty may differ considerably from the rate determined for the euro or the U.S. dollar. The above may also affect the price of Covered Bonds in secondary trading.

### Interest Rate Risk

As is the case of currency risk, the Bank does not maintain a permanent mismatch in the structure of assets and liabilities by repricing (interest rate change) dates. Should any such mismatch arise, the Bank uses applicable hedging instruments. The interest rate risk is monitored through, *inter alia*, the application of limits reducing the Bank's exposure to interest rate changes in the individual tenors of the yield curve and the notional loss in the portfolios' NPV caused by unfavourable scenarios of changes in risk factors under normal market conditions (based on VaR analyses) and during market shocks (based on scenario analyses and stress tests). Moreover, the Bank monitors the value at risk of the net interest income with respect to the planned net interest income (based on the EAR analyses). The interest rate risk is mitigated by matching the interest rate structures of assets and liabilities, transferring the risk through the application of linear derivatives (IRS, CIRS) and, in particular, through daily monitoring of interest security for covered bonds in the form of a covered bond security account.

Mortgage banks in Poland may have to deal with substantial mismatch in risk periods between covered bonds and mortgage loans. This leads to a high interest rate risk which the Bank reduces by using derivative hedging instruments, particularly with respect to fixed-rate mortgage loans.

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There is a risk of early loan repayment, in particular with respect to long-term fixed-rate mortgage loans. Borrowers may decide to make an early loan repayment as a result of declining interest rates offered on the inter-bank market. To protect itself against that risk, the Bank will maintain an excess of principal and interest flows related to receivables entered in the Covered Bond Collateral Register over the value of covered bonds in issue. On June 9th 2009, the Management Board of the Issuer – having regard to the safety of investing in covered bonds at the time of the economic slowdown – adopted a resolution to increase the level of overcollateralisation to 10% in the case of Mortgage Covered Bonds and to 6% in the case of Public Sector Covered Bonds.

Furthermore, Art. 18.3 of the Covered Bond Act provides for an option to use substitute security, covering up to 10% of the bank's receivables under the loans which are the basis for issuing Public Sector Covered Bonds or Mortgage Covered Bonds, in the form of the mortgage bank's cash funds, funds deposited with the National Bank of Poland or invested in securities issued or guaranteed by the National Bank of Poland, the State Treasury, the European Central Bank, the governments or central banks of the EU member states or the Organisation for Economic Cooperation and Development, excluding the states which are restructuring or have restructured their debts in the last five years. In addition, the Bank charges a prepayment fee in the event of early loan repayment.

Under the Covered Bond Act, if the maturity of a covered bond is more than five years, the Bank may redeem such covered bonds, but not before the end of the five-year period following the issue date, in order to ensure conformity with the provisions of Art. 18 of the Covered Bond Act.

### **Investment Portfolio Risk**

The Issuer does not invest in speculative securities; it acquires shares only in those companies which support its operating activities and the value of such acquisitions may not exceed 10% of the Issuer's equity.

### **Investment Risk Related to Covered Bonds**

Covered bonds are financial instruments characterised by low investment risk. They are guaranteed under the Covered Bond Act, which obligates the Issuer to provide statutory collateral for covered bond issues and trading. Security of investment in mortgage covered bonds is additionally enhanced by the Bank's long-standing conservative valuation policies for real estate on which mortgages are created, used as collateral for the mortgage bank's receivables. The security of investment in covered bonds follows from the following statutory requirements imposed on each issuer of covered bonds:

#### **Requirements Pertaining to Mortgage Covered Bonds:**

- Only those receivables of a mortgage bank which are entered in the collateral register for mortgage covered bonds may be used as a basis for issuing mortgage covered bonds. Only receivables which are secured with mortgage created on the ownership title or perpetual usufruct right to real estate located in Poland may be entered in the collateral register for mortgage covered bonds. Mortgage serving as collateral for receivables, which is to be entered in the collateral register for mortgage covered bonds, must be entered in the land and mortgage register in the first position. Each entry or deletion of receivables from the collateral register for mortgage covered bond is subject to the Trustee's consent.
- In addition, mortgage covered bonds, for up to 10% of the value of mortgage-backed receivables of the mortgage bank, may be issued based on the mortgage bank's cash in hand, cash deposited with the National Bank of Poland or invested in securities issued or guaranteed by the National Bank of Poland, the State Treasury, the European Central Bank, the governments or central banks of the EU member states or the Organisation for Economic Cooperation and Development, excluding states which are restructuring or have restructured their debts in the last five years.
- The value of real estate (on which mortgages serving as collateral for the mortgage bank's receivables are created) is measured by estimating its mortgage lending value. The mortgage lending value is estimated based on a valuation report prepared by the mortgage bank or by an entity engaged by the mortgage bank, which may be, in particular, an expert appraiser licensed to perform real estate valuations or the entrepreneur referred to in Art. 174.2 and 6 of the Real Estate Management Act of August 21st 1997 (Dz.U. of 2000, No. 46, item 543, as amended). Real estate valuation is performed with due care and diligence. In determining the mortgage lending value of real estate the Bank takes into account only those features of the real estate and related income which, on the assumption of reasonable use, may be of permanent nature to each holder of the real estate. The valuation report should ensure appropriate control, to be exercised by the Financial Supervision Authority and the Trustee, of the risk incurred by the mortgage bank and associated with the real estate serving as collateral for loans advanced by the mortgage bank. The detailed rules of determining the mortgage lending value are set out in the valuation rules adopted by the mortgage bank. The valuation rules as well as any amendment thereto is subject to the approval by the Financial Supervision Authority.
- The value of a single mortgage-backed loan advanced by a mortgage bank may not exceed the mortgage lending value of the real estate.
- The aggregate par value of outstanding covered bonds may not exceed the aggregate par value of the bank's mortgage-backed receivables which are the basis for issuing mortgage covered bonds.
- The mortgage bank's interest income on mortgage-backed receivables which are the basis for issuing mortgage covered bonds may not be lower than the interest expense on outstanding mortgage covered bonds.
- Mortgage covered bonds may not be issued based on receivables secured with mortgages created on real estate which is used, according to its purpose, on a non-permanent basis and, in particular, on real estate comprising mineral deposits.
- The value of receivables secured with mortgages created during the execution of construction projects may not exceed in aggregate 10% of the total value of the mortgage-backed receivables which are the basis for issuing mortgage covered bonds. As part of the same limit, the value of receivables secured with mortgages created on real estate intended for development in accordance with the zoning plan may not exceed 10% of such mortgage-backed receivables.



- The total amount of receivables under mortgage-backed loans advanced or acquired by the mortgage bank over the threshold of 60% of the mortgage lending value of real estate may not exceed 30% of the total value of mortgage-backed receivables of the mortgage bank.

#### **Requirements Pertaining to Public Sector Covered Bonds:**

- The basis for the issue of public sector covered bonds may only be those receivables of a mortgage bank which are entered in the collateral register for public sector covered bonds. The following mortgage bank's receivables may be entered in the register of collateral for public sector covered bonds:
  - (i) the secured portion of loans along with interest due and guarantees or sureties issued by the National Bank of Poland, the European Central Bank, the governments or central banks of the member states of the European Union, the Organisation of Economic Cooperation and Development, excluding the states which are restructuring or have restructured their foreign debt in the last five years, and guarantees or sureties of the State Treasury pursuant to the provisions of separate statutes, or
  - (ii) loans advanced to the entities listed in item (i) above, or
  - (iii) the secured portion of loans with interest due and guarantees or sureties of local government institutions, and loans advanced to local government institutions.

The entry or deletion of each claim in or from the collateral register for public sector covered bonds requires consent of the Trustee.
- In addition, the basis for the issue of public sector covered bonds, for up to 10% of the banks receivables under loans which are the basis for issuing public sector covered bonds, may also be cash held by the mortgage bank, deposits with the National Bank of Poland or amounts invested in securities issued or guaranteed by the National Bank of Poland, the State Treasury, the European Central Bank, governments or central banks of EU member states and the Organisation for Economic Co-operation and Development, excluding the states which are restructuring or have restructured their foreign debt in the last five years.
- The risk related to the financing of loans to local government institutions, and thus the risk of investing in public sector covered bonds secured with receivables under such loans, is also mitigated by the requirement for the mortgage bank to obtain, when advancing a loan to a local government institution or purchasing securities issued by a local government institution, a positive opinion from a regional accounting chamber, valid as at the day of granting the loan or purchasing the securities, attesting to the possibility of loan repayment or securities repurchase, as such opinion is referred to in Art. 83.2 of the Public Finance Act dated June 30th 2005 (Dz.U. No. 249, item 2104).
- The total par value of outstanding public sector covered bonds may not be higher than the total par value of the bank's receivables which are the basis for issuing public sector covered bonds.
- The mortgage bank's interest income from receivables which are the basis for issuing public sector covered bonds may not be lower than the interest expense related to outstanding public sector covered bonds.

In addition, the Covered Bond Act introduces requirements and solutions which apply to both mortgage covered bonds and public sector covered bonds and are designed to increase the security of investing in such instruments:

- The total par value of outstanding mortgage covered bonds and public sector covered bonds may not be higher than forty times the value of the mortgage bank's equity.
- The mortgage bank is obliged to manage and keep a register of collateral for covered bonds, in which the mortgage bank's receivables as well as other rights and funds permitted under the Covered Bond Act and serving as the basis for issuing covered bonds are entered as separate items. Separate collateral registers are kept for mortgage covered bonds and for public sector covered bonds. A disposal to be made by the mortgage bank with respect to a receivable entered in the collateral register for covered bonds requires consent of the Trustee.
- The mortgage bank is also obliged to keep a collateral account in order to monitor long-term compliance with the requirements applying to covered bonds, as specified in the Covered Bonds Act.
- Not later than three months after the end of each financial year, the mortgage bank is obliged to publish in *Monitor Sądowy i Gospodarczy*:
  - 1) the total par value of covered bonds issued by the bank and outstanding as at the last day of a given financial year;
  - 2) the total amount of the Bank's receivables and funds entered in the collateral register for covered bonds as at the last day of a given financial year.

A Trustee is appointed by the Financial Supervision Authority for each mortgage bank. The Trustee is independent, not governed by its appointing body, and cannot be an employee of the mortgage bank. The Trustee monitors, on an ongoing basis, whether the mortgage bank complies with the requirements for covered bonds issues, as set forth in the Covered Bond Act. The Trustee is responsible for inspecting whether:

- 1) liabilities under outstanding covered bonds are secured by the mortgage bank in accordance with the Covered Bond Act;

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- 2) the mortgage lending value of real estate adopted by the mortgage bank has been determined in accordance with the real estate valuation rules applicable at the mortgage bank;
  - 3) the mortgage bank does not breach the limits specified in the Covered Bond Act; if the bank does breach the limits, the Trustee is obliged to promptly notify the Financial Supervision Authority;
  - 4) the mortgage bank keeps the covered bonds collateral register in a manner compliant with the Covered Bond Act;
  - 5) the mortgage bank provides collateral for a planned issue of covered bonds in accordance with the Covered Bond Act, and inspects whether appropriate entries have been made in the covered bonds collateral register.

As at June 30th 2009:

- The proportion of loans advanced by the Bank for projects under construction to the total value of mortgage-backed receivables entered in the register of collateral for covered bonds was 8.45%, which represented a decline of 1.03 percentage points relative to June 30th 2008.
- The share of the value of receivables secured with mortgages created on real estate intended for development in accordance with the zoning plan represented 0% of the value of the receivables secured with mortgages created during the execution of construction projects and serving as the basis for issuing mortgage covered bonds.
- The Bank did not maintain substitute security for issues of mortgage covered bonds and public sector covered bonds in 2008–2009.
- The value of the mortgage covered bonds and public sector covered bonds issued by the Bank represented 495.28% of the Bank's equity, having declined by 8.09 percentage points relative to June 2008.
- The total value of outstanding mortgage covered bonds and public sector covered bonds issued by the Bank was PLN 1,461,733,000 and PLN 570,000,000, respectively. They were secured with receivables totalling PLN 2,160,734,416.19 and PLN 725,684,521.53.
- The total value of outstanding mortgage covered bonds increased by 6.03% relative to the end of June 2008, while the value of loan receivables entered in the register of collateral for mortgage covered bonds grew by 41.88%.
- The total value of outstanding public sector covered bonds rose by 21.28% from the level recorded as at the end of June 2008, while the value of loan receivables entered in the register of collateral for public sector covered bonds grew by 27.24%.
- The value of mortgage-backed loans in the part above the 60% threshold of the mortgage lending value of real estate represented approximately 23.6% of the total value of all mortgage-backed loans (the maximum permitted level is 30%).
- The value of mortgage covered bonds in issue represented 53.82% of the value of mortgage-backed loans in the part not exceeding the 60% threshold of the mortgage lending value of real estate. This means that PLN 1,254.1m still remains to reach the limit.
- The total overcollateralisation of receivables in the register of collateral for mortgage covered bonds amounted to PLN 699.0m and represented 32.35% of the value of receivables serving as the basis for issuing mortgage covered bonds. This figure is by 22.88 percentage points higher relative to the end of June 2008. The value of receivables in the register allows for an additional issue of PLN 502.5m, taking into account the 10-percent overcollateralisation for mortgage covered bonds.
- The total overcollateralisation of receivables in the register of collateral for public sector covered bonds amounted to PLN 155.7m and represented 21.45% of the value of receivables serving as the basis for issuing public sector covered bonds. This figure is by 3.86 percentage points higher compared with the end of June 2008. The value of receivables in the register allows for an additional issue of PLN 114.6m, taking into account the 6% overcollateralisation for public sector covered bonds.

#### **Risk Related to Restricted Access to Financing Due to the Global Financial Crisis**

Since the emergence of the global financial crisis, institutions active on the interbank market have significantly restricted the availability of credit lines granted to finance financial transactions concluded with other parties. There has also been a considerable reduction in the values of financial transactions and their maturities, which has particularly affected the money market, on which the average maturity of interbank deposits has fallen to one day (overnight and tomnext) and one week, compared with the time before the crisis, when the whole range of maturities had been quoted – from overnight to 12 months.

Because of the restricted access to financing on the interbank market and severely diminished demand for short- and long-term non-government securities on the part of investors, the Issuer relied on financing provided by BRE Bank SA and Commerzbank AG.

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### 1.3. Operating Risk

Operating risk is defined as the probability of incurring losses as a result of inadequate or incorrect internal processes or systems, employee errors or actions, or as a result of external events. Operating risk includes legal risk, but excludes reputational and strategic risk.

Legal risk is defined as the probability of incurring financial or non-financial losses resulting from incorrect legal relationships with customers or principals, unfavourable decisions made by courts or public administration authorities which resolve disputes arising out of legal relationships binding the Issuer with other entities, changes in judicial decisions and their inconsistency, incorrect interpretation of laws by legal services or entities engaged by the Issuer as well as employee errors resulting from insufficient legal knowledge and awareness.

The operating risk incurred by the Issuer is also related to the processing of large amounts of data. Inefficient procedures or IT systems used by the Issuer to collect, process and store documents or data and to gather the necessary information may in certain circumstances disrupt the functioning of the Issuer. In order to mitigate that risk, the Issuer has internal security procedures designed to protect the IT systems as well as business continuity plans.

2008 saw the completion of a significant redevelopment of the business continuity plans and emergency procedures. The business continuity plans and emergency procedures allow the Issuer to carry on its business and limit losses in the event of any unfavourable internal or external developments which could result in major interruptions to the Issuer's operations.

Operating risk is also related to the possibility of human errors on part of the employees. However, the detailed operating risk management procedures implemented by the Issuer serve to mitigate such risk.

The Issuer keeps a register of operating events/losses resulting from operating risk ("the Register"). All loss events and the related operating losses are recorded in the Register. The Issuer measures the operating risk using both qualitative and quantitative methods, which are complementary in the evaluation of the Bank's risk profile. The Issuer monitors the risk using the implemented internal control mechanisms and procedures, Key Risk Indicators (KRI), and loss event statistics.

The Issuer mitigates the risk using the following techniques: control, transfer of risk through insurance, emergency plans, business continuity plans, and outsourcing.

Presently, the Issuer's exposure to operating risk is low due to:

- small team and flat organisational structure
- small scale and complexity of its business
- an integrated IT system, implemented at the Bank at its inception
- highly qualified staff
- stable management and moderate employee turnover

## 2. Risk Factors Related to the Issuer's Business Environment

### Macroeconomic Conditions

As at the Prospectus Approval Date, the Issuer provided loan financing exclusively to businesses operating in Poland, while at the same time it obtained funds used to finance its own activities on the Polish financial market. Therefore, the current economic situation in Poland has a bearing on the Issuer's standing.

### Growing Competition in the Banking Sector

Competition from domestic universal banks may affect the Issuer's plans to increase the share of commercial loans in its overall loan portfolio. Universal banks enjoy a competitive edge in the commercial loan segment due to lower costs of refinancing at a majority of universal banks, more extensive sales networks, wider brand recognition among customers and, in some cases, more liberal approach to the assessment of creditworthiness of potential borrowers. Additionally, the Bank faces competition from large universal banks in the area of large-scale project financing, due to the fact that such banks generally have at their disposal more funds than the Issuer. The Bank's equity as at December 30th 2009 amounted to PLN 410,223 thousand. Thus, according to the banking law, the Issuer's credit exposure per customer (or group of customers with capital links) may reach PLN 102,566 thousand, therefore the Bank may only finance large-scale projects as a member of syndicates. The Bank intends to focus on financing medium-scale projects.

### Enforcement of Collateral Held by the Bank

Due to the provisions of the Polish bankruptcy law, the existing court procedures and the low liquidity of the secondary real-estate market in Poland, debt collection in the event of a borrower's default tends to be a protracted process. This is true in the case of enforcement of claims both under commercial and housing loans.

## 3. Risks Connected with the Nature of Covered Bonds and Regulated Market

**The management board of the WSE or BondSpot may refuse consent to the admission of the entire Programme or particular series of Covered Bonds to trading on a regulated market or to the introduction of outstanding Covered Bonds to trading on a regulated market**

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The Issuer intends to introduce Covered Bonds to trading on the regulated stock-exchange market operated by the Warsaw Stock Exchange or on the Securities Market, a regulated, over-the-counter securities market operated by BondSpot S.A. Pursuant to the WSE Rules or the BondSpot Rules, admission of securities to trading on the WSE or BondSpot requires a relevant resolution of the management board of the WSE or BondSpot. The management board of the WSE or BondSpot must adopt the relevant resolution within 14 days of the Issuer filing its application. There exists a risk that the management board of the WSE or BondSpot does not adopt such a resolution, thereby not admitting the entire Programme or particular series of Covered Bonds to trading on the WSE or the Securities Market, as the case may be. Additionally, there is a risk that despite having admitted the Programme or particular series of Covered Bonds to trading on the WSE or the Securities Market, the management board of the WSE or BondSpot may refuse consent to the introduction of that series of Covered Bonds issued under the Programme to trading on a regulated market. The Issuer believes the probability of such risks to be very low.

### **Risk of Delayed Introduction of Covered Bonds to Trading on Regulated Market**

The process of introducing particular series of Covered Bonds to trading on a regulated market will entail fulfilment of various formal requirements of the WSE or BondSpot. There can be no assurance that the complexity of the process will not result in its protraction, which in turn may delay the introduction of particular series of Covered Bonds to trading.

### **Low Liquidity of Secondary Market for Covered Bonds**

Secondary trade in Covered Bonds will be conducted on the regulated stock-exchange market operated by the Warsaw Stock Exchange or on the Securities Market – the regulated over-the-counter securities market operated by BondSpot S.A. However, investors in Covered Bonds should take into account the risk of encountering difficulties in selling Covered Bonds at an acceptable price or in executing a one-off sale of large blocks of Covered Bonds due to low liquidity of the market.

### **Price Volatility of Covered Bonds on Secondary Market**

Holders of Covered Bonds are exposed to the risk of price volatility of Covered Bonds traded on the secondary market.

### **Risk of Suspension or Exclusion of Covered Bonds from Trading on Regulated Market**

#### Powers of the Financial Supervision Authority

In the event of failure on part of public companies to perform their obligations specified in Art. 157 and Art. 158 of the Polish Act on Trading in Financial Instruments, the Financial Supervision Authority may impose on the entity found to be in breach of such obligations a fine in the maximum amount of PLN 1m or may issue the decision to exclude its securities from trading on a regulated market, or may apply both penalties jointly.

Furthermore, pursuant to Art. 20 of the Polish Act on Trading in Financial Instruments, if trading in given securities is carried out in circumstances which pose a threat to proper functioning of the regulated market or to the security of trade on such a market, or in circumstances which may compromise the interest of investors, then on the demand of the Financial Supervision Authority, the WSE suspends trading in the securities indicated by the Financial Supervision Authority for up to one month. On the demand of the Financial Supervision Authority, the WSE excludes the securities indicated by the Financial Supervision Authority from trading if trading in such securities poses a material threat to the proper functioning of the regulated market, the security of trading on such a market or compromises the interest of investors.

Moreover, in circumstances specified in Art. 96 of the Public Offering Act, the Financial Supervision Authority may issue a decision to exclude, for a definite or indefinite period, the Issuer's securities from trading on the regulated market or impose on the Issuer a monetary penalty of up to PLN 1,000,000, taking into account in particular the financial standing of the entity subject to the penalty, or apply both penalties jointly.

There can be no assurance that such circumstances will not occur in the future in connection with Covered Bonds.

#### Powers of the WSE

According to the WSE Rules, the management board of the WSE may suspend trading in securities for up to three months:

- at the issuer's request,
- if it deems it justified by the need to safeguard the interest of trade participants and ensure their security,

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- if the issuer is in breach of any of the rules or regulations effective on the WSE.

Additionally, the management board of the WSE may exclude securities from trading in the circumstances described in the WSE Rules.

Pursuant to Par. 31.1 of the WSE Rules, the management board of the WSE may exclude securities from stock-exchange trading:

- if their transferability becomes limited,
- on the demand of the Financial Supervision Authority made in accordance with the Polish Act on Trading in Financial Instruments,
- if they no longer exist in dematerialised form,
- if they are excluded from trading on a regulated market by a competent regulatory authority.

Furthermore, Par. 31.2 of the WSE Rules provides for the possibility of excluding financial instruments from stock-exchange trading by the management board of the WSE in the following circumstances:

- if they cease to fulfil the conditions for admission to stock-exchange trading other than the conditions necessitating obligatory exclusion of securities from stock-exchange trading,
- if the issuer is persistently in breach of any of the WSE rules and regulations,
- at the issuer's request,
- upon declaration of the issuer's bankruptcy or in the event of the court's dismissal of a bankruptcy petition on the grounds that the assets owned by the issuer are insufficient to cover the costs of the proceedings,
- if it deems it justified by the need to safeguard the interest of trade participants and ensure their security,
- in the event of the issuer's merger with another entity, its division or transformation,
- if no stock-exchange transactions in a given security have been executed in the last three months,
- in the event of the issuer engaging in illegal activities,
- if liquidation proceedings are opened with respect to the issuer.

There can be no assurance that such circumstances will not occur in the future in connection with Covered Bonds.

#### Powers of BondSpot S.A.

According to Par. 38.1 of the Securities Market Trading Rules, the management board of BondSpot S.A. may suspend trading in financial instruments for up to three months:

- at the issuer's request,
- where justified by the need to ensure security of trade or protect the interest of trade participants,
- if the issuer is in breach of any of the rules and regulations governing the market,
- if by virtue of a final decision the issuer is declared bankrupt and its assets are liquidated, or if the court dismisses a bankruptcy petition with respect to the issuer on the grounds that the assets owned by the issuer are insufficient to cover the costs of the proceedings.

Pursuant to Par. 40.1 of the Securities Market Trading Rules, the management board of BondSpot S.A. may exclude financial instruments from trading:

- if their transferability is limited,
- if continued trading in such financial instruments were in conflict with the provisions of the Polish Act on Trading in Financial Instruments.

According to Par. 40.2 of the Securities Market Trading Rules, the management board of BondSpot S.A. may exclude financial instruments from trading:

- if the issuer is persistently in breach of any of the rules and regulations governing the market,
- where justified by the need to safeguard the security of trade or protect the interest of trade participants,
- if liquidation proceedings are opened with respect to the issuer,

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- if by virtue of a final decision the issuer is declared bankrupt and its assets are liquidated, or if the court dismisses a bankruptcy petition with respect to the issuer on the grounds that the assets owned by the issuer are insufficient to cover the costs of the proceedings,
  - if the instruments are not introduced to trading within six months from their admission to trading,
  - if the issuer submits a relevant application.

There can be no assurance that such circumstances will not occur in the future in connection with Covered Bonds.

**Risk related to the possibility of issuing an order prohibiting the opening of or discontinuing the Public Offering or an order prohibiting the commencement of or discontinuing the admission of securities to trading on the regulated market by the Financial Supervision Authority**

Art. 16 of the Public Offering Act stipulates that if the issuer, the selling shareholder or any other entity participating in a public offering, or a subscription or sale carried out on the basis of such offering, for or on behalf of the issuer or the selling shareholder commits a breach of the law in connection with the public offering, subscription or sale in the Republic of Poland, or if there is a reasonable suspicion that such a breach may occur, the Financial Supervision Authority may:

- 1) order that the opening of the public offering, subscription or sale be postponed or discontinued for a period of not more than ten business days; or
- 2) prohibit the opening or continuation of the public offering, subscription or sale; or
- 3) publish, at the expense of the issuer or the selling shareholder, information on any illegal activities undertaken with respect to the public offering, subscription or sale.

In connection with a given public offering, subscription or sale, the Financial Supervision Authority may apply the measures specified in items 2 and 3 above more than once.

Moreover, pursuant to Art. 17 of the Public Offering Act, in the event of a breach of law or a justified suspicion of such a breach in connection with the seeking of admission or introduction of securities to trading on a regulated market in Poland by the issuer or entities acting for or on behalf of the issuer, or if there is a reasonable suspicion that such a breach may occur, the Financial Supervision Authority may:

- 1) order that the seeking of admission or introduction of the securities to trading on the regulated market be postponed for a period of not more than ten business days;
- 2) prohibit the seeking of admission or introduction of the securities to trading on the regulated market;
- 3) publish, at the expense of the issuer, information on any illegal activities undertaken in connection with the seeking of admission or introduction of securities to trading on the regulated market.

In connection with the seeking of admission or introduction of securities to trading on the regulated market, the Financial Supervision Authority may apply the measures provided for in items 2 and 3 above more than once.

Moreover, pursuant to Art. 18 of the Public Offering Act, the Financial Supervision Authority may apply the measures specified in Art. 16 or Art. 17 also if it follows from the contents of the documents and filings submitted to the Financial Supervision Authority or published that:

- 1) the public offering, or subscription or sale made on the basis of such offering, or admission of the securities to trading on the regulated market would materially breach the interests of investors;
- 2) there exist circumstances which in the light of the applicable laws may lead to discontinuation of the issuer's legal existence;
- 3) the Issuer's business was or is conducted in gross violation of the law and such violation may have a material impact on the assessment of the issuer securities or, in the light of the applicable laws, may lead to discontinuation of the issuer's legal existence or to the issuer's bankruptcy, or
- 4) the legal status of the securities does not comply with the applicable laws and in the light of these laws there is a risk that the securities might be deemed non-existent or having a legal defect which will materially affect their assessment.

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## IV. Reasons for the Offering and Use of Proceeds

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Pursuant to the Covered Bond Act, a mortgage bank may apply the proceeds from an issue of covered bonds towards: (1) origination of mortgage-backed loans, (2) origination of non-mortgage-backed loans, as described in Art. 3.2 of the Covered Bond Act, (3) acquisition of other banks' claims under mortgage-backed loans as well as non-mortgage-backed loans originated by those banks and referred to in item 2 above. In accordance with the provisions of Art. 16 of the Covered Bond Act, any free cash not applied towards the refinancing of the activities specified in Art. 12.1, Art. 12.2 and Art. 12.3 of the Covered Bond Act may be applied by a mortgage bank to: (1) place deposits at banks with the equity of no less than the PLN equivalent of EUR 10,000,000, translated at the mid-exchange rate quoted by the National Bank of Poland, (2) acquire covered bonds issued by the mortgage bank in order to deposit them with the Trustee (if the acquisition is related to fulfilment by the mortgage bank of the requirement referred to in Art. 18 of the Covered Bond Act) or to redeem them, (3) acquire securities issued or underwritten by the entities referred to in Art. 3.2.1 of the Covered Bond Act, (4) acquire securities issued by local government institutions, (5) acquire covered bonds issued by other mortgage banks. The aggregate par value of outstanding covered bonds issued by the mortgage bank may not exceed the value of its equity multiplied by 40.

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## **V. Interests of Natural and Legal Persons Involved in the Issue or the Offering**

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### **1. Issuer**

The Issuer is interested in the subscription of a maximum number of Covered Bonds and obtaining a maximum selling price. Therefore, the Issuer's employees involved in the work on the issue are also interested in the subscription of a maximum number of Covered Bonds at a maximum selling price, as required by their duty to protect the employer's interests. The Issuer's employees involved in the work on the issue, and in particular in the work on the Prospectus, have no direct financial interest in a successful completion of the Covered Bonds issue, i.e. no bonuses or salary rises are contingent upon its successful completion.

### **2. Legal Adviser**

The Legal Adviser is associated with the Issuer by virtue of the contract mandating the Legal Adviser to perform the function of the Issuer's adviser in the execution of the public offering of Covered Bonds. Furthermore, the Legal Adviser provides ongoing legal consultancy services to the Issuer. The Legal Adviser has no financial interest contingent upon a successful completion of the Public Offering.

### **3. Financial Adviser**

The Financial Adviser is associated with the Issuer by virtue of a contract whereby it acts as the Issuer's adviser in the execution of the public offering of Covered Bonds. Moreover, the Financial Adviser is a member of the same group of companies as the Issuer. The Financial Adviser's fee is not contingent upon the selling price or the number of Covered Bonds sold.

### **4. Offeror**

The Offeror is associated with the Issuer by virtue of a contract whereby it acts as the Issuer's adviser in the execution of the public offering of Covered Bonds. Moreover, the Offeror is a member of the same group of companies as the Issuer. The Offeror's consideration is partly payable in the form of commission, therefore the Offeror is interested in the sale of a maximum number of Covered Bonds of a given series at a maximum price.

### **5. Firm Commitment Underwriter/BRE Bank S.A.**

On January 15th 2009, BRE Bank S.A. and the Issuer signed a contract (*umowa zlecenia*) on preparation and execution of the covered bond issue programme for BRE Bank Hipoteczny S.A. BRE Bank S.A. acts as the arranger, lead manager and dealer for the purposes of the issue. In connection with the contract, BRE Bank S.A. is holding talks with the Issuer concerning the execution of an agreement on the Covered Bond issue programme, which is to set out in detail the Covered Bond sale process. Furthermore, under the contract of January 15th 2009, BRE Bank S.A. is to act as the firm commitment underwriter (with respect to each series of Covered Bonds a separate firm commitment underwriting agreement is to be executed between the Issuer and BRE Bank S.A. and prior consent of the relevant corporate bodies of BRE Bank S.A. will be required for BRE Bank S.A. to act as the firm commitment underwriter) and provide services related to the bookbuilding process. BRE Bank S.A.'s consideration for its dealer services is payable in the form of commission, therefore it is interested in the sale of a maximum number of the Covered Bonds of a given series.

BRE Bank S.A. holds a 24.29% interest (425,000 shares) in the Issuer's share capital and a 100% interest in BRE Holding Sp. z o.o., which holds 1,325,000 shares in the Bank (75.71% of its share capital). The Issuer's Supervisory Board includes employees of BRE Bank S.A. and members of its Management Board. BRE Bank S.A. cooperates with the Issuer in the area of deposits, lending, and financial instruments, and has granted a subordinated loan to the Issuer. BRE Bank S.A.'s and the Issuer's financial results are consolidated. Hence, BRE Bank S.A. is interested in maximising the efficiency of the Issuer's operations, including those related to the issue of the Covered Bonds.

### **6. Auditor**

The Auditor is associated with the Issuer by virtue of a contract on auditing the Issuer's financial statements. PricewaterhouseCoopers Sp. z o.o. audited the Issuer's financial statements for 2008, 2007 and 2006 and issued audit opinions thereon, and also reviewed the Issuer's condensed financial statements for the first half of 2009.

PricewaterhouseCoopers Sp. z o. o. has no financial interest which would be contingent upon a successful completion of the Public Offering of the Covered Bonds.



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## VI. Additional Information

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### **1. Scope of Advisers' Activity**

The scope of the advisers' activity is discussed in Chapter V.

### **2. Other Information Examined by Auditors**

Not applicable.

### **3. Statements or Reports by Experts**

Not applicable.

### **4. Confirmation that the Information Sourced from Third Parties Has Been Accurately Reproduced**

Not applicable.

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## VII. Information on the Issuer

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### **Incorporation and Registry Data**

BRE Bank Hipoteczny Spółka Akcyjna is the oldest mortgage bank in Poland. It was established under the Deed of Incorporation of March 18th 1999 and originally operated under the name of RHEINHYP-BRE Bank Hipoteczny S.A. By virtue of Resolution No. 1 of October 27th 2004, the Extraordinary General Shareholders Meeting changed the Bank's name to BRE Bank Hipoteczny Spółka Akcyjna. The Bank may use the abbreviated name of BRE Bank Hipoteczny S.A.

Under the decision issued by the District Court for the Capital City of Warsaw on April 16th 1999, BRE Bank Hipoteczny S.A. (then operating under the name of Rheinhyp-BRE Bank Hipoteczny S.A.) was entered into the Commercial Register under No. 56623 and became an incorporated organisation as of that date. Under the decision issued by the District Court for the Capital City of Warsaw on March 26th 2001, the Bank was entered into the Register of Entrepreneurs of the National Court Register under No. KRS 3753. The Bank's registration file is maintained by the XII Commercial Division of the aforementioned court.

The Bank was incorporated for an indefinite period.

The Bank was assigned Industry Identification Number (REGON) 014953634 and Tax Identification Number (NIP) 526-23-16-250.

### **Registered Office**

The Bank's registered office is situated in Warsaw, Poland, at the following address:

BRE Bank Hipoteczny S.A.  
ul. Armii Ludowej 26  
00-609 Warszawa, Poland  
Phone no.: + 48 22 579 75 00/01

The Bank's registered office is also its principal place of business.

### **Management Board**

In 2009, the Bank's Management Board was composed of:

- Piotr Cyburt, DEc – President of the Management Board
- Krzysztof Czerkas, DEc – Member of the Management Board
- Sven-Torsten Kain – Member of the Management Board.

### **Share Capital, Major Shareholders, and Related Party Transactions**

The Issuer's founders were BRE Bank S.A. and RHEINHYP Rheinische Hypothekenbank AG (currently Eurohypo AG). On July 12th 2004, BRE Bank S.A. acquired from Eurohypo AG all of its shares in the Issuer, thus becoming its sole shareholder.

On December 28th 2004, BRE Bank S.A. sold all of its shares in the Issuer to Atlas-Vermögenverwaltungs-Gesellschaft GmbH (a subsidiary of Commerzbank AG).

Subsequently, on December 22nd 2005, BRE Bank S.A. acquired back from Atlas-Vermögenverwaltungs-Gesellschaft GmbH all the shares in the Issuer, thus again becoming its sole shareholder.

On February 5th 2008, BRE Bank S.A. transferred to BRE Holding Sp. z o.o. the Issuer shares representing 75.71% of the Issuer's share capital.

As at December 31st 2008, the Bank's share capital amounted to PLN 175,000,000 and was divided into 1,750,000 registered shares with the par value of PLN 100 per share.

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As at the Prospectus Date, the Bank's share capital has not changed: it amounts to PLN 175,000,000 and is divided into 1,750,000 registered shares with a par value of PLN 100 per share.

BRE Holding Sp. z o.o. of Warsaw and BRE Bank S.A. hold, respectively, 1,325,000 shares (75.71% of the share capital) and 425,000 shares (24.29 % of the share capital) in the Issuer.

The direct parent undertaking of the Issuer is BRE Holding Sp. z o.o.

BRE Holding Sp. z o.o. is a direct subsidiary of BRE Bank S.A., which as at December 31st 2008 held 100% of shares in BRE Holding Sp. z o.o.

BRE Bank S.A. is a direct subsidiary of Commerzbank Auslandsbanken Holding AG, which as at December 31st 2008 held 69.8% of shares in BRE Bank S.A.

Commerzbank Auslandsbanken Holding AG is a subsidiary of Commerzbank AG, which as at December 31st 2008 held 100% of shares in Commerzbank Auslandsbanken Holding AG.

The ultimate parent undertaking is Commerzbank AG.

The Issuer is not aware of any arrangements whose effectuation may lead to change of control over the Issuer.

A direct subsidiary of BRE Bank Hipoteczny S.A. is Bankowy Dom Hipoteczny spółka z ograniczoną odpowiedzialnością of Warsaw ("BDH"). BDH, a special purpose vehicle wholly-owned by BRE Bank Hipoteczny S.A., was established on March 8th 2005 to carry out commercial tasks related to the management of real estate foreclosed or enforced by the Bank. Following the completion by the company of all the tasks assigned to it by the Bank, on December 8th 2006 the Extraordinary General Shareholders Meeting of BDH adopted a resolution on a temporary suspension of BDH's operations and retirement of 1,700 shares with a par value of PLN 1,000 PLN per share, held by BRE Bank Hipoteczny S.A., by way of their repurchase by BDH at par value. Following the suspension of business by the company, a procedure aimed at reducing the value of its shares was initiated, as a result of which the share capital of BDH was reduced to comprise 65 shares with the par value of PLN 1,000 PLN per share. The share capital reduction was registered by the District Court for the Capital City of Warsaw in Warsaw, XII Commercial Division of the National Court Register, on June 12th 2007.

As at June 30th 2009, BDH's share capital amounted to PLN 65,000. The Bank holds 100% of shares in BDH and all votes at the general shareholders meeting. As at June 30th 2009, BDH did not conduct operations.

The Bank does not prepare consolidated financial statements since both the effect of consolidation and the value of shares held by the Bank in BDH are immaterial. This is permitted by Art. 58.1 of the Polish Accountancy Act and International Accounting Standard 8 (IAS 8).

All transactions between the Bank and its related parties were typical and routine transactions executed on arms' length terms, and their nature and conditions resulted from the Bank's day-to-day operations. Transactions with related parties executed as part of ordinary business activities include lending, deposit and foreign currency transactions.

The Bank does not have any liabilities towards BRE Holding Sp. z o.o.

The Bank's liabilities to BRE Bank S.A. include in particular a subordinated loan. As at June 30th 2009, the amount due to BRE Bank SA was PLN 107,442 thousand.

The subordinated loan agreement was concluded on April 27th 2006, and amended by annexes of May 18th 2006, July 4th 2006 and July 24th 2006. By virtue of Decision No. 402/2006 of July 18th 2006, the Banking Supervision Commission approved the inclusion of the loan proceeds in the Bank's supplementary funds

The Bank's liabilities to Commerzbank AG comprise chiefly loans received: as at June 30th 2009 the amount of the liabilities was PLN 1,757,040 thousand (including PLN 1,343,964 thousand under loans, PLN 410,998 thousand under deposits and PLN 2,078 thousand under derivative instruments).

The Bank may make use of the letter of comfort (Patronatserklaerung) given to it by Commerzbank AG should its financial condition so require.

### **Legal Basis for the Bank's Operation**

The Bank, supervised by the Polish Financial Supervision Authority, conducts its business based on:

- the Articles of Association registered at the District Court of Warsaw on April 16th 1999 under former entry No. RHB 56623, as confirmed by an excerpt from the National Court Register attached to the Prospectus,
- the Commercial Companies Code of September 15th 2000;
- the Covered Bond Act of August 29th 1997,
- the Banking Law of August 29th 1997.

Moreover, the Issuer has received the following permits pertaining to its business:

- permit to commence business activities (Decision No. 942/99 issued by the Chairman of the Banking Supervision Commission, dated December 1st 1999) consisting in: (i) origination of mortgage-backed loans, (ii) origination of non-mortgage-backed loans if the borrower, guarantor or grantor of surety for full (including interest) loan repayment is the State Treasury, National Bank of Poland, European Communities or their member states, European Bank for Reconstruction and Development, European Investment Bank or International Bank for Reconstruction and Development (World Bank), (iii) non-public issue of mortgage covered bonds backed by the Bank's claims under mortgage-backed loans originated by the Bank, (iv) acceptance of term deposits from financial institutions, (v) contracting of loans and

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borrowings, (vi) keeping of securities, (vii) acquisition of shares in other entities whose legal form ensures limitation of the Bank's liability to the amount of the Bank's invested funds to the extent such acquisitions serve the performance of banking activities, within the scope specified under the Covered Bond Act;

- permit to commence business activities consisting in issuing bonds as part of non-public (private) trade in securities (Decision No. 85/2001 of the Banking Supervision Commission, dated June 20th 2001);
  - permit to commence business activities consisting in issuing, as part of public trade in securities, of mortgage covered bonds backed by the Bank's claims under mortgage-backed loans originated by the Bank (Decision No. 392/2002 of the Banking Supervision Commission dated August 26th 2002);
  - permit to commence business activities consisting in the acceptance of term deposits from non-financial institutions and maintenance of bank accounts for servicing investment projects financed with loans originated by the Bank (Decision No. 63/2003 of the Banking Supervision Commission, dated March 14th 2003);
  - permit to commence business activities consisting in issuing public sector covered bonds (Decision No. 413/2003 of the Banking Supervision Commission, dated November 14th 2003);
  - permit to commence business activities consisting in the acquisition of other banks' claims under mortgage-backed loans originated by those banks and claims under non-mortgage-backed loans referred to in Art. 3.2.3 of the Covered Bond Act (Decision No. 3/2006 of the Banking Supervision Commission, dated January 5th 2006).
- 1) The Bank's business involves the provision of banking services within the scope defined in the Covered Bond Act and the Bank's Articles of Association.
  - 2) The Bank provides its services to individuals and legal persons, as well as unincorporated organisations, both in the Polish złoty and in foreign currencies.

Pursuant to its Articles of Association, the Bank's core business activities ("Core Activities") include:

- 1) origination of mortgage-backed loans;
- 2) origination of non-mortgage-backed loans, as described in Art. 3.2 of the Covered Bond Act;
- 3) acquisition of other banks' claims under mortgage-backed loans and non-mortgage-backed loans, as described in Art. 3.2 of the Covered Bond Act, originated by those banks;
- 4) issue of mortgage covered bonds backed by the Bank's claims under:
  - a) mortgage-backed loans originated by the Bank, or
  - b) claims, acquired from other banks, under mortgage-backed loans originated by those banks;
- 5) issue of public sector covered bonds backed by:
  - a) the Bank's claims under non-mortgage-backed loans, as described in Art. 3.2 of the Covered Bond Act,
  - b) claims, acquired from other banks, under non-mortgage-backed loans described in Art. 3.2 of the Covered Bond Act, originated by those banks.

In addition to its Core Activities, the Bank may only engage in the following activities:

1. acceptance of term deposits;
2. contracting of credits and loans;
3. issue of bonds;  
with the reservation that any proceeds raised in the manner specified in items 1-3 above may only be applied towards refinancing of the Bank's Core Activities;
4. custody of securities;
5. acquisition of shares or equity interests in other entities whose form of incorporation is such that the Bank's liability is limited to the value of funds invested, provided that such shares or equity interests are acquired to support the Bank's business, and with that further reservation that the total value of shares and equity interests acquired by the Bank may not at any time exceed 10% of the Bank's equity,
6. operation of bank accounts dedicated to investment projects financed with loans originated by the Bank,
7. provision of real estate consulting and advisory services, including with regard to determining the mortgage lending value of real estate,

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- management of the Bank's and other banks' claims under mortgage-backed loans and non-mortgage-backed loans described in Art. 3.2 of the Covered Bond Act, as well as origination of such loans on behalf of other banks under agreements concluded with such banks.

Any free funds generated by the Bank may be:

- placed on deposit with banks whose equity is no less than the PLN equivalent of EUR 10,000,000, translated using the mid-exchange rate quoted by the National Bank of Poland;
- used to acquire covered bonds issued by the Bank in order to deposit them with the Trustee (if the acquisition is related to fulfilment by the Bank of the requirements set out in Art. 18 of the Covered Bond Act) or to redeem them;
- used to acquire securities issued or underwritten by the National Bank of Poland, the Central European Bank, the governments or central banks of member states of the European Union or the Organisation of Economic Cooperation and Development (excluding states which within the last five years have restructured their foreign debt), or the State Treasury;
- used to acquire securities issued by local government institutions;
- used to acquire covered bonds issued by other mortgage banks.

The Bank may purchase real estate only to avoid losses under mortgage-backed loans originated by the Bank and only if it is necessary to support its operations.

- Pursuant to its Articles of Association, the Bank may engage in the following activities to support the business it is authorised to conduct:
- buying and selling of foreign currencies and receivables denominated in foreign currencies, as well as intermediation in money transfers and foreign-exchange trade settlements,
- activities aimed at mitigating currency risk and interest-rate risk.
- If covered bonds are issued in a currency other than the currency of the Bank's claims serving as security for such bonds or the currency of the funds which may – within the limits prescribed by the Covered Bond Act – serve as the basis for the issue of covered bonds, the Bank is required to take steps with a view to limiting its exposure to foreign exchange risk.
- Any operations which, under the applicable laws, require specific permits or authorisations shall only be executed by the Bank upon obtaining such permits or authorisations.

### **Recent Events Specific to the Issuer**

As a result of downgrading the financial strength rating of Commerzbank AG by one notch from C+ to C, on November 12th 2008 rating agency Moody's Investors Service lowered the ratings for long-term deposits at BRE Bank Hipoteczny S.A. from A3 to Baa1 with a stable outlook. The agency maintained its current ratings for the Bank's short-term deposits at P-2 and financial strength at D- with a stable outlook.

On March 2nd 2009, as a result of downgrading the financial strength rating of Commerzbank AG by one notch from C to C-, Moody's Investors Service, an international rating agency assessing the Bank's creditworthiness, lowered the ratings for short-term deposits at BRE Bank Hipoteczny S.A. from P-2 to P-3 and for the Bank's long-term deposits from Baa1 to Baa3 with a stable outlook. The agency maintained its current rating for the Bank's financial strength at D- with a stable outlook.

On March 27th 2009, following the change of the Bank's ratings on March 2nd 2009, Moody's Investors Service downgraded the rating for the Bank's public sector covered bonds from Aa3 to A1 with a negative outlook. The agency's rating for the Bank's mortgage covered bonds remained at A2 with a negative outlook.

On May 26th 2009, Moody's Investors Service placed the Bank's financial strength D- rating on creditwatch with a possible downgrade, following its verification and reassessment of systemic support in Poland and placement of the A3 long-term deposit rating of BRE Bank S.A. on creditwatch with a possible downgrade.

On June 10th 2009, following the change of the Bank's ratings on March 2nd 2009, Moody's Investors Service downgraded the rating for the Bank's public sector covered bonds from A1 with a negative outlook to Baa1 and for the Bank's mortgage covered bonds from A2 with a negative outlook to Baa2.

Moody's Investors Service assigned the ratings taking into account such factors as:

- the credit strength of BRE Bank Hipoteczny S.A. (Baa3/Prime-3);
- the legal framework for the issue of covered bonds provided by the Covered Bond Act;
- the quality of claims entered in the register of collateral for Covered Bonds;
- lack of statutory requirement to overcollateralise issued securities.

Save as described above, recently before the Prospectus Date there had not occurred any events specific to the Issuer which would have a material adverse impact on the assessment of its solvency.

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## VIII. Business Overview

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### 1. Core Business

#### 1.1. General

BRE Bank Hipoteczny S.A. is a leading lender on the commercial real estate market and the largest issuer of covered bonds. Together with the financing of local government institutions, the two aforementioned areas constitute the principal business of the Bank. In mid-2004, the Bank's Management Board adopted a new business strategy providing for new strategic goals. At the time, the Bank discontinued the granting of housing loans to natural persons, thus withdrawing from the retail market. The Bank's Management Board decided to focus on further specialisation and strengthen the Bank's position in the provision of financing for the commercial real estate market, which represents the principal area of the Bank's lending activity. In July 2004, the Bank also started to provide financing to local government institutions.

#### 1.2. Rating

The Bank's creditworthiness is assessed by Moody's Investors Service, which on November 12th 2008, following a change in the financial strength rating of Commerzbank AG by one grade, from C+ to C, downgraded the ratings for long-term deposits at BRE Bank Hipoteczny S.A. from A3 to Baa1 with a stable outlook. The agency also maintained its ratings for the Bank's short-term deposits (P-2) and financial strength (D-) with a stable outlook.

On March 2nd 2009, following a change in the financial strength rating of Commerzbank AG by one grade, from C to C-, Moody's Investors Service, an international rating agency which assesses the Bank's creditworthiness, downgraded the ratings for short-term deposits at BRE Bank Hipoteczny S.A. from P-2 to P-3 and for the Bank's long-term deposits from Baa1 to Baa3 with a stable outlook. The agency also maintained the Bank's current financial strength rating at D- with a stable outlook.

On March 27th 2009, following the changes in the Bank's ratings of March 2nd 2009, Moody's Investors Service downgraded its rating for public sector covered bonds from Aa3 to A1 with a negative outlook. The rating assigned to the mortgage covered bonds remained unchanged at A2 with a negative outlook.

On May 26th 2009, Moody's Investors Service placed the Bank's D- financial strength rating on creditwatch with a possible downgrade, following its verification and assessment of the systemic support in Poland and placement of BRE Bank S.A.'s A3 long-term deposit rating on creditwatch with a possible downgrade.

On June 10th 2009, following the changes in the Bank's ratings of March 2nd 2009, Moody's Investors Service downgraded its rating for the public sector covered bonds from A1 with a negative outlook to Baa1, and the rating for the mortgage covered bonds was downgraded from A2 with a negative outlook to Baa2.

Moody's Investors Service assigned the ratings taking into account such factors as:

- the credit strength of BRE Bank Hipoteczny S.A. (Baa3/Prime-3);
- the legal framework for the issue of covered bonds provided by the Covered Bond Act;
- the quality of claims entered in the register of collateral for Covered Bonds;
- lack of statutory requirement to overcollateralise issued securities.

The rating for particular series of Covered Bonds will be confirmed on the Issue Date for a given series.

Prior to the issue, a particular series of Covered Bonds is assigned a temporary rating specified each time in a supplement. On the Issue Date, the rating for a particular series of Covered Bonds will be confirmed by Moody's Investors Service.

### 1.3. Financial Information

The financial information presented below is based on audited, IFRS-compliant, financial statements for the financial year ended December 31st 2008, containing comparable data for the financial year ended December 31st 2007, and the IFRS-compliant condensed financial statements for the first half of 2009, containing comparable data for the first half of 2008. The financial information is supplemented with selected unaudited operating and financial data sourced from the Issuer's management accounts.

Table 16 Selected financial data of the Issuer (PLN '000)

	<b>Jun 30 2009</b>	<b>Dec 31 2008</b>	<b>Dec 31 2007</b>
<b>ASSETS</b>			
Cash and transactions with Central Bank	41,202	15,537	2,653
Amounts due from other financial institutions	176,038	42,828	41,794
Derivative financial instruments	33,962	59,730	34,038
Amounts due from non-financial sector	4,427,195	4,310,527	3,218,517
Investment securities	147,674	224,445	79,967
Pledged assets	2,566	1,292	799
Investments in subsidiaries	65	65	65
Intangible assets	2,425	2,387	1,694
Property, plant and equipment	8,743	9,658	7,891
Deferred tax assets	4,391	7,696	6,892
Other assets	5,682	939	1,388
<b>Total assets</b>	<b>4,849,943</b>	<b>4,675,104</b>	<b>3,395,698</b>

Source: the Issuer's financial statements.

Table 17 Selected financial data of the Issuer (PLN '000)

	<b>Jun 30 2009</b>	<b>Dec 31 2008</b>	<b>Dec 31 2007</b>
<b>EQUITY AND LIABILITIES</b>			
Amounts due to other financial institutions	1,759,884	1,672,447	406,771
Derivative financial instruments	4,970	2,346	8,039
Amounts due to non-financial sector	215,425	217,981	278,799
Liabilities under debt securities in issue	2,440,967	2,358,941	2,325,084
Subordinated liabilities	100,267	100,369	100,292
Other liabilities, including:	2,337	9,993	7,062
- current income tax liability	-	4,411	1,463
<b>Total liabilities</b>	<b>4,523,850</b>	<b>4,362,077</b>	<b>3,126,047</b>
<b>Equity</b>			
Share capital	175,000	175,000	175,000
Other equity items	335	464	0
<b>Retained earnings</b>	<b>150,758</b>	<b>137,563</b>	<b>94,651</b>
- Profit/(loss) brought forward	137,400	94,500	59,300
- Current year profit/(loss)	13,358	43,063	35,351
<b>Total equity</b>	<b>326,093</b>	<b>313,027</b>	<b>269,651</b>
<b>Total equity and liabilities</b>	<b>4,849,943</b>	<b>4,675,104</b>	<b>3,395,698</b>

Source: the Issuer's financial statements.

As at the end of the first half of 2009, the Bank's total assets stood at PLN 4,849,943 thousand and were PLN 174,839 thousand higher than as at the end of 2008. In 2008, there was a significant increase in the Bank's assets, which grew by PLN 1,279,406 thousand, to PLN 4,675,104 thousand as at December 31st 2008.

Amounts due from the non-financial sector were the key item in the asset structure, with the share of 91.3% as at June 30th 2009 and 92.2% as at December 31st 2008.

As at the end of June 2009, the value of the Bank's overall loan portfolio stood at PLN 4,995,516 thousand and remained unchanged relative to the end of 2008, which was in line with the Bank's policy in the period. As at the end of the first half of 2009, 80.2% of amounts due from the non-financial sector (gross) were loans granted to corporate customers, and the remaining 19.8% – to retail customers and the budget sector.

In 2008, the value of the overall loan portfolio rose by PLN 901,622 thousand on the 2007 figure. The lending activity was financed chiefly with a PLN 1,265,676 thousand increase in amounts due to other financial institutions, issues of debt securities (the liabilities related to the issues rose by PLN 33,857 thousand), and out of the net profit, which in 2008 was PLN 43,063 thousand.

The Bank's liabilities are dominated by liabilities related to issues of debt securities (covered bonds and bonds), which as at June 30th 2009 accounted for 50.3% of total liabilities (50.5% as at the end of 2008). As at the end of 2008, liabilities under mortgage covered bonds and public sector covered bonds grew by PLN 534,089 thousand, while those under bonds fell by PLN 500,232 thousand from the 2007 year-end level. Another item of liabilities are amounts due to other financial institutions (with a 36.3% and 35.8% share in the balance-sheet total as at June 30th 2009 and December 31st 2008, respectively) and amounts due to the non-financial sector (4.4% and 4.7% of total liabilities as at June 30th 2009 and December 31st 2008, respectively).

Table 18 Off-balance-sheet items (PLN '000)

<b>Contingent liabilities and commitments</b>	<b>Jun 30 2009</b>	<b>Dec 31 2008</b>	<b>Dec 31 2007</b>
Financial commitments and liabilities	572,355	722,020	913,265
Other commitments and liabilities	1,852,634	2,426,007	1,603,065
Commitments and liabilities related to the execution of purchase/sale transactions (par value of SWAP and FX derivatives)	733,704	769,025	1,334,457
Financial commitments received	270,404	269,046	316,190
<b>Total off-balance sheet items</b>	<b>3,429,097</b>	<b>4,186,098</b>	<b>4,166,977</b>

Source: the Issuer's financial statements.

Table 19 Selected income statement items (PLN '000)

	<b>Jan 1 – Jun 30 2009</b>	<b>Jan 1 – Jun 30 2008</b>	<b>2008</b>	<b>2007</b>
Interest income	141,497	130,511	297,581	189,436
Interest expense	-109,328	-90,695	-215,755	-120,351
<b>Net interest income</b>	<b>32,169</b>	<b>39,816</b>	<b>81,826</b>	<b>69,085</b>
Fee and commission income	2,438	1,787	3,116	2,704
Fee and commission expense	-786	-726	-1,125	-804
<b>Net fee and commission income</b>	<b>1,652</b>	<b>1,061</b>	<b>1,991</b>	<b>1,900</b>
<b>Trading profit, including::</b>	<b>1,491</b>	<b>1,586</b>	<b>8,620</b>	<b>2,395</b>
<i>Foreign exchange gains/(losses)</i>	<i>2,552</i>	<i>606</i>	<i>7,091</i>	<i>501</i>
<i>Profit/(loss) on other trading activities</i>	<i>-1,061</i>	<i>980</i>	<i>1,525</i>	<i>1,894</i>
Other operating income	525	834	1,060	1,588
Net impairment losses on loans	-1,038	-275	-2,031	1,111
General and administrative expenses	-16,135	-17,225	-34,652	-31,241
Amortisation and depreciation	-1,602	-1,323	-2,888	-2,281
Other operating expenses	-400	-482	-818	-137



<b>Operating profit/(loss)</b>	<b>16,662</b>	<b>23,992</b>	<b>53,108</b>	<b>42,420</b>
<b>Gross profit</b>	<b>16,662</b>	<b>23,992</b>	<b>53,108</b>	<b>42,420</b>
Corporate income tax	3,304	4,719	-10,045	-7,069
<b>Net profit</b>	<b>13,358</b>	<b>19,273</b>	<b>43,063</b>	<b>35,351</b>

Source: the Issuer.

The main items of the Bank's income and expenses were, respectively, interest on banking transactions and interest expense. These items had a decisive effect on the operating profit, which amounted to PLN 16,662 thousand in the first half of 2009 (down by PLN 7,330 thousand from the operating profit for the first half of 2008) and PLN 53,108 thousand for 2008 (up by PLN 10,688 thousand relative to the operating profit generated for 2007).

The deterioration in the financial performance in the first half of 2009 was due mainly to lower net interest income (down by PLN 7,647 thousand relative to the first half of 2008) and higher net impairment losses on loans (up by PLN 763 thousand). At the same time, net fee and commission income grew by PLN 591 thousand, while general and administrative expenses and other operating expenses fell by PLN 1,090 thousand and PLN 309 thousand, respectively. The net profit reached PLN 13,358 thousand, down by PLN 5,915 thousand relative to the first half of 2008.

The increase in the Bank's profit in 2008 relative to 2007 was driven primarily by higher net interest income (by PLN 12,741 thousand) as well as higher trading profit (by PLN 6,225 thousand). Concurrently, there was a PLN 3,411 thousand rise in general and administrative expenses, while other operating expenses grew by PLN 681 thousand and the cost of amortisation and depreciation went up by PLN 607 thousand. The Bank generated a net profit of PLN 43,063 thousand, higher by PLN 7,712 thousand relative to 2007.

Table 20 Key financial ratios\*

	<b>Dec 31 2008 / 2008</b>	<b>Dec 31 2007 / 2007</b>	<b>Jun 30 2009 / Jan-Jun 2009**</b>	<b>Jun 30 2008 / Jan-Jun 2008**</b>
<b>Profitability ratios</b>				
Return on equity (net profit/(loss) for the reporting period / average net assets) (1)	15%	14%	8.3%	13.8%
Return on equity ratio (net profit/(loss) for the reporting period / average net assets excluding profit/(loss) for the period)	17%	16%	8.5%	14.3%
Return on assets (gross profit/(loss) for the reporting period / average assets) (1)	1%	1%	0.7%	1%
Gross margin (gross profit/(loss) for the reporting period / total revenue)	17%	22%	11.8%	14.3%
Rate of interest income on assets employed (interest income / average assets employed)	7%	7%	6%	7%
Cost / income ratio (general and administrative expenses / result on banking activity) (2)	43%	46%	47%	43%
<b>Debt ratios</b>				
Cost of external funding (interest expense for the reporting period / average interest payable) (1)	-6%	-5%	-2%	-3%
Equity to equity and liabilities (average equity / total average equity and liabilities) (1)	7%	9%	7%	8%
Loans to assets (average amounts due from other financial institutions and non-financial sector, gross / total average assets) (1)	95%	96%	92%	

				94%
Impaired loans to total loans	0.80%	0.48%	2.19%	0.32%
Assets employed to total assets (3)	98%	98%	98%	99%
<b>Liquidity ratios</b>				
Current ratio (assets maturing in less than one month / liabilities maturing in less than one month) (5)	0.41	0.32	0.71	0.66
Quick ratio (assets maturing in less than three months / liabilities maturing in less than three months) (5)	0.63	0.24	0.59	0.43
<b>Capital market ratios</b>				
Earnings per share	PLN 24.61	PLN 20.20	PLN 7.63	PLN 11.01
Book value per share	PLN 178.87	PLN 154.09	PLN 186.34	PLN 164.85
<b>Other ratios</b>				
Equity in accordance with Resolution 2/2007 of the Banking Supervision Commission	PLN 386,664 thousand	PLN 347,198 thousand	PLN 410,233 thousand	PLN 367,264 thousand
Total regulatory requirement including the requirement concerning excessive exposure risk (total regulatory capital requirement in accordance with Resolution 1/2007 of the Banking Supervision Commission)	PLN 307,633 thousand	PLN 245,996 thousand	PLN 318,502 thousand	PLN 258,638 thousand
Capital adequacy ratio in accordance with Resolution 1/2007 of the Banking Supervision Commission	10.06%	11.29%	10.30*	11.36*

Source: the Issuer.

\* Data prepared in accordance with IFRS.

(1) The average values of balance-sheet items were calculated based on the values of individual items as at the beginning and the end of the current and previous reporting period.

(2) Result on banking activity is understood as pre-tax profit net of general and administrative expenses, net impairment of loans, and other operating income and expenses.

(3) Assets before elimination of interest receivable.

(4) The value of the individual ratios may differ from the values shown in the financial statements due to a different method of calculation.

(5) Calculated based on non-discounted cash flows.

\*\* As at June 30th 2009 and June 30th 2008, unaudited.

In the first half of 2009, following a PLN 5,915 thousand (or 30.7%) decrease in net profit relative to the first half of 2008, the Bank recorded a drop in its profitability ratios, calculated as the ratio of net profit to a given financial figure. The return on assets (net profit/average net assets excluding profit/(loss) for the period) for the first half of 2009, calculated on a one-year basis, amounted to 8.5% (against 14.3% as at the end of the first half of 2008).

In the first half of 2009, the book value per share grew to PLN 186.34, from PLN 164.85 in the first half of 2008. Over the same period, earnings per share fell to PLN 7.63 from PLN 11.01.

As at the end of the first half of 2009, the solvency ratio fell to 10.30%, from 11.36% as at the end of June 2008, and remained at a safe level. According to the banking law, the minimum level of the solvency ratio should be 8%.

As at June 30 2009, the Issuer's loan portfolio was of good quality, demonstrated by, *inter alia*, a small share (2.19%) of impaired loans in the value of the overall on-balance-sheet exposure under loans. As at June 30th 2009, impairment charges were made for 4.5% of impaired loan receivables, i.e. 26.7pps less than as at the end of the first half of 2008 – mainly as a result of a PLN 85,685 thousand increase in the value of impaired assets from the level as at end of the previous period.

In the first half of 2009, the cost / income ratio (general and administrative expenses / result on banking activity) reached 50.07%, compared with 43.33% in the first half of 2008.

As at the end of June 2009, the share of assets employed was 98% and was similar to the level reported as at the end of the previous periods.

The liquidity ratios went up year on year but it remained below the level considered appropriate. This follows from the nature of the business conducted by mortgage banks which, unlike universal banks, focus more on long-term financing.

#### 1.4. Lending Activities

As at the end of June 2009, the volume of the loan portfolio (including off-balance-sheet items) fell slightly by PLN 32,212 thousand relative to the end of 2008, with the total on-balance-sheet and off-balance-sheet exposures reaching PLN 4,995.5m as at the end of the first half of 2009 (commercial loans, housing loans and loans for local government institutions), and the value of loans advanced in January-June 2009 standing at PLN 220.4m (Table 26). In 2008, the volume of the loan portfolio (including off-balance-sheet items) increased substantially by PLN 901.6m, with the total on-balance-sheet and off-balance-sheet exposures reaching PLN 5,027.7m as at the end of 2008 (commercial loans, housing loans, loans for local government institutions and loans for public healthcare centres (ZOZ) guaranteed by local government institutions), and the value of loans advanced in 2008 alone standing at PLN 1,473.8m (Table 26).

As at the end of the first half of 2009 and the end of 2008, loans for the financing of commercial real estate accounted for 80.2% and 80.9%, respectively, of the Bank's entire loan portfolio. In terms of currency, PLN-denominated loans had a dominant share, followed by EUR-denominated loans. As at the end of June 2009, foreign currency loans accounted for 36.6% of the aggregate loan portfolio value (Table 25). In the period from 2002 to the middle of 2008, the share of PLN-denominated loans was growing steadily, which was attributable to large and sudden exchange rate fluctuations and the Bank's financing of residential developers, which contract PLN-denominated loans. The growing share of foreign currency loans in 2008 and the first half of 2009 was due to the weakening of the Polish zloty against the euro and the US dollar.

BRE Bank Hipoteczny S.A. specialises in long-term financing of commercial real estate (in particular office buildings, shopping centres, modern warehousing and distribution space, single- and multi-family housing estates) developed for sale or lease.

BRE Bank Hipoteczny S.A. is looking to finance medium-sized commercial projects with loan amounts of up to EUR 20m. Commercial real estate will remain a strategic market segment for the Bank's business. In its financing of commercial projects, BRE Bank Hipoteczny S.A. focuses on cooperating with recognised international or Polish developers with solid market reputation, which are able to contribute the required share of their own funds. BRE Bank Hipoteczny finances real estate of high technical standard, with good locations, mainly in the largest cities of Poland.

Table 21 The Bank's total loan portfolio by product group (PLN '000)\*

Product		Jun 30 2009	Jun 30 2008	Change (%) H1 2009/ H1 2008	Dec 31 2008	Dec 31 2007	Change (%) 2008/2007
Commercial loans	<i>On-balance-sheet exposure</i>	3,636,509	2,914,825	24.8%	3,537,700	2,568,795	37.7%
	<i>Off-balance-sheet exposure</i>	369,789	771,545	-52.1%	531,242	737,383	-28.0%
	<b>Total exposure</b>	<b>4,006,298</b>	<b>3,686,370</b>	8.7%	<b>4,068,942</b>	<b>3,306,178</b>	23.1%
Housing loans	<i>On-balance-sheet exposure</i>	67,835	70,503	-3.8%	70,804	83,014	-14.7%
	<i>Off-balance-sheet exposure</i>	1,687	1,657	1.8%	1,448	2,121	-31.7%
	<b>Total exposure</b>	<b>69,522</b>	<b>72,160</b>	-3.7%	<b>72,252</b>	<b>85,135</b>	-15.1%
Loans to local government institutions	<i>On-balance-sheet exposure</i>	722,851	572,259	26.3%	702,023	566,708	23.9%
	<i>Off-balance-sheet exposure</i>	196,844	146,323	34.5%	184,511	168,085	9.8%
	<b>Total exposure</b>	<b>919,695</b>	<b>718,582</b>	28.0%	<b>886,534</b>	<b>734,793</b>	20.7%
Total	<i>On-balance-sheet exposure</i>	4,427,195	3,557,587	24.4%	4,310,527	3,218,517	33.9%
	<i>Off-balance-sheet exposure</i>	568,321	919,525	-38.2%	717,200	907,589	-21.0%
<b>Total</b>	<b>Total exposure</b>	<b>4,995,516</b>	<b>4,477,112</b>	11.6%	<b>5,027,728</b>	<b>4,126,106</b>	21.9%

Source: the Issuer.

\* The above data concerns the portfolio value inclusive of loan interest, less impairment losses. Unaudited operating and financial data sourced from the Issuer's management accounts.

Table 22 Total loan portfolio by currency and main product groups\*

Product	Jun 30 2009	Jun 30 2008	Dec 31 2008	Dec 31 2007
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	PLN	EUR	USD	PLN	EUR	USD	PLN	EUR	USD	PLN	EUR	USD
Commercial loans	55.4%	41.2%	3.5%	68.8%	28.7%	2.5%	61.6%	36.7%	1.7%	65.3%	31.6%	3.2%
Housing loans	42.2%	43.6%	14.2%	55.3%	36.9%	7.8%	48.4%	41.0%	10.6%	52.3%	38.9%	8.8%
Loans for local government institutions	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%
<b>Total loan portfolio (on-balance-sheet and off-balance-sheet exposure)</b>	<b>63.4%</b>	<b>33.6%</b>	<b>3.0%</b>	<b>73.6%</b>	<b>24.2%</b>	<b>2.2%</b>	<b>68.2%</b>	<b>30.3%</b>	<b>1.5%</b>	<b>71.2%</b>	<b>26.1%</b>	<b>2.7%</b>

Source: the Issuer.

\* Unaudited operating and financial data sourced from the Issuer's management accounts.

Table 23 Sales of loans – value and number of executed loan agreements by product group (PLN '000)\*

Product	Jun 30 2009		Jun 30 2008		Dec 31 2008		Dec 31 2007	
	Value*	Number	Value*	Number	Value*	Number	Value*	Number
<b>Commercial loans</b>	<b>184,021</b>	<b>8</b>	<b>758,782</b>	<b>59</b>	<b>1,203,137</b>	<b>93</b>	<b>1,673,967</b>	<b>167</b>
including loans for:								
- construction projects	0	0	153,939	8	428,687	17	301,448	19
- refinancing of real estate	3,500	1	276,864	31	274,803	43	624,407	83
- purchase of land	2,362	1	67,565	4	79,101	7	134,265	18
- residential developers	178,159	6	260,415	16	420,546	26	613,848	47
<b>Loans for local government institutions</b>	<b>36,359</b>	<b>1</b>	<b>24,359</b>	<b>7</b>	<b>270,648</b>	<b>23</b>	<b>301,163</b>	<b>32</b>
including loans to finance:								
- local government institutions	36,359	1	24,359	7	243,648	22	101,391	6
- public healthcare centres (guaranteed by local government institutions)	0	0	0	0	27,000	1	199,772	26
<b>Total</b>	<b>220,380</b>	<b>9</b>	<b>783,141</b>	<b>66</b>	<b>1,473,785</b>	<b>116</b>	<b>1,975,130</b>	<b>199</b>

Source: the Issuer.

\* Unaudited operating and financial data sourced from the Issuer's management accounts.

#### 1.4.1 Commercial Loans

The Bank offers business customers loans for the financing of real estate, including:

- construction and mortgage loans for the financing of new commercial real estate,
- loans for the purchase or refinancing of existing real estate (including purchase of shares in special purpose vehicles owning real estate),

- 
- loans to residential developers.

### **Maximum Loan Term**

The maximum loan term for commercial real estate is 25 years.

### **Loan Currency**

The Bank advances loans in EUR, USD or PLN.

### **Borrower's downpayment**

As a rule, the borrower's downpayment accounts for at least 20% of the total cost of an investment project.

### **Collateral**

The main collateral types required by the Bank include:

- mortgage created to the Bank's benefit on the ownership or perpetual usufruct right,
- registered pledge over shares in a special purpose vehicle,
- assignment of rights from a fire and other acts of God insurance policy covering the loan-financed real estate, issued by an insurance company accepted by the Bank,
- assignment of receivables under lease agreements concerning space in the loan-financed facility,
- powers of attorney to the bank account of a special purpose vehicle,
- funds blocked on the Debt Servicing Account, in an amount agreed upon with the Bank.

### ***Construction and Mortgage Loan for the Financing of New Commercial Real Estate***

The Bank finances the construction of office buildings, shopping centres, warehouses, logistics centres, hotels and multi-family residential buildings constructed for sale.

A loan is structured in two phases:

- Construction Phase

A loan is advanced in tranches and monitored by the Bank's technical inspector. The first tranche is paid out if the outcome of a legal and technical review is positive. Payment of further tranches is conditional upon the progress of the project. The lease agreements should guarantee servicing of interest on the total loan principal amount at the level of at least 110%.

- Investment Phase

Upon obtaining an occupancy permit, the construction loan is converted into a long-term investment loan. The lease agreements should be concluded for specified periods and guarantee monthly servicing of the loan at the level of at least 120% of the principal and interest instalment.

### ***Loans for the Purchase or Refinancing of Existing Real Estate (Including Purchase of Shares in Special Purpose Vehicles Owning Real Estates)***

The Bank finances the purchase of or refinances commercial real estate, including: logistics centres, shopping centres, hotels and office buildings.

The Bank may provide refinancing with respect to the repayment of existing bank loans, shareholder loans, or other not enforced claims, as well as with respect to own funds invested in the implementation of projects in the past.

The financial analysis of a project includes a review of concluded lease agreements. The lease agreements should be concluded for specified periods and guarantee a debt-service coverage ratio of at least 120%.

### ***Project Finance***

Project finance is a standard legal and financial structure used in real estate refinancing transactions.

Project finance involves the establishment of a special purpose vehicle (SPV) employing minimum personnel. Such an SPV should be the owner and administrator of the financed or refinanced real estate. This should be the only business activity of such an SPV.

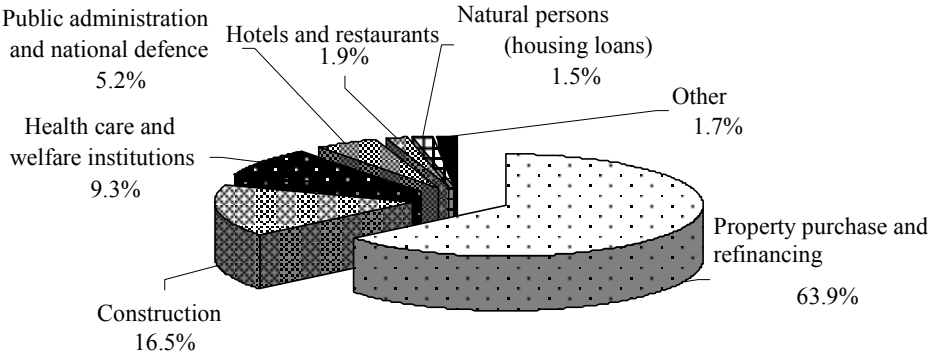
As at the end of H1 2009, the total value of the loan portfolio was PLN 4,995,516 thousand compared to PLN 5,027,728 thousand as at the end of 2008 (on-balance-sheet and off-balance-sheet exposures). The increase in the loan portfolio in 2008 was attributable to the considerable growth in lending activity despite the fact that it was accompanied by the repayment of loans originated in previous years. In response to the unfavourable market conditions, lending activity has been significantly limited in 2009.

The loan portfolio comprises primarily agreements with large institutional customers, including in the first place loans for the refinancing of commercial real estate, followed by loans for residential developers and loans for the financing of new construction projects. Loans with average repayment terms of eleven years bearing variable-rate interest prevailed in the portfolio. PLN-denominated loans had the largest share in the total commercial loan portfolio – 55.4% as at the end of June 2009.

The Bank financed chiefly developers investing in office and services buildings as well as in retail space, and residential development projects. Loans for property purchase and refinancing accounted for a significant portion of the commercial loan portfolio.

The share of loans for the financing of hotels and entertainment and recreation facilities was insignificant due to the higher credit risk connected with such financing.

Chart 6-1 Loans (principal) by industry as at June 30th 2009\*

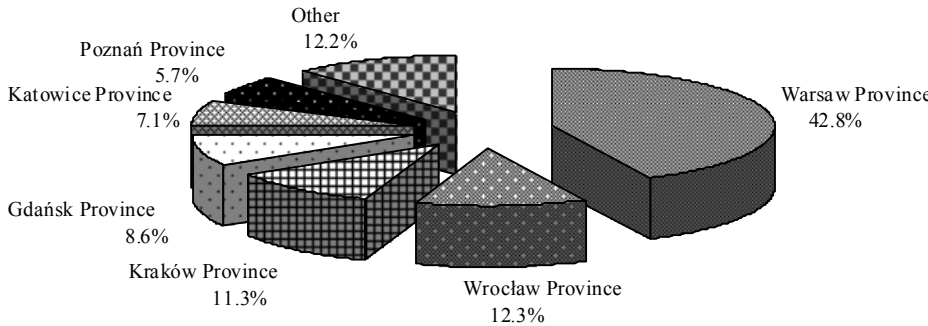


Source: the Issuer

\* Unaudited operating and financial data sourced from the Issuer's management accounts.

A geographical diversification was clearly visible in the structure of lending activity. The projects financed by the Bank were located in the most part in the Warsaw and Wrocław Provinces; loans advanced in these provinces accounted for 55% of the Bank's on-balance-sheet exposure. The growing importance of the Kraków and Gdańsk Provinces in the portfolio's geographical structure is also worthy of notice.

Chart 6-2 Commercial loans – geographical structure (by provinces) as at June 30th 2009\*



Source: the Issuer

\* Unaudited operating and financial data sourced from the Issuer's management accounts.

In line with the concentration limit, as at June 30th 2009 the financing of a single entity or group of entities with capital or organisational links did not exceed 25% of the Bank's equity, that is PLN 102,556 thousand.

**Loans to Residential Developers**

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BRE Bank Hipoteczny S.A. specialises in the financing of residential buildings and estates constructed for sale or lease by experienced and recognised developers enjoying stable financial standing; the number of such developers in the Bank's customer base is steadily growing year by year.

#### **1.4.2 Loans for Local Government Institutions**

In 2004, BRE Bank Hipoteczny S.A. started to provide financing to a new customer group – local government institutions. This area of the Bank's business has been developing dynamically. At the end of H1 2009, the value of loan agreements signed with public sector institutions accounted for 18.4% of the total value of sold loans compared to 17.6% as at the end of 2008. The recent high growth in the sales of loans to local government institutions and loans guaranteed by such institutions, contracted to finance public hospitals and healthcare centres, is attributable, among other things, to the fact that such loans are a low-risk product since local government institutions have no legal capacity to go bankrupt. However, due to the lack of structural changes in the Polish healthcare system, in 2008 the Bank discontinued financing of public healthcare centres with loans guaranteed by local government institutions.

The system transformations in Poland in the past 15 years have brought about a greater independence of local government institutions, including with regard to financial matters. The change was reflected in the statutory delegation of tasks and decision-making powers from central administration bodies to local government institutions. The ongoing decentralisation of responsibilities related to the execution of public projects, as well as numerous investment challenges facing local government institutions necessitate a new approach to managing the finances of local government institutions. This new approach involves selecting various financing sources for planned projects and making informed decisions on the terms and conditions of such financing. By selecting appropriate loan terms, local government institutions may control the annual debt servicing charges in their budgets.

##### **Loan Term**

The Issuer offers local government institutions loans with the repayment term of up to 30 years.

##### **Application of Loans**

###### **a) Refinancing of real estate owned by local government institutions**

Refinancing of real estate, i.e. using real estate owned by local government institutions as assets enabling them to contract loans and release the funds "frozen" in such real estate and necessary for the execution of other tasks. A refinancing transaction involves the use of a special purpose vehicle controlled by a given local government institution and established to implement the project and manage the financed real estate. A refinancing loan is not disclosed as a liability in the local government institution's budget, nor does it affect its debt limits, because it is the special purpose vehicle that acts as the borrower under such a loan.

In assessing the advantages of real estate refinancing one must take into consideration the restrictions imposed on financial management of local government institutions under the Public Finance Act of November 26th 1998. Pursuant to the relevant provisions, the total debt of a local government institution as at the end of a budget year may not exceed 60% of its income. The total annual repayment of liabilities under contracted loans, borrowings, related interest, bond redemption and potential repayments under issued sureties is also limited to 15% of the institution's income planned for a given budget year.

###### **b) Revitalisation of old or historic urban areas**

Revitalisation projects financed with long-term loans enable local government institutions to recover valuable plots of land and foster the development of specified areas within old urban districts, post-industrial areas, property formerly used by the army, or high-rise housing estates.

###### **c) Financing of infrastructure projects**

###### **d) Construction and modernisation of facilities representing public amenities**

###### **e) Refinancing of consolidated debt of local government institutions**

Refinancing of existing loans and borrowings with a long-term loan enables local government institutions to reduce annual debt servicing costs in their budgets.

###### **f) Financing of municipal and social construction projects**

In 2005, the Bank started to grant loans, guaranteed by local government institutions, to free-standing public healthcare centres. A new legal framework encouraged hospitals, supported by their founding bodies, to launch restructuring programmes and use commercial loans in addition to traditional financing sources, such as loans from the State Treasury.

Pursuant to Art. 4.1.7 of the Public Finance Act, healthcare centres which are free-standing public healthcare centres form part of the public finance sector, which is divided into the central government sub-sector and the local government sub-sector. If the founding body of such a public healthcare centre is a local government institution, then the centre is classified as belonging to the local government sub-sector. Pursuant to Art. 19 in conjunction with Art 31 of the Public Finance Act, public healthcare centres being legal entities belonging to the local government sub-sector are subject to the provisions of the act based on which such centres are established – in this case the Act on Healthcare Centres. Pursuant to Art. 60 of the Act on Healthcare Centres, if a free-standing public healthcare centre generates losses, it must cover the loss by itself. Pursuant to Art. 60.3 of the Act on Healthcare Centres, if a loss generated by a free-standing public healthcare centre cannot be covered by such a centre, its founding body issues an order or adopts a resolution on changing the centre's financial management system or on its liquidation.

The straightforward wording of this regulation indicates that there is an obligation to undertake such steps by the founding body. However, this must not be interpreted as an obligation arising automatically when a centre incurs a loss or even if it has been generating losses for some time, but rather as a duty being a consequence of determining that the loss cannot be covered by the centre alone. For this reason the Issuer has never granted healthcare centres loans without a guarantee from the founding body

(local government institution). If a public healthcare centre is liquidated, its founding body takes over its liabilities and receivables by virtue of the act (Art. 60.6 the Act on Healthcare Centres).

The guarantee granted by a local government institution under Art. 876 of the Polish Civil Code in conjunction with Art 86.1 of the Public Finance Act represents a separate (civil) obligation of the local government institution in the event that the free-standing public healthcare institution fails to meet its monetary obligations towards the creditor. The legislator does not prohibit local government institutions from providing a guarantee for the financial obligations of entities belonging to the public finance sector, established or managed by the local government institution issuing the guarantee. It is important to note, however, that the Issuer, having security in the form of the guarantee issued by the local government institution, may not seek its claims under two legal titles because the fulfilment by the local government institution of its obligation under the guarantee leads to the extinguishment of any debt owed by the healthcare centre as the main debtor (pursuant to the second sentence of Art. 366 of the Polish Civil Code). A local government institution may not be responsible for the same debt as the guarantor and the party taking over the debt, and thus one of the bases for satisfaction of claims by the local government institution will expire, depending on which of the events occurs first.

As no structural changes had been introduced in the Polish healthcare system, in 2008 the Bank discontinued financing of public healthcare centres with loans guaranteed by local government institutions.

The Bank also financed municipal construction projects with loans used to finance the construction of buildings designed to serve social and commercial purposes.

In 2005, after the Public-Private Partnership Act took effect, the Bank organised – in cooperation with regional associations of municipalities and counties – several conferences for the representatives of local government institutions and devoted to financial and legal aspects of implementing investment projects under the public-private partnership framework.

Loans granted to small and medium-sized communes and municipalities, with an average repayment term of 15.7 years, account for the majority of the portfolio of loans for local government institutions.

The enhancement of the Bank's offering with products for local government institutions helps mainly to diversify the loan portfolio, which no longer comprises only real estate loans, and is a response to the needs and expectations of Polish communes and municipalities, which must quickly develop their infrastructure and adopt a new attitude towards finance management.

#### **1.4.3 Housing Loans for Retail Customers**

In mid-2004, the Bank's Management Board resolved to discontinue the financing of retail customers purchasing residential real estate. Thus, after four and a half year of advancing housing loans, the Bank withdrew from the retail market. The decision was made following distribution of tasks and specialisations within the BRE Bank Group, whereupon the activities related to housing loans were transferred to other members of the Group – Multibank and mBank.

As at the end of H1 2009, the total value of the housing loan portfolio stood at PLN 69.52m, with a prevailing share of PLN-indexed loans. The share of PLN-denominated loans rose sharply – from approximately 10% in 2002 to 48.4% as at the end of 2008 and 42.2% as at the end of H1 2009.

Table 24 Housing loans for retail customers – total portfolio value as at June 30th 2009\*

<b>Housing loans in</b>	<b>Total exposure (PLNm)</b>
PLN	29.37
EUR	30.28
USD	9.87
<b>Total</b>	<b>69.52</b>

*Source: the Issuer.*

*\* unaudited operating and financial data sourced from the Issuer's management accounts.*

#### **1.5. Term Deposits**

BRE Bank Hipoteczny S.A. offers its corporate customers opportunities to place cash surpluses in term deposits with attractive interest rates. The minimum deposit is PLN 500,000, USD 100,000 or EUR 100,000, and the deposit terms range from one week to 12 months.

#### **1.6. Issue of Covered Bonds**

Since its inception a decade ago, BRE Bank Hipoteczny S.A. has carried out 25 issues of covered bonds, including 11 private placements and 14 public issues of covered bonds, maintaining the leading position on the Polish covered bonds market as at the end of H1 2009. The total value of covered bonds issued by BRE Bank Hipoteczny and outstanding as at the end of H1 2009 was in excess of PLN 2bn. The Bank offers chiefly covered bonds with three- and five-year maturities.



In the opinion of the Bank's Management Board, BRE Bank Hipoteczny S.A. has remained the largest issuer of covered bonds since they were first introduced into the Polish capital market, with a market share of approximately 68% at the end of 2008.

In 2008, BRE Bank Hipoteczny S.A. issued covered bonds of the record value of PLN 900m. The issues comprised four tranches of mortgage covered bonds and one tranche of public sector covered bonds. At the end of 2008, the value of all outstanding bonds issued by BRE Bank Hipoteczny S.A. was almost PLN 2bn.

In addition to mortgage covered bonds, BRE Bank Hipoteczny S.A., as the only bank among the new EU member states from Central Europe, issues public sector covered bonds where the underlying instrument are claims under loans granted to local government institutions or loans granted to public healthcare centres and guaranteed by local government institutions. First public sector covered bonds were issued by BRE Bank Hipoteczny S.A. at the end of July 2007. The European Investment Bank of Luxemburg was one of their main purchasers.

In H1 2009, the Bank carried out two issues of mortgage covered bonds for the total amount of PLN 360m.

As at June 30th 2009, mortgage covered bonds and public sector covered bonds issued by BRE Bank Hipoteczny S.A. were assigned investment grade ratings of Baa2 and Baa1, respectively, by international rating agency Moody's Investors Service Ltd.

Table 25 Mortgage covered bonds issued by BRE Bank Hipoteczny S.A., not traded on a regulated market as at June 30th 2009

Issue Date	Maturity Date	Currency	Value ('000)	Moody's Rating
Nov 21 2005	Nov 22 2010	USD	10,000	Baa2

Source: the Issuer.

Table 26 Mortgage covered bonds issued by BRE Bank Hipoteczny S.A., traded on a regulated market as at June 30th 2009

Issue Date	Maturity Date	Currency	Value ('000)	Moody's Rating
Apr 14 2005	Apr 12 2010	PLN	100,000	Baa2
Nov 28 2007	Nov 29 2010	PLN	170,000	Baa2
Mar 12 2008	Sep 28 2010	PLN	200,000	Baa2
Apr 25 2008	Apr 28 2011	PLN	250,000	Baa2
Jun 13 2008	Jun 15 2011	PLN	200,000	Baa2
Oct 10 2008	Oct 7 2011	PLN	150,000	Baa2
May 20 2009	May 16 2011	PLN	60,000	Baa2
Jun 24 2009	Jun 15 2012	PLN	300,000	Baa2
<b>TOTAL</b>		<b>PLN</b>	<b>1,430,000</b>	

Source: the Issuer.

Table 27 Public sector covered bonds issued by BRE Bank Hipoteczny S.A., traded on a regulated market as at June 30th 2009

Issue Date	Maturity Date	Currency	Value ('000)	Moody's Rating
Jul 27 2007	Jul 27 2012	PLN	100,000	Baa1
Sep 28 2007	Sep 28 2012	PLN	200,000	Baa1
Nov 28 2007	Nov 29 2010	PLN	170,000	Baa1
Sep 22 2008	Sep 20 2013	PLN	100,000	Baa1
<b>TOTAL</b>		<b>PLN</b>	<b>570,000</b>	

Source: the Issuer.

Table 28 Mortgage covered bonds issued by BRE Bank Hipoteczny S.A., matured securities as at June 30th 2009

Issue Date	Maturity Date		Currency	Value ('000)
Jun 28 2000	Jun 28 2005	Private placement	PLN	5,000
Jul 29 2002	Jul 31 2006	Private placement	PLN	50,000
Sep 14 2001	Sep 14 2004	Private placement	EUR	5,000
May 20 2002	May 20 2009	Private placement	EUR	10,000
May 20 2003	May 20 2009	Private placement	EUR	20,000
May 20 2004	May 20 2009	Private placement	EUR	25,000
Sep 14 2001	Sep 14 2004	Private placement	USD	10,000
Nov 20 2001	Nov 21 2005	Private placement	USD	10,000
May 20 2002	May 20 2008	Private placement	USD	10,000
May 20 2004	May 20 2009	Private placement	EUR	25,000
Apr 10 2003	Apr 10 2008	Private placement	PLN	200,000
Oct 23 2003	Oct 10 2008	Private placement	PLN	200,000
Jun 28 2000	Jun 29 2005	Private placement	PLN	5,000
Jul 29 2002	Jul 31 2006	Private placement	PLN	50,000

Source: the Issuer.

In tables 25,26, 27 and 28, the "Issue Date" means the date of the allocation of particular covered bond series.

**Overview of the portfolio of mortgage-backed loan receivables constituting the basis for the issue of mortgage covered bonds as at June 30th 2009 (PLN '000)**

Table 29 Portfolio of receivables securing mortgage covered bonds, by currency and amounts\* as at June 30th 2009

Value range (PLN '000)	Value of loans advanced (PLN '000)	Value of loans advanced in EUR (PLN '000)	Value of loans advanced in USD (PLN '000)	Total
<= 250	14,778	16,483	3,728	34,989
250 – 500	8,240	11,012	2,613	21,865
500 – 1,000	9,779	9,973	1,527	21,278
1,000 – 5,000	128,426	125,333	14,603	268,362
>5,000	639,806	1,154,485	19,949	1,814,240
Total	801,030	1,317,285	42,420	2,160,734
% of total portfolio	37.07%	60.96%	1.96%	

Source: the Issuer.

\* Unaudited operating and financial data sourced from the Issuer's management accounts.

Table 30 Portfolio of receivables securing mortgage covered bonds, by type of borrower\* as at June 30th 2009

<b>Borrower</b>	<b>Value (PLN '000)</b>	<b>% of total portfolio</b>
<b>Legal persons/sole traders</b>	2,112,992	97.79%
<b>Natural persons</b>	47,742	2.21%
<b>Total</b>	2,160,734	100%

Source: the Issuer.

\* Unaudited operating and financial data sourced from the Issuer's management accounts.

Table 31 Portfolio of receivables securing mortgage covered bonds, by type of financed project\* as at June 30th 2009

<b>Financed project</b>	<b>Value (PLN '000)</b>	<b>% of total portfolio</b>
<b>Commercial real estate</b>	1,946,213	90.07%
<b>Residential real estate</b>	214,521	9.93%
<b>Total</b>	2,160,734	100.00%

Source: the Issuer.

\* Unaudited operating and financial data sourced from the Issuer's management accounts.

Table 32 Portfolio of receivables securing mortgage covered bonds, by type of interest rate\* as at June 30th 2009

<b>Interest rate</b>	<b>Value (PLN '000)</b>	<b>% of total portfolio</b>
<b>Variable interest rate</b>	2,068,015	95.71%
<b>Fixed interest rate</b>	92,719	4.29%
<b>Total</b>	2,160,734	100.00%

Source: the Issuer.

\* Unaudited operating and financial data sourced from the Issuer's management accounts.

Table 33 Portfolio of receivables securing mortgage covered bonds, by maturity\* as at June 30th 2009

<b>Loan terms</b>	<b>Value (PLN '000)</b>	<b>% of total portfolio</b>
<b>&lt;2 years</b>	196,914	9.11%
<b>2-3 years</b>	11,256	0.52%
<b>3-4 years</b>	19,398	0.90%
<b>4-5 years</b>	13,189	0.61%
<b>5-10 years</b>	257,231	11.90%
<b>&gt; 10 years</b>	1,662,746	76.95%
<b>TOTAL</b>	2,160,734	100.00%

Source: the Issuer.

\* Unaudited operating and financial data sourced from the Issuer's management accounts.

Table 34 Portfolio of receivables securing mortgage covered bonds, by region\* as at June 30th 2009

<b>Province</b>	<b>Value (PLN '000 )</b>	<b>% of total portfolio</b>
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Wrocław Province	269,936	12.5%
Bydgoszcz Province	22,929	1.1%
Lublin Province	71,824	3.3%
Zielona Góra Province	4,236	0.2%
Łódź Province	72,408	3.4%
Kraków Province	245,385	11.4%
Warsaw Province	743,959	34.4%
Opole Province	31,672	1.5%
Rzeszów Province	32,042	1.5%
Białystok Province	4,416	0.2%
Gdańsk Province	227,990	10.6%
Katowice Province	204,542	9.5%
Kielce Province	-	-
Olsztyn Province	25,378	1.2%
Poznań Province	150,574	7.0%
Szczecin Province	53,444	2.5%
<b>TOTAL</b>	<b>2,160,734</b>	<b>100.0%</b>

Source: the Issuer.

\* Unaudited operating and financial data sourced from the Issuer's management accounts.

Table 35 Portfolio of receivables securing mortgage covered bonds by progress of investment project\* as at June 30th 2009

	Value (PLN '000)	% of total portfolio
Construction projects in progress	182,588	8.45%
Completed real estate projects	1,978,147	91.55%
<b>Total</b>	<b>2,160,734</b>	<b>100.00%</b>

Source: the Issuer.

\* Unaudited operating and financial data sourced from the Issuer's management accounts.

**Overview of the Portfolio of Loan Receivables Constituting the Basis for the issue of Public Sector Covered Bonds as at June 30th 2009 (PLN '000):**

Table 36 Value range of receivables securing public sector covered bonds\* as at June 30th 2009

Value range (PLN '000)	Value of loans advanced (PLN '000)	% of total portfolio	No. of agreements
<= 2,500	47,961	6.6%	32
2,500 – 5,000	122,046	16.8%	33
5,000 – 10,000	188,145	25.9%	26
10,000 – 20,000	240,883	33.2%	17
> 20,000	126,650	17.5%	5
<b>TOTAL</b>	<b>725,685</b>	<b>100%</b>	<b>113</b>

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Source: the Issuer.

\* Unaudited operating and financial data sourced from the Issuer's management accounts.

Table 37 Portfolio of receivables securing public sector covered bonds, by maturity\* as at June 30th 2009

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<b>Loan term</b>	<b>Value (PLN '000 )</b>	<b>% of total portfolio</b>
<b>1-5 years</b>	19,090	2.6%
<b>5-10 years</b>	239,536	33.0%
<b>10-15 years</b>	179,241	24.7%
<b>&gt; 15 years</b>	287,817	39.7%
<b>TOTAL</b>	<b>725,685</b>	<b>100%</b>

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Source: the Issuer.

\* Unaudited operating and financial data sourced from the Issuer's management accounts.

Table 38 Portfolio of receivables securing public sector covered bonds, by region\* as at June 30th 2009

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<b>Province</b>	<b>Value (PLN '000 )</b>	<b>% of total portfolio</b>
<b>Wrocław Province</b>	151,644	20.9%
<b>Bydgoszcz Province</b>	90,171	12.4%
<b>Lublin Province</b>	36,989	5.1%
<b>Zielona Góra Province</b>	54,481	7.5%
<b>Łódź Province</b>	69,299	9.5%
<b>Kraków Province</b>	11,330	1.6%
<b>Warsaw Province</b>	75,993	10.5%
<b>Opole Province</b>	-	-
<b>Rzeszów Province</b>	7,867	1.1%
<b>Białystok Province</b>	14,004	1.9%
<b>Gdańsk Province</b>	24,432	3.4%
<b>Katowice Province</b>	34,719	4.8%
<b>Kielce Province</b>	18,548	2.6%
<b>Olsztyn Province</b>	35,286	4.9%
<b>Poznań Province</b>	36,115	5.0%
<b>Szczecin Province</b>	64,805	8.9%
<b>TOTAL</b>	<b>725,685</b>	<b>100%</b>

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Source: the Issuer.

\* Unaudited operating and financial data sourced from the Issuer's management accounts.

Table 39 Portfolio of receivables securing public sector covered bonds, by type of interest rate\* as at June 30th 2009

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<b>Interest rate</b>	<b>Value (PLN '000 )</b>	<b>% of total portfolio</b>
<b>Variable interest rate</b>	725,685	100%

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Source: the Issuer

\* Unaudited operating and financial data is sourced from the Issuer's management accounts.

Table 40 Portfolio of receivables securing public sector covered bonds, by type of borrower\* as at June 30th 2009

<b>Borrower</b>	<b>Value (PLN '000)</b>	<b>% of total portfolio</b>
<b>Local government institutions</b>	337,365	46.5%
<b>Public healthcare centres</b>	388,320	53.5%
<b>TOTAL</b>	<b>725,685</b>	<b>100%</b>

Source: the Issuer.

\* Unaudited operating and financial data sourced from the Issuer's management accounts

## 2. Key Markets

### 2.1. Description of the Real Estate Market in Poland

The Polish real estate market has been developing dynamically on the back of the economic recovery and Poland's accession to the European Union in 2004. Many foreign companies whose business involves real estate investment chose Poland as the place for their investments or operations. The upward trend prevailing in the real estate market was driven by positive economic growth, higher average pay, and a drop in the unemployment rate.

The Polish market of real estate financing is dominated by large universal banks. As at the end of H1 2008, the aggregate market share of the three specialised mortgage banks operating in Poland in real estate financing amounted to 2.26%. Mortgage banks present in Poland are specialised in the financing of commercial real estate and corporate lending.

2008 was a moderately successful year for the commercial property market in Poland. Intensive investments in new properties, a low ratio of unleased space, and stabilised lease rates are fairly optimistic signs given the increasingly challenging macroeconomic environment. To a large extent, the good condition of the commercial property market was perceived based on a relatively low saturation ratio. Consequently, in each segment of the market demand and supply were seen to stabilise (with occasional local cases of demand getting a slight upper hand).

The total volume of investment projects based on purchase-sale transactions executed in 2008 amounted to EUR 2.1bn, that is approximately 30% less compared to 2007. New commercial projects continued to enjoy relatively strong interest from both developers and investors. There were still many investors on the market who were interested in investing in commercial properties in Poland – in 2008, three new real estate market funds were established (PZU TFI FIZ Rynku Nieruchomości, Arka BZWBK Fundusz Rynku Nieruchomości and BPH FIZ Nieruchomości 2), the market also witnessed intensified activity on the part of foreign investors. Faced with a new environment caused by the rising cost of money (mainly due to the increased requirements applicable to lending), the activity of building developers continued at a relatively high level due to stable prospects of profits generated by commercial properties.

Unflinching interest in the office space market was shown throughout the whole of 2008, which was yet another year of sustained favourable market conditions, proving beneficial to investors, developers and buyers alike. Through entire 2008, we observed stabilisation of the key ratios describing the market's condition, in particular transaction prices, yields and rental rates for new properties. The market of developer-built office real estate is still being expanded as residential projects, which are currently exposed to a higher risk, are redesigned and converted into offices. As at the end of 2008, the total stock of modern office space was approximately 4.2 million square metres, with almost 70% of it located in Warsaw. It is estimated that office space of approximately 650 thousand square metres was completed in 2008, of which almost 50% was located in the capital city of Poland.

Worthy of note is also the fact that despite the not so optimistic economic data, we can observe companies expanding their operating activities and investing in office properties in Poland. BOSCH is a good example here: the company is building its seat in Warsaw (an office building with the floor area of 9 thousand square metres for EUR 17m), whereas DELL plans to build its head office in Łódź. H2 2008 saw two debuts on the banking market: Alior Bank (November) and Allianz Bank Polska (December). Additionally, BRE Bank S.A. leased a new office building. All this boosted the demand for office and service space from the banking sector.

Warsaw is the central pillar of the office space market, with the ratio of unleased space of 3%. In Warsaw, the monthly rate per 1 square metre of office space is EUR 25-33 (in the Central Business District in Warsaw); in other parts of the city, the rates vary between EUR 14 and EUR 20. Lease rates in other major cities, where office space is currently undergoing rapid development, are as follows: EUR 13-18 in Wrocław, EUR 10-15 in Gdańsk, Gdynia and Sopot, EUR 9-16 in Katowice, and EUR 11-18 in Łódź, Kraków and Poznań.

As at the end of 2008, Poland had the stock of modern retail space amounting to 8 million square metres, of which approximately 75% was located in shopping centres. It is estimated that during 2008 approximately 700 thousand square metres of retail space were completed. A vast majority of the new stock (ca. 90%) were large-sized premises. Large retail premises are increasingly often constructed in cities and towns with up to 100 thousand residents (e.g. in Biała Podlaska, Elk, Głogów, Grudziądz, Lubin, Malbork, Piła, Sandomierz, Skierniewice, Słupsk, Świnoujście). In the case of towns with up to 50 thousand residents, smaller commercial properties are constructed, with around 1–2 thousand square metres of retail space. In larger cities, some existing commercial properties were extended.

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Mixed-use properties are still seen as the most prestigious retail projects as, in addition to retail space, they provide customers with access to hotel, residential and leisure facilities.

The ratio of unleased space in the existing retail premises is mostly close to zero. In general, a moderate stabilisation of demand and supply could be observed in this market segment. In 2008, monthly market lease rates in retail centres remained at the average level of EUR 50–70 per square metre in Warsaw and around EUR 30–60 per square metre in other cities of Poland. In some cases, increased lease rates were quoted, reaching up to EUR 75–80 per square metre, but it should be stressed, though, that such rates were obtained in transactions concerning small space in centres with almost no vacant retail space available.

In 2008, modern warehouse space still enjoyed significant interest from investors and potential tenants. Due to the satisfactory level of revenue generated by completed warehouse space, accompanied by relatively low maintenance costs, warehouses were rarely subject to sale-purchase transactions. Just a few transactions involving modern warehouse space were executed in 2008. In the developer market, the total space completed in the warehouse space segment countrywide amounted to approximately 1.3 million square metres. Poland's total stock of warehouse space is currently approximately 4.8 million square metres, including more than 40% in the Warsaw area. During the last year, the rate of growth of the warehouse space market in individual locations of the local regions displayed dynamic growth in activity as compared with the Warsaw Region. In 2008, the Warsaw metropolitan area contributed approximately 30% of the total warehouse space under construction nationwide in 2008, whereas warehouse space completed in the Warsaw area amounted to 25% of the total warehouse space completed.

Driven by the development of road infrastructure, areas in the vicinity smaller cities are growing in significance (e.g. Opole, Grudziądz, Rzeszów, Przemyśl). New warehouse projects are predominantly located near the site of constructed or planned motorways. In the Warsaw region, new warehouse construction projects are mostly to be found along the planned A2 motorway and the main city exit routes. The region of Central Poland has a considerable growth potential, due to an A1 and A2 junction planned in this area. In the Poznań region, warehouse facilities are located along the Warsaw-Berlin transit route and the A2 motorway. Many of the new projects in the Wrocław, Upper Silesia, Kraków and Rzeszów regions are being constructed in locations which ensure a convenient access to the existing or planned sections of the A4 motorway (two stretches of A4 are currently under construction: Zgorzelec-Krzyżowa and Kraków-Szarów).

Compared to office or retail space, the market of warehouses properties is currently the best-perceived segment of the commercial properties market in Poland.

Macroeconomic data for the first quarter of 2009 clearly demonstrated downward trends seizing the global economy, thus indicating that Poland entered a period of economic slowdown. The Polish office real estate market remained unaffected by the global economic crisis for a long time. 2008 was the last year of favourable market conditions, when investors, developers and buyers could reap the benefits of the strong market. At the close of 2008 investor activity cooled off, as evidenced by a falling number of sale transactions and lease contracts in H1 2009. Furthermore, there has been an increase in yields and in the level of vacant space. In Warsaw, 60% of newly built space is let, whereas pre-lease contracts were secured with respect to only 17% of properties under construction. In the Gdańsk-Gdynia-Sopot agglomeration and in Wrocław, the vacancy rate rose to 7%, which, however, was partly due to the completion of a record-high number of new office space completions.

Other indicators of the crisis include a change in the average size of leased premises and a rise in the share of sub-leased space. In the first quarter of the year, the average size of office space leased in Warsaw was 495 square metres (compared with 1,180 square metres in 2008), while in Kraków, it was 200-300 square metres.

Owners of office buildings strive to keep rental rates unchanged, but in view of the current market situation, they are forced to offer an increasing variety of incentives to potential anchor tenants, such as rent holiday. Predictably, aggravated by the anticipated decline in demand, this trend will become more pronounced in the future, with effective rates falling down (especially at over-priced office buildings). There are cases of renegotiating lease rents payable in foreign currencies, due to the substantial growth in foreign exchange rates.

In Warsaw, asking rental rates declined to EUR 26-27 per square metre, whereas in Q3 2008 when the market reached its peak, rental rates for Class A office space (in central Warsaw) was around EUR 30-33 per square metre.

The economic slowdown hit investor activity the hardest. Only several investment transactions were completed in H1 2009. Yields rose sharply, with the rate for Warsaw currently at 6.75% and likely to move further up. The only exception was the largest transaction executed in the commercial real estate market in Central and Eastern Europe in 2009, which involved finalisation of a preliminary agreement of August 2008 concerning sale of a 21,000 square metre Class A office building situated in Warsaw's central business district, known as Deloitte House. The yield rate for the agreement was approx. 5.5%. A Germany-based fund managed by Deka Immobilien was the main buyer, while Deloitte is the key tenant.

In late 2008 and early 2009, the stock of modern retail space available in Poland was 8.4m square metres, including approx. three-quarters located in shopping centres (6.2m square metres), with the balance comprising warehouse space, commercial parks and outlet centres. In 2008, the volume of retail space increased due to the expansion of the existing premises; 40% of projects were completed in cities with a population of over 200 thousand; approx. 800 thousand square metres were completed, including mere 18 thousand square metres in Warsaw (90% of new stock was represented by large format premises). The growth in retail space was due to increased activity on the part of developers who, until mid-2008, had been hampered in building large format stores by procedural obligations. Since the Act on Large Format Stores was declared incompatible with the Polish Constitution, a large number of projects have been started, in particular in towns with a population of less than 100 thousand residents. Currently, the saturation ratio in the main Polish cities is approx. 600 square metres per 1,000 residents, with Poznań leading the pack with 1,000 square metres per 1,000 residents. Saturation in the remaining agglomerations is roughly half that level.

Although Poland has not been as badly affected by recession as may have been feared, the mood of anticipation is felt in the discussed sector of the real estate market as well. Relative to previous years, the value of executed transactions plummeted. Demand created by buyers from Western countries (the US, the UK and Ireland), with a significant participation of investment funds, dropped dramatically due to the turmoil in the global financial markets. Investors have been observed to show no interest in transactions with a value in excess of EUR 150m.

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Bankruptcies of retail chain tenants prompt investors to be more cautious in planning their projects. The majority of projects currently underway are a continuation of tasks commenced in the past. The scope of new undertakings is frequently revised during the design phase. Some projects are divided into phases, while others are postponed or even cancelled. Interest in opening new facilities in small cities and towns is gradually dwindling.

The largest retail space projects scheduled for completion in 2009 include the Bonarka Kraków shopping centre (100,000 square metres, 250 stores, a 20-screen cinema, 3,200 parking spaces in a two-level car park), the Maximus II shopping centre in Warsaw (60,000 square metres), the Galeria Malta shopping centre in Poznań (55,000 square metres) and the Galeria Jurajska shopping centre in Częstochowa (50,000 square metres).

The main retail space projects underway in Warsaw include the Wolf Bracka department store (the construction of an exclusive shopping centre with the total floor area of 25,000 square metres and useable floor area of 21,000 square metres, built by Wolf Immobilien Polen at the site of the former Chemia pavilion; completion is scheduled for 2010), Galeria Otwock shopping centre (a three-storey shopping centre with gross leasable space of approx. 10 thousand square metres; the project is located in the centre of Otwock, a town near Warsaw, at a site where tin pavilions used to be located; it will house approx. 60 stores, a ca. 1,000 square metre deli store, a 300-space car park and a four-screen cinema), the E.Leclerc Ursynów hypermarket (extension) and the Metropol Dom i Wnętrze retail centre (Nowe Bródno district; the project is due for completion in 2009).

Monthly market lease rates in retail centres remained at the average level of EUR 50–70 per square metre in Warsaw and around EUR 30–70 per square metre in other cities of Poland. In some cases, increased lease rates were quoted, reaching up to EUR 75–90 per square metre, but it should be stressed, though, that such rates were obtained in transactions concerning small space in centres with almost no vacant space available. High street rental rates are generally higher.

It is estimated that yields for commercial properties grew by 0.5–1.5% to 7–7.5%, but since very few transactions of this type are concluded, it is hard to provide precise data in this regard.

The ratio of unleased space in Warsaw remains close to zero. In other agglomerations, it ranges between 0% and 3% (up to 5%). In small towns facing a shortage of modern retail space, the ratio is close to zero as well. Generally, a stabilisation of demand and supply can still be observed in this market segment.

The sub-market of warehouse space has been in wait and see mode since Q4 2008. Among modern warehouses which have already been commercialised there are still no clear signs of the crisis, despite prevailing uncertainty and limited expansion of developers combined with reduced tenant needs. At the present moment, there are no indications of investors abandoning projects whose planning is well advanced. However, stricter lending policies applied by banks can result in delays in project implementation and postponement of the launch of projects currently underway. News has also appeared that construction costs have fallen due to a shrinking portfolio of new projects.

A progressing decline in industrial output and the falling number of orders from the freight-forwarding-logistics industry cause a gradual change in the trend, which, however, does not advance as quickly as in other real estate submarkets. The change is evidenced by:

- a falling number of project starts,
- a rise in vacant space (by over 20% countrywide),
- declining prices in new contracts – by 10% or even more than 20%, depending on location.

This situation is a consequence of record-high supply of new space. According to the information released by the Polish Institute for Logistics and Warehousing, as at the end of 2008 the stock of Polish warehouse space amounted to approx. 5m square metres, including 0.5m square metres completed in H2 2008. In Q1 2009, supply accumulated as 480 thousand square metres of space was completed, as a result of investment decisions made in mid-2008.

The time taken by parties to execute new leases has extended significantly. Agreements are postponed and continually renegotiated, and a handful transactions are actually completed, which is caused by the fact that decisions are often subject to approval by the international head offices of companies. Sometimes relevant decisions are also slowed down at the national level. Additionally, due to abundance of supply, prices quoted for new leases are falling. As for vacant properties, the key market operators are flexible in adjusting lease area to the limited needs of new tenants by dividing properties into smaller units.

In the view of the new situation, developers declare their willingness to engage only in build to suit (BTS) projects.

In H1 2009, projects comprising an area of approx. 776 thousand square metres were announced, with BTS projects accounting for 70% of the figure. However, it should be noted that the level of BTS projects was estimated on the basis of available information and in fact it can be significantly higher. A vast majority of recently announced projects will be executed in southern and central (including Warsaw) regions. The level of activity in these areas is definitely stimulated by the construction of the A2 and A4 motorways. The areas characterised by the most intensive activity include Warsaw, Poznań, Łódź and the A4 motorway (Wrocław, Upper Silesia and Kraków).

In the southern region, the average rental rates remained flat with respect to both warehouse space and the accompanying office space and staff rooms.

In the properties under review, the tenant turnover rate is not higher than average and there have been practically no cases of freezing rental rates at a specific exchange rate (below the market rate). However, due to foreign exchange movements rental rates expressed in the zloty, translated at the average-weighted rate quoted by the National Bank of Poland, rose by 37% (September 2008–March 2009) and 9.8% (December 2008–May 2009).



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## 2.2. Market of Covered Bonds

Since the introduction of covered bonds to the Polish equity market in 2000, BRE Bank Hipoteczny has remained, in the opinion of the Management Board, the largest issuer of these securities, with a market share of around 68% as at the end of 2008.

In addition to mortgage covered bonds, BRE Bank Hipoteczny S.A., as the only bank among the new EU member states from Central Europe, issues public sector covered bonds where the underlying instrument are claims under loans granted to local government institutions or loans granted to public healthcare centres and guaranteed by local government institutions. First public sector covered bonds were issued by BRE Bank Hipoteczny S.A. at the end of July 2007. The European Investment Bank of Luxemburg was one of their main purchasers. In 2008, BRE Bank Hipoteczny S.A. issued covered bonds of the record value of PLN 900m. The issues comprised four tranches of mortgage covered bonds and one tranche of public sector covered bonds.

In H1 2009, the Bank carried out two issues of mortgage covered bonds with the aggregate value of PLN 360m.

Since its inception a decade ago, BRE Bank Hipoteczny S.A. has carried out 25 issues, including 11 private placements and 14 public issues of mortgage covered bonds, and retained, in the opinion of the Management Board, its leadership position on the Polish covered bond market at the end of H1 2009. As at the end of H1 2009, the total value of all outstanding covered bonds issued by BRE Bank Hipoteczny was over PLN 2bn. Mortgage bonds issued by BRE Bank Hipoteczny are secure instruments, as evidenced by the investment grade ratings assigned by Moody's: -Baa2 for mortgage covered bonds, and Baa1 (one notch higher) for public sector covered bonds (as at June 30th 2009).

As of October 27th 2008, covered bonds issued by mortgage banks can be used as security for lombard loans, and as of May 8th 2009 they can also serve as security for repo transactions between the National Bank of Poland and the banks.

## IX. Organisational Structure

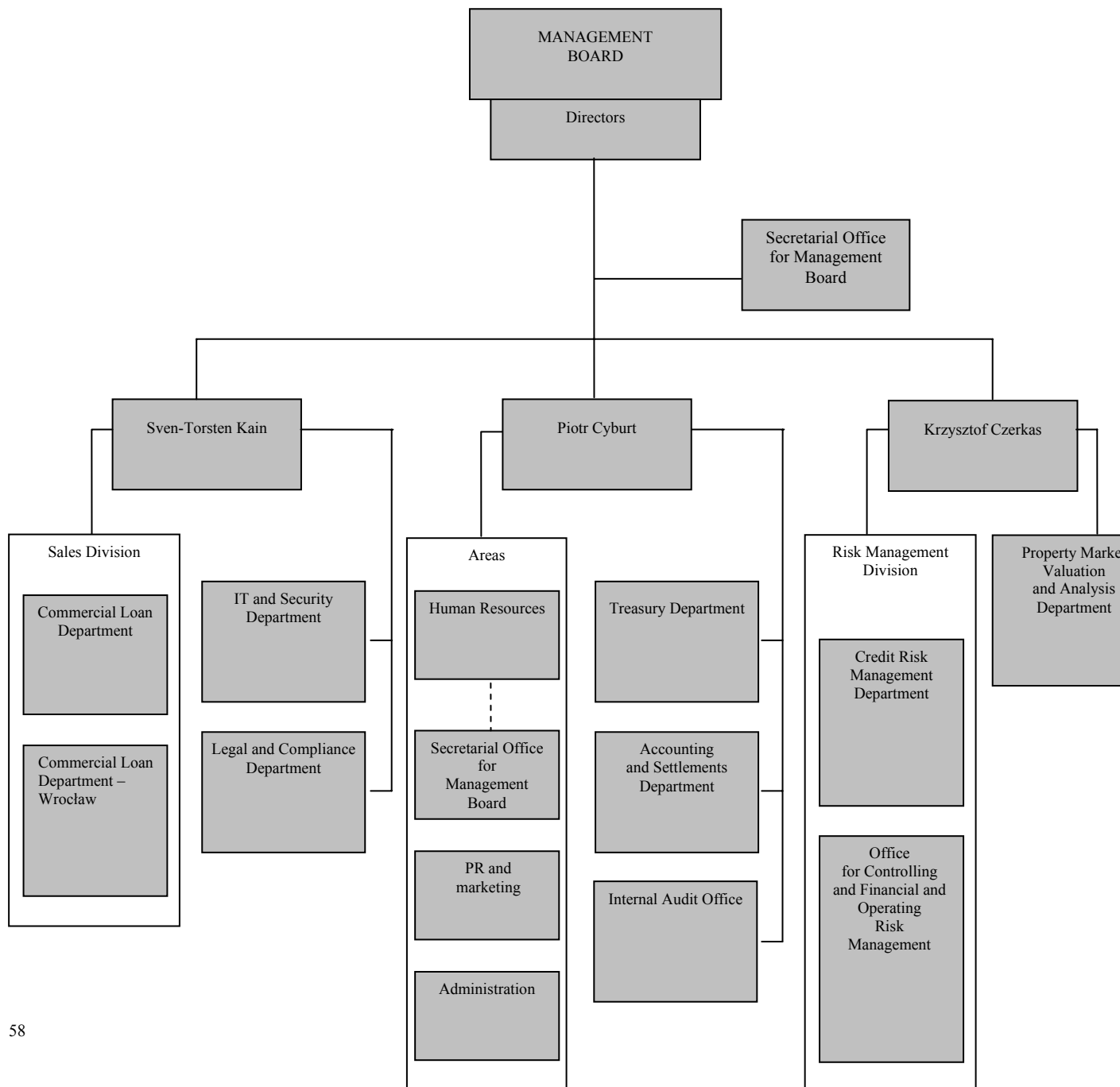
### 1. BRE Bank Hipoteczny S.A. in the BRE Bank Group

The BRE Bank Group is composed of more than ten specialised companies which are direct or indirect subsidiaries of BRE Bank. They are: BRE Corporate Finance S.A., Dom Inwestycyjny BRE Banku S.A., BRE Leasing Sp. z o.o., BRE Bank Hipoteczny S.A., Intermarket Bank AG, Centrum Rozliczeń i Informacji CERI Sp. z o.o., Polfactor S.A. and BRE.locum Sp. z o.o., Transfinance a.s., Magyar Factor Rt., emFinanse Sp. z o.o., BRE Ubezpieczenia Sp. z o.o. i BRE Wealth Management S.A.

Thus, within the BRE Bank Group there are companies offering services in the areas of corporate banking, investment banking and asset management. Retail customers may use modern retail banking services offered by mBank and MultiBank, as well as quickly developing emFinanse.

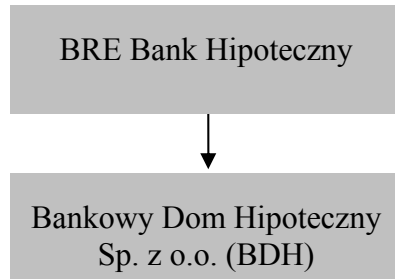
Another of the BRE Bank Group's companies, BRE.locum S.A., focuses its business on investing in and developing real estate.

### 2. Organisational Structure of BRE Bank Hipoteczny S.A.



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### 3. Structure of the BRE Bank Hipoteczny Group



A direct subsidiary of BRE Bank Hipoteczny S.A. is Bankowy Dom Hipoteczny spółka z ograniczoną odpowiedzialnością of Warsaw ("BDH"). BDH, a special purpose vehicle wholly-owned by BRE Bank Hipoteczny S.A., was established on March 8th 2005 to carry out commercial tasks related to the management of real estate foreclosed or enforced by the Bank. Following the completion by the company of all the tasks assigned to it by the Bank, on December 8th 2006 the Extraordinary General Shareholders Meeting of BDH adopted a resolution on a temporary suspension of BDH's operations and retirement of 1,700 shares with a par value of PLN 1,000 PLN per share, held by BRE Bank Hipoteczny S.A., by way of their repurchase by BDH at par value. Following the suspension of business by the company, a procedure aimed at reducing the value of its shares was initiated, as a result of which the share capital of BDH was reduced to comprise 65 shares with the par value of PLN 1,000 PLN per share. The share capital reduction was registered by the District Court for the Capital City of Warsaw in Warsaw, XII Commercial Division of the National Court Register, on June 12th 2007.

As at June 30th 2009, BDH's share capital amounted to PLN 65,000. The Bank holds 100% of shares in BDH and all votes at the general shareholders meeting. As at June 30th 2009, BDH did not conduct operations.

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## X. Trends

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### 1. Material Trends Observed since the Date of the Last Audited Financial Statements

Pursuant to Section 7.1 of Commission Regulation (EC) No. 809/2004 of April 29th 2004, we represent that no adverse changes in the Issuer's growth prospects have occurred since the publication of the last audited financial statements of the Issuer prepared for the financial year 2008.

Pursuant to Section 11.7 of Commission Regulation (EC) No. 809/2004 of April 29th 2004, below we provide a description of all material changes in the Issuer's financial standing since the end of the most recent financial period for which audited financial data was published, that is the period from December 31st 2008 to July 31st 2009.

The total commercial loan portfolio increased by 2.3% compared with the corresponding period of 2008 and reached PLN 3,846m.

The total portfolio of loans for local government institutions rose by 26,1% from the level reported as at July 31st 2008, with the largest growth observed in the loans for financing the operations of local government institutions (by 65.1% compared with July 31st 2008) reaching the total amount of PLN 532m.

The share of PLN-denominated loans remained stable and accounted for 65.0% of total loans as at July 31st 2009. Owing to the decline in the value of the Polish currency, the value of EUR-denominated loans increased (by 9.2pp) to 32.1% and so did the share of USD-denominated loans (by 1.4pp) to 2.9%.

The average LTV ratio in the case of loans for residential development projects advanced in the period January–July 2009 amounted to 87.3%.

The ratio of mortgage lending value to market value for loans for the financing of real estate advanced in the period from January to July 2009 amounted to 99.47% and was higher than the level reported for loans advanced in the same period of the previous year, which stood at 98.46%.

The concentration ratio for high credit exposures in the portfolio, computed as a quotient of the value of high exposures (loan agreements for amounts exceeding 10% of equity) and the total exposure, amounted to 29.8% and was higher than the level reported as at July 31st 2008, when it stood at 26.4%.

In the period from January to July 2009, loans for the refinancing of real estate had the largest share in the commercial loan portfolio. In the period from January to July 2009, the Bank executed two loan agreements with a value representing more than 10% of the Bank's equity.

In the wake of the crisis on the financial markets, the financial standing of the Bank and other financial institutions deteriorated compared with the corresponding period of the previous year. The deterioration was accompanied by lower financial results, poorer quality of the loan portfolio, and a limitation of lending activity necessary to maintain a safe level of the solvency ratio.

Table 41 The Bank's total loan portfolio by product group (PLN '000)\*

Product		Jul 31 2009	Jul 31 2008	Change (%)
	<i>On-balance-sheet exposure</i>	3,533,278	2,994,249	18.00%
	<i>Off-balance-sheet exposure</i>	312,438	766,068	-59.22%
<b>Commercial loans</b>	<b>Total exposure</b>	<b>3,845,716</b>	<b>3,760,317</b>	<b>2.27%</b>
	<i>On-balance-sheet exposure</i>	66,687	71,078	-6.18%
	<i>Off-balance-sheet exposure</i>	1,025	1,574	-34.93%
<b>Housing loans</b>	<b>Total exposure</b>	<b>67,711</b>	<b>72,652</b>	<b>-6.80%</b>
	<i>On-balance-sheet exposure</i>	724,976	585,201	23.88%
	<i>Off-balance-sheet exposure</i>	193,676	143,396	35.06%
<b>Loans to local government institutions</b>	<b>Total exposure</b>	<b>918,651</b>	<b>728,597</b>	<b>26.08%</b>
	<i>On-balance-sheet exposure</i>	338,358	205,752	64.45%
including financing of operations of local government institutions	<i>Off-balance-sheet exposure</i>	193,676	116,493	66.26%
	<b>Total exposure</b>	<b>532,033</b>	<b>322,245</b>	<b>65.10%</b>
	<i>On-balance-sheet exposure</i>	386,618	379,449	1.89%
including loans to public healthcare centres, guaranteed by local government institutions	<i>Off-balance-sheet exposure</i>	0	26,903	-100.00%
	<b>Total exposure</b>	<b>386,618</b>	<b>406,352</b>	<b>-4.86%</b>
	<i>On-balance-sheet exposure</i>	4,324,941	3,650,528	18.47%
	<i>Off-balance-sheet exposure</i>	507,138	911,038	-44.33%
<b>Total</b>	<b>Total exposure</b>	<b>4,832,079</b>	<b>4,561,566</b>	<b>5.93%</b>

Source: the Issuer.

\* The above data concerns the portfolio value net of loan interest and before impairment losses. Unaudited operating and financial data is sourced from the Issuer's management accounts.

Table 42 Total loan portfolio by currency in main product groups\*

Product	Jul 31 2009			Jul 31 2008			Change (pp)		
	PLN	EUR	USD	PLN	EUR	USD	PLN	EUR	USD
Commercial loans	57.1%	39.6%	3.4%	71.3%	27.1%	1.6%	-14.2	12.5	1.7
Housing loans	41.8%	44.0%	14.1%	55.7%	36.5%	7.9%	-13.8	7.6	6.3
Loans for local government institutions	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0	0.0	0.0
<b>Total loan portfolio (on-balance-sheet and off-balance-sheet exposure)</b>	<b>65.0%</b>	<b>32.1%</b>	<b>2.9%</b>	<b>75.6%</b>	<b>22.9%</b>	<b>1.5%</b>	<b>-10.6</b>	<b>9.2</b>	<b>1.4</b>

Source: the Issuer.

\* Unaudited operating and financial data is sourced from the Issuer's management accounts.

Table 43 Sales of loans – value and number of executed loan agreements by product group (PLN '000)\*

Product	Jul 31 2009		Jul 31 2008	
	Value**	Number	Value**	Number
<b>Commercial loans</b>	<b>184,021,486</b>	<b>8</b>	<b>927,663,963</b>	<b>72</b>
Including loans for:				
- construction projects	0	0	241,410,470	12
- refinancing of real estate	3,500,000	1	288,098,656	33
- land purchase	2,362,243	1	73,363,600	6
- residential developers	178,159,243	6	324,791,237	21
<b>Loans for local government institutions</b>	<b>36,359,000</b>	<b>1</b>	<b>42,058,997</b>	<b>9</b>
Including loans for:				
- financing of operations of local government institutions	36,359,000	1	42,058,997	9
- financing of public healthcare centres, guaranteed by local government institutions	0	0	0	0
<b>Total</b>	<b>220,380,486</b>	<b>9</b>	<b>969,722,960</b>	<b>81</b>

Source: the Issuer.

\* The above data concerns the portfolio value net of loan interest and before impairment losses. The value of sales in 2009 reflects annexes under which the principal values of loans advanced in earlier years were increased by a total of PLN 42,430,875.

Unaudited operating and financial data is sourced from the Issuer's management accounts.

\*\* The value of agreements corresponds to the loan amount as per agreement, translated at historical exchange rate.

Table 44 Sector concentration for the portfolio of commercial loans and loans for local government institutions (PLN '000)\*

Commercial loans by type of loan-financed project	As at July 31 2009			As at July 31 2008		
	Total exposure (drawn and undrawn loans)	No. of loans	% of the Bank's total exposure	Total exposure (drawn and undrawn loans)	No. of loans	% of the Bank's total exposure
Office and service buildings	1,154,547	157	24.23%	943,370	161	21.02%
Office and retail complexes	275,817	20	5.79%	235,062	23	5.24%
Loans to local government institutions	918,651	113	19.28%	728,597	102	16.23%
Land	196,968	20	4.13%	248,613	24	5.54%
Hotels	157,647	15	3.31%	140,208	15	3.12%
Entertainment and recreation facilities	44,190	8	0.93%	73,514	9	1.64%
Residential development projects	1,081,903	64	22.71%	1,261,084	69	28.09%
Retail space	544,603	89	11.43%	488,303	94	10.88%
Warehouse space	325,682	36	6.84%	296,726	37	6.61%
Other	64,359	24	1.35%	73,438	27	1.64%

<b>Total</b>	<b>4,764,367</b>	<b>546</b>	<b>100.00%</b>	<b>4,488,914</b>	<b>561</b>	<b>100.00%</b>
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Source: the Issuer.

\* The above data concerns the portfolio value net of loan interest and before impairment losses. Unaudited operating and financial data is sourced from the Issuer's management accounts.

As at February 28th 2009, the Bank exceeded the concentration limit set forth in Art. 71.1.2 of the Banking Law, which was caused by an increase in the EUR/PLN exchange rate. The Bank notified the Polish Financial Supervision Authority of this fact. Following an increase in the Bank's equity in March 2009 by the net profit generated in H2 2008, the concentration limit is no longer exceeded.

On February 3rd 2009, the liabilities limit defined in Art. 15 of the Covered Bond Act was exceeded. The sole reason for exceeding the limit was the effect of the recent depreciation of the zloty on the Bank's financing structure. The Bank notified the Polish Financial Supervision Authority of this fact. In order to maintain its use of the limit at a proper level the Bank increased its equity by the net profit generated in H2 2008 and carried out new issues of covered bonds. As a result of increasing the Bank's equity in March 2009 by the net profit generated in H2 2008, the liabilities limit is no longer exceeded.

In the period May 20th–June 23rd 2009, the Bank temporarily exceeded the statutory liabilities limit set out in Art. 15 of the Covered Bond Act, as well as the limits under M1, M2 and M4 liquidity standards defined in Resolution No. 386/2008 of the Polish Financial Supervision Authority, dated December 17th 2008, concerning the establishment of mandatory liquidity standards for banks. The Bank notified the Polish Financial Supervision Authority of this fact in writing, presenting its plan of regaining compliance with the limits.

The liabilities limit was exceeded in the period May 21st–June 23rd 2009 by an average of PLN 35.6m, which represented ca. 1.45% of the maximum limit amount. The limit under standard M4 was slightly exceeded in the period May 20th–June 23rd 2009, and the limits under standards M1 and M2 – in the period June 16th–23rd 2009. The values of those standards were as follows:

- M1 – “-PLN 9,941.83 thousand” (the minimum value of limit M1 is 0); M1 is expressed in thousands of zlotys in accordance with the formula specified in Appendix 1 to Resolution No. 386/2008 of the Polish Financial Supervision Authority, dated December 17th 2008. Accordingly, the level of minimum limit (0) is also expressed in thousands of zlotys;

- for M2 – 0.98 (minimum level of limit M2 is 1);

- for M4 – 0.969 (minimum level of limit M4 is 1).

The liabilities limit sets the maximum allowable amount of liabilities related to the activities listed in Art. 15.1 of the Covered Bond Act. In accordance with the said Article, the amount of liabilities under contracted loans and borrowings, bonds in issue and accepted term deposits cannot exceed the amount equivalent to ten-fold the Bank's equity within the first five years of its business, and six-fold the Bank's equity after the first five years of its business.

The construction of liquidity standards M1, M2, M3 and M4 is set out in Par. 4.1 and Par. 5.1 of Resolution No. 386/2008 of the Polish Financial Supervision Authority, dated December 17th 2008. In accordance with Par. 4.1, the M1 liquidity standard (short-term liquidity gap) is defined as the difference between the total value of primary and secondary liquidity reserves as at the reporting date and unstable external funds. The M2 liquidity standard (current ratio) is defined as the ratio of the total value of primary and secondary liquidity reserves as at the reporting date to unstable external funds. Pursuant to Par. 5.1, the M3 liquidity standard (coverage of non-liquid assets with equity) is defined as the ratio of the Bank's equity net of capital requirements related to market, settlement and counterparty risks to non-liquid assets. The M4 liquidity standard (coverage of non-liquid assets and assets with limited liquidity with equity and stable external funds) is defined as the ratio of the total value of the Bank's equity net of capital requirements related to market, settlement and counterparty risks and stable external funds to the total value of non-liquid assets and assets with limited liquidity.

Calculation of supervisory liquidity measures:

Assets	
A1	Primary liquidity reserve
A2	Secondary liquidity reserve
A3	Other transactions executed on the wholesale financial market
A4	Assets with limited liquidity
A5	Non-liquid assets
Equity and liabilities *	

B1	Equity net of total capital requirements related to market, settlement and counterparty risks	
B2	Stable external funds	
B3	Other liabilities on the wholesale financial market	
B4	Other liabilities	
B5	Unstable external funds	
Liquidity measures		Minimum value
M1	Short-term liquidity gap $((A1+A2)-B5)$	0
M2	Short-term liquidity ratio $((A1+A2)/B5)$	1
M3	Ratio of coverage of non-liquid assets with equity $(B1/A5)$	1
M4	Ratio of coverage of non-liquid assets and assets with limited liquidity with equity and stable external funds $(B1+B2)/(A5+A4)$	1

\* Providing for adjustments arising from the method of establishing supervisory liquidity measures.

May 20th 2009 was the maturity date of the mortgage covered bonds issued by BRE Bank Hipoteczny S.A. and shown in Table 24 of the Prospectus, worth EUR 55m and USD 25m (an aggregate equivalent of ca. PLN 330m). As a result of the fact that Moody's Investors Service rating agency placed the rating of the Issuer's covered bonds on creditwatch for possible downgrade, on May 20th 2009 the Bank issued mortgage covered bonds with a total value of only PLN 60m. Following Moody's Investors Service's confirmation on June 10th 2009 of its Baa2 rating for the Issuer's mortgage covered bonds, on June 24th 2009 the Bank issued mortgage covered bonds with a total value of PLN 300m.

The difference between the Bank's liabilities under mortgage covered bonds maturing on May 20th 2009 and the value of covered bonds issued by the Bank on that date (amounting to ca. PLN 270m) was financed by the Bank chiefly with short-term bonds. This led the Bank to exceed the maximum value of the liabilities limit, which amounts to six-fold the value of equity. After issuing mortgage covered bonds with a total value of PLN 300m on June 24th 2009, the Bank reduced its exposure under liabilities other than covered bonds. As a result, the amount of those liabilities dropped below the maximum allowable amount equivalent to six-fold the Bank's equity and since the issue of June 24th 2009 the Bank has no longer exceeded the liabilities limit.

## 2. Factors with a Material Bearing on the Issuer's Growth Prospects

The Issuer's growth depends on both external factors, out of the Company's control, and internal factors closely connected with the Company's business. The Issuer believes that the factors listed below may affect its financial standing in the future.

### 2.1. External Factors

#### *Macroeconomic Factors:*

- Poland's GDP growth rate in 2008 was 4.8%. The decelerating economic growth and uncertain growth prospects for the economy influence the Issuer's situation now and will influence it in the future. However, it is expected that investment on the real estate market will enjoy growing interest on the part of entities holding capital resources, which will stimulate demand for loans advanced by mortgage banks to finance purchases of real estate.
- As at the end of 2008, the unemployment rate in Poland was lower than in 2007 and stood at 9.5%. The unemployment rate is expected to increase slowly in the wake of the slowdown in Poland's and global economic growth. This might affect the demand for residential real estate.
- In 2008, the inflation rate stood at 3.3% when measured December on December. The expected lower economic growth rate and a mild increase in the CPI lead to a drop in basic interest rates published by the National Bank of Poland, which



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may translate into lower interest rates on loans advanced by the Issuer. The upcoming EURO 2012 Football Championships, to be staged jointly by Poland and Ukraine, will inspire many new construction projects.

- Exchange rates decisively affect the structure of the Bank's loan portfolio. This is connected with foreign exchange gains/losses, which – in the case of loans advanced in foreign currencies – result from exchange rate fluctuations and thus might increase borrowers' debt. A large number (45.6% as at March 31st 2009) of commercial loans are advanced in foreign currencies, which might adversely affect borrowers' ability to repay loans, should a currency crisis occur. The high share of foreign currency loans is attributable to their interest rates, which are lower than in the case of PLN-denominated loans, as well as the fact that rents in commercial developments are established in foreign currencies.
- At the end of 2008, the main interest rate in the Euro zone stood at 2.5% and was significantly lower than a year earlier. USD interest rates plummeted substantially, driven by a series of reductions on the American market. As at the end of 2008, the main USD interest rate stood at 0.25%, which did not however contribute to a greater interest of customers in USD-denominated loans.
- Due to the crisis on the global financial market and the continuing market unrest, access to sources of financing became more difficult and its cost went up. This may have a negative impact on mortgage banks' business.
- Poland's GDP in Q1 2009 grew by 0.8% year on year and 0.4% quarter on quarter.
- In June 2009, the unemployment rate stood at 10.7%, compared with 9.5% at the end of 2008. The increased unemployment rate and more stringent conditions of mortgage lending to retail customers adversely affect the demand for residential real estate.
- In June 2009, the inflation rate stood at 3.5% year on year. The expected lower economic growth rate and a mild increase in the CPI led to a drop in basic interest rates published by the National Bank of Poland. As at the end of June 2009, the reference rate published by the National Bank of Poland stood at 3.5%.
- Exchange rates have a decisive effect on the structure of the Bank's loan portfolio. This is connected with foreign exchange gains/losses, which – in the case of loans advanced in foreign currencies – result from exchange rate fluctuations and thus might increase borrowers' debt. A large portion (42.9% as at July 31st 2009) of commercial loans are advanced in foreign currencies, which might adversely affect borrowers' ability to repay loans, should a currency crisis occur. The high share of foreign currency loans is attributable to their interest rates, which are lower than in the case of PLN-denominated loans, as well as the fact that rents in commercial developments are established in foreign currencies.
- As at the end of June 2009, the main interest rate in the Euro zone stood at 1.0%, compared with 2.5% as at the end of 2008. As at the end of H1 2009, the main USD interest rate stood at 0.25% and did not change compared with the end of 2008.

#### *Growth Prospects for the Real Estate Market*

- Demand on the housing market after Q3 2008 fell considerably in direct consequence of stricter restrictions on granting housing loans denominated in foreign currency. Other factors which contributed to the fall in demand were continuously high offer prices on the primary market and the society's uncertainty as to the further development of the economic situation.
- The adjustment of residential property prices and the fall in the number of transactions may continue until the first half of 2010. The expected improvement on the real estate market in the second half of 2010 will involve stabilisation of the demand/supply ratio and a cycle rebound in the global economy. Within next few years the housing construction market will probably be dominated by larger entities with established presence, which may take advantage of the deteriorated market situation to acquire smaller developers.
- The factor that may stimulate demand growth in 2009 is the government programme "Rodzina na swoim" (Families on Its Own). Based on the solutions provided by the programme, developers reduce the prices of certain residential properties on offer, thereby enabling those for whom the market conditions of loan servicing are too demanding to buy their first own flats. The programme is advantageous to developers since it creates new possibilities of increasing sales and generating income. It is estimated that the present housing deficit in Poland amounts to approximately 1.5m properties.
- The factors that may stimulate demand on the commercial real estate market are longer loan terms and the planned amendments to the Civil Code regulations concerning the extension of the maximum period of lease agreement concluded between legal persons (from 10 to 30 years).
- Warsaw is the Bank's main domestic market. As the administrative and financial capital of Poland, Warsaw has been implementing investment projects more intensively and on a larger scale than other regions. Warsaw is the place where the majority of construction projects are carried out and where real estate prices reach their highest. Strong demand for residential space in Warsaw is attributable to the following factors: aging and low-quality residential resources, migration, growing number of households, relatively high salaries and wages as well as a low unemployment rate, which result in a relatively higher availability of loans. Consequently, the Bank's growth will significantly depend on the growth of this major market.
- An analysis of prospects indicates that 2009 will see a reduction in the transaction volume on the market of commercial real estate compared with 2008. There are still entities with capital resources operating on the market. The Polish market of commercial real estate continues to be perceived by foreign investors as attractive and generates tangible profits, but prices achievable in future transactions may be lower due to relatively lesser competition among potential buyers and the expected increase in rates of return.
- Demographic factors definitely contribute to demand growth. Each year, a new wave of people representing the second baby boom set out on their professional careers. Around 2010–2012, another increase in birth rate is expected, which might drive demand for larger flats and single-family houses.

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- The Poles' creditworthiness improved on the back of a lower unemployment rate observed until 2008 and higher average remuneration driven by strong economic growth. As a result of the crisis on the US mortgage market (subprime), which began in 2007, the costs of lending activities went up. This, in turn, generated stricter lending procedures and higher interest rates for new loans. Young borrowers often rely on financial assistance of their families, which partially solves the problem of insufficient savings to make a downpayment towards the purchase of the family's first own flat. The real interest expense for a person purchasing his or her first flat is further reduced by the interest tax relief and interest subsidies offered by the government programme "Families on Its Own", which indirectly encourages young people to contract a loan.
  - Another demand limiting factor may prove to be the planned implementation of Recommendation T by the Polish Financial Supervision Authority, concerning good practices in managing credit risk related to exposures to households. The Bank's current strategy provides for granting only commercial loans to entrepreneurs and local government institutions. If the Bank's strategy is expanded to include consumer loans, the Bank will comply with the requirements defined in Recommendation T. Although Recommendation T has not yet taken a final and published form, the initial propositions issued by the Polish Financial Supervision Authority oblige banks to:
    - assess the credit capacity of the household and the creditworthiness of the persons responsible for payment of liabilities on the basis of complete, credible as well as factually and legally accurate information,
    - assume that the maximum expenditure on servicing of loan and financial liabilities should not exceed 50% of total household income,
    - assume a buffer for covering the effects of changes in the LtV (*loan to value*) ratio caused by changes in the currency exchange rate or lack of correspondence between the exposure currency and the currency in which the value of collateral is expressed at the minimum level of 10% for loans repayable within five years and of 20% for loans repayable within more than five years,
    - monitor changes on the market of main types of accepted collateral,
    - develop procedures enabling the bank to take quick measures in the event of an unpredicted fall in the value of collateral.

The implementation of Recommendation T may reduce mortgage loan availability to customers with the lowest creditworthiness.
  - Speculative investments were a material demand driver in previous years. Flats were purchased as both medium-term investments (at an early construction phase, for resale after the construction is completed) and as long-term investments (with a view to combining the profit from value increase with rent income). Both Polish residents and foreigners, including institutional investors, bought flats for investment purposes. In 2008, the situation in the segment of speculative investments changed and demand decelerated, while speculative investors contributed to a higher supply of properties.
  - At the end of 2007, the Ministry of Finance issued a regulation to the effect that in the period between January 1st 2008 and the end of 2010 VAT on selling houses and flats without limits on their area remains reduced to 7%. Therefore buyers' decisions will not be affected by the apprehended necessity of adjusting Polish VAT regulations to the EU standards. In the past, the anticipated tax increase and abolition of tax relief created artificially inflated demand for several months before such amendments took effect.
  - In the environment of the deteriorating situation on the labour market, a falling cost to income ratio may limit the demand. Consequently, after several years of a clear growth in real estate prices, developers might be forced to refrain from new investments and search less expensive land within or outside city limits.
  - Due to the financial crisis and problems faced on the home markets there has been lesser competition from foreign credit institutions, which, following Poland's accession to the EU, committed funds to the financing of real estate in Poland.
  - Projections for the office space market:
    - limited access to financing for new development projects will have a negative effect on supply,
    - in a short term the percentage of vacant space will be growing, but in a longer term lower supply should offset the declining demand,
    - higher yields and rental rate stabilisation should be expected.
  - When analysing the growth prospects for the retail space market in 2009 – 2010 against the backdrop of the financial crisis, reduced consumption spending by private individuals can be observed. As a result, there is a risk of liquidity loss or unsatisfactory profits from retail operations, which may cause a higher rotation of tenants. Assuming such a scenario, there may be a temporary oversupply on the retail space market accompanied by a downward trend in rental rates and a temporary slowdown of investment activity. The current retail space saturation rate (for the entire country) stands at 220 square metres per 1,000 inhabitants. According to the existing estimates, the upper limit of 260 m<sup>2</sup> per 1,000 inhabitants

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at which the market's saturation would be achieved was expected to be reached at the end of 2010. As a result of the observed market slowdown, the process will probably be extended over time.

- Considering the nature of the warehouse property market, it seems that the current economic conditions will have a less detrimental effect on this market segment than on the other real estate market segments. This is due primarily to short project execution times, relatively low cost of land acquisition, relatively low construction costs.
- The significant potential of the warehouse space market in Poland continues to be correlated with the development of the road infrastructure, which should benefit from the crisis.
- The warehouse property industry has already showed its adaptation capabilities. New projects have been limited to the BTS (build-to-suit) projects and this trend will probably be maintained until the economy recovers. It may also be the beginning of a shift of the property developers' business from typical warehouses to production and storage facilities, in particular storage and logistics projects combined with assembly and production systems (equivalents of the automotive industry's SKD (semi-knocked-down) or MKD (medium-knocked-down) systems) – even more so as there is more and more information that manufacturers themselves undertake new construction projects. If such investors have limited access to credit facilities, companies from the freight-forwarding-logistics sector may extend their business scope by initiating production projects.

#### *Financing of Communes and Municipalities*

- The system transformations in Poland in the past 15 years have brought about a greater independence of local government institutions, including with regard to financial matters. The ongoing decentralisation of responsibilities related to the execution of public projects, as well as numerous investment challenges facing local government institutions necessitate a new approach to managing the finances of local government institutions.
- The enactment of the Public-Private Partnership Act encouraged BRE Bank Hipoteczny S.A. to take a closer look at financial and legal aspects of implementing investment projects under the public-private partnership framework, which over a longer term will contribute to an increase in the Bank's loan portfolio.
- The enhancement of the Bank's offering with products for local government institutions helps mainly to diversify the Bank's loan portfolio, which no longer comprises only real estate loans. It is a response to the needs and expectations of Polish communes and municipalities, which must quickly develop their infrastructure and adopt new attitude towards finance management.
- Long-term financing offered by the Issuer to local government institutions reduces the annual liabilities of such institutions under contracted loans, mitigates the risk of exceeding debt limits stipulated in the Public Finance Act, enables a larger number of projects to be financed simultaneously and enables the consolidation of debt under various financial instruments into a single long-term loan.

## **2.2. Internal Factors**

The main internal factor influencing the Bank's growth is the Bank's ability to maintain the leading position among mortgage banks active on the Polish market. The Bank is building its market position and internal stability based on a number of factors which will in the future affect the Issuer's growth, including:

- retention of the Bank's experienced and well-educated personnel,
- ability to create and appropriately use operating procedures,
- consolidated position on the market of financing for local government institutions
- quality of management of modern and extensive IT systems,
- activity on the financial and international forum (the Bank is a member of the Polish Bank Association and the European Mortgage Federation of Brussels; it also participates in the work of various institutions, including the Committee of the European Covered Bond Council).

## **3. Growth Strategy**

The Bank's strategic objective for the next few years is to maintain its position among Polish mortgage banks, while pursuing its mission as a major lender for the commercial real estate market and the leading issuer of covered bonds. Additionally, in 2009 the Bank will be actively developing its real estate consultancy services – an important element of its mission which complements its offering of loan products.

Taking into account the current market environment as well as the impact of the global financial crisis on the Polish real estate market and the interbank market, the Bank has redefined the business objectives and assumptions underlying its mid-term strategy. In the years to come, the volume of lending (thus far driven mainly by market demand) will depend on the Bank's ability to place new issues of covered bonds on the market and refinance its operations drawing on external sources. As the market stabilises, the Bank – in line with its priority objective of building a low-risk loan portfolio – will focus on the provision of financing to

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corporate customers, particularly to refinance completed projects. Given the slowdown affecting the housing market, as well as the weakening demand and increased level of credit risk observed in that segment, the provision of financing for residential development projects will remain an ancillary area of the Bank's business.

The Bank's key objectives for 2009 include:

- maintaining the high quality of its loan portfolio,
- changing the composition of the loan portfolio towards an even greater share of loans for refinancing completed and leased out commercial properties.

In view of the changing market situation, the Bank is aware that its activities (especially the provision of financing for purchase of land and for residential development projects) will entail increasing credit risk and that it will face considerable liquidity risk. Those risks will therefore be closely monitored and controlled. As interest income is anticipated to stagnate in 2009, cost management is gaining more importance, so the Bank is taking measures aimed at streamlining and reducing costs.

As regards financing of its operations, the Bank will seek to:

- ensure liquidity at the lowest possible cost,
- mitigate the interest rate risk and the currency risk related to issues of covered bonds,
- cooperate with Polish and foreign banks with respect to transactions on the money market, currency market and derivatives market,
- increase the value of deposits placed by the Bank's customers other than borrowers via term deposit accounts.

The Bank intends to grant loans denominated in PLN, EUR and USD, depending on the customers' needs and the market situation. Foreign currency loans should be in demand, especially to finance commercial real estate projects.

#### **4. Significant Changes in the Issuer's Financial and Economic Standing**

From December 31st 2008 to the Prospectus approval date, no material changes occurred in the Issuer's financial or economic situation. Material trends observed since the date of the most recent financial statements are discussed in Section 1, Chapter X.

As at the Prospectus approval date, there were no known trends, uncertainties, demands, obligations or events, other than those discussed in Section 1 and Section 2 of Chapter X, likely to have a material bearing on the Issuer's prospects, at least within the current financial year.

## XI. Administrative, Management and Supervisory Bodies

### 1. Management Board

The table below presents the names of members of the Issuer's Management Board, along with information on their business addresses, positions and main business activities engaged in outside the Issuer's company (if any).

First name and surname	Position (and business activities outside the Issuer)	Business address
Piotr Cyburt	President of the Management Board (Member of the Supervisory Board of Hochtief Polska Sp. z o.o.* Chairman of the Supervisory Board of Bre.locum S.A.)	BRE Bank Hipoteczny S.A. Al. Armii Ludowej 26, 00-609 Warsaw, Poland
Sven-Torsten Kain	Member of the Management Board (Member of the Supervisory Board of GANT Development S.A.**)	BRE Bank Hipoteczny S.A. Al. Armii Ludowej 26, 00-609 Warsaw, Poland
Krzysztof Czerkas	Member of the Management Board (Member of the Investment Committee of TFI Skarbiec S.A.)	BRE Bank Hipoteczny S.A. Al. Armii Ludowej 26, 00-609 Warsaw, Poland

\* Hochtief Polska Sp. z o.o.'s business consists in the provision of general contractor services for the construction of office buildings, public facilities, retail and entertainment space, industrial facilities, residential projects, as well as road, bridge, tunnel, railway, port and environmental infrastructure. Mr Piotr Cyburt is an independent member of the supervisory board of Hochtief Polska Sp. z o.o.

\*\* The GANT Development Group has been engaged in the business of real estate development since 1998. It focuses on residential and commercial real estate, as well as sale and administration of its projects. Mr Sven-Torsten Kain is an independent member of the supervisory board of GANT Development S.A.

### 2. Supervisory Board

The table below presents the names of members of the Issuer's Supervisory Board, along with information on their business addresses, positions and main business activities engaged in outside the Issuer's company (if any).

First name and surname	Position (and business activities outside the Issuer)	Business address
Hans-Dieter Kemler	Member of the Supervisory Board (Member of the Management Board of BRE Bank S.A.)	BRE Bank SA ul Senatorska 18, 00-950 Warsaw, Poland
Przemysław Gdański	Deputy Chairman of the Supervisory Board (Member of the Management Board of BRE Bank S.A. Chairman of the Supervisory Board of BRE Leasing Sp. z o.o.)	BRE Bank SA ul Senatorska 18, 00-950 Warsaw, Poland
Karin Katerbau	Member of the Supervisory Board (Vice-President of the Management Board of BRE Bank S.A. Member of the Supervisory Board of BRE Leasing Sp. z o.o.)	BRE Bank SA ul Senatorska 18, 00-950 Warsaw, Poland
Maria Wojsiat-Przedpeńska	Member of the Supervisory Board	BRE Bank SA ul Senatorska 18, 00-950 Warsaw, Poland
Jolanta Daniewska	Member of the Supervisory Board	Retired
Wiesław Thor	Member of the Supervisory Board	BRE Bank SA

	(Vice-President of the Management Board of BRE Bank S.A.)	ul Senatorska 18, 00-950 Warsaw, Poland
Hartwig Glatzki	Member of the Supervisory Board (Head of Investment and Corporate Banking, Continental Europe and Latin America, at EUROHYPO AG)	EUROHYPO AG Helfmann-Park 5, 65760 Eschborn, Germany

### 3. General Shareholders Meeting

BRE Holding Sp. z o.o. holds 1,325,000 shares in the Issuer's share capital, conferring the right to 1,325,000 votes (representing 75.71% of the total vote) at its General Shareholders Meeting.

BRE Bank holds 425,000 shares in the Issuer, conferring the right to 425,000 votes (24.29% of the total vote) at its General Shareholders Meeting.

### 4. Conflict of Interest

There are no conflicts of interest between the Management and Supervisory Board members and the Issuer, nor potential conflicts of interest between their duties as the Management and Supervisory Board members with respect to the Issuer and their private interests or other duties. In the Issuer's opinion, no potential conflicts of interest arise from the fact that Mr Piotr Cyburt, President of the Issuer's Management Board, holds a position on the supervisory board of Hochtief Polska Sp. z o.o. or that Mr Sven-Torsten Kain, Member of the Issuer's Management Board, serves on the supervisory board of Gant Development S.A.<sup>1</sup>

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<sup>1</sup> Gant Development S.A. and Hochtief Polska Sp. z o.o. are among potential borrowers of the Bank. However, the Bank's decisions, including its lending decisions, are made exclusively on the basis of a detailed evaluation of the investment projects for which financing is sought, taking into account their profitability and security. When analysing individual investment projects and making financing decisions with respect to them, the Bank does not give preferential treatment to any company.

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## XII. Auditors in the Period Covered by Historical Financial Information

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### 1. Names and Registered Addresses of Auditors

The Issuer's financial statements for 2008 and 2007 included in this Prospectus were audited by PricewaterhouseCoopers Sp. z o.o., registered office at Al. Armii Ludowej 14, Warsaw, an entity qualified to audit financial statements, entered in the list of qualified auditors maintained by the National Board of Qualified Auditors under Reg. No. 144.

### 2. Information on Change of Auditor

In the period covered by historical financial information, there was no change of auditor.

PricewaterhouseCoopers Sp. z o.o. performs the function of the auditor with respect to a majority of the BRE Bank Group companies.

## XIII. Financial Information

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The Issuer's historical financial information are included in this Prospectus by reference to the Company's periodic reports.

The Issuer's financial statements for the period January 1st – December 31st 2008, along with the auditor's opinion, have been included in this Prospectus by reference to the Issuer's 2008 Annual Report, published on March 31st 2009 and posted on the Issuer's website at: [www.rhb.com.pl](http://www.rhb.com.pl).

The Issuer's financial statements for the period January 1st – December 31st 2007, along with the auditor's opinion, have been included in this Prospectus by reference to the Issuer's 2007 Annual Report, published on March 31st 2008 and posted on the Issuer's website at: [www.rhb.com.pl](http://www.rhb.com.pl).

Independent auditor's report on the review of the condensed financial statements for the period January 1st – June 30th 2009 and the Issuer's condensed financial statements for the period January 1st – June 30th 2009

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## XIV. Material Agreements; Administrative and Court Proceedings

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### Material Agreements

The Issuer has not executed any material agreements – other than agreements entered into in the ordinary course of business – which could result in any Group member's incurring a liability or obtaining a right which might have with a significant bearing on the Issuer's ability to perform its obligations towards the holders of Covered Bonds.

### Arbitration and Court Proceedings

No court or arbitration proceedings or proceedings before governmental authorities which may have or may recently have had a bearing on the Issuer's financial standing or profitability took place during the 12 months before the Prospectus Date, and – to the Issuer's best knowledge – there exists no threat of instigating such proceedings. However, in the ordinary course of business the Issuer brings court proceedings against borrowers. The table below presents court proceedings concerning amounts in excess of PLN 100,000.

#### Claims for payment of amounts exceeding PLN 100,000 (amounts in the table as at July 31st 2009)

No.	Claimant	Defendant	Amount (PLN)
1	BRE Bank Hipoteczny S.A.	Natural person	165,680.96
2	BRE Bank Hipoteczny S.A.	Natural person	206,986.31
3	BRE Bank Hipoteczny S.A.	Legal person	1,561,376.20
4	BRE Bank Hipoteczny S.A.	Legal person	279,535.30
<b>Total:</b>			<b>2,213,578.77</b>



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## XV. Documents Available for Inspection

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Until all Covered Bonds are repurchased or redeemed, the following documents shall be available for inspection (in electronic or paper form) on Business Days, from 9am to 5pm, at the Issuer's offices at Al. Armii Ludowej 26, 00-609 Warsaw, Poland:

- (i) the consolidated text of the Issuer's Articles of Association;
- (ii) the Issuer's financial statements for 2008, prepared in accordance with the International Financial Reporting Standards, audited by PricewaterhouseCoopers Sp. z o. o., along with the auditor's opinion and report, and the Issuer's financial statements for 2007, prepared in accordance with the International Financial Reporting Standards, audited by PricewaterhouseCoopers Sp. z o. o., along with the auditor's opinion and report;
- (iii) the Issuer's condensed financial statements for the first half of 2009, prepared in accordance with the International Financial Reporting Standards, containing comparable data for the first half of 2008, reviewed by PricewaterhouseCoopers Sp. z o. o., along with the auditor's review report,
- (iv) this Prospectus along with all its Supplements; and
- (v) the Issuer's annual financial statements for the subsequent financial years ending prior to the completion of the Programme, however no sooner than before the repurchase/redemption of all Covered Bonds issued under the Programme.

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## XVI. Securities Note (Terms and Conditions of Covered Bond Issues under the Programme)

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### **Terms and Conditions of the Covered Bond Issue**

The Issue Terms and Conditions define the rights and obligations arising out of Covered Bonds issued under the Programme. The Issue Terms and Conditions for a given series of Covered Bonds shall be supplemented with the final terms and conditions for a given series of Covered Bonds set forth in a supplement to this Prospectus ("the Supplement"). The form of the Supplement is attached to Chapter XXI of this Prospectus. Complete information on the Issuer and the Offering may be obtained exclusively by analysing both the contents of the Prospectus and the Supplement. In performance of the provisions of Art. 7.2 in conjunction with Art. 6.9 of the Covered Bond Act, the Supplement will be accompanied by a representation, signed by the Trustee, to the effect that the issue of Covered Bond of the series which a given Supplement concerns is in accordance with the Covered Bond Act and that the issue of Covered Bonds of a given series does not breach the limits specified in Art. 18 of the Covered Bond Act. In the representation, the Trustee shall state that the Issuer has made appropriate entries in the Covered Bonds Collateral Register, described in Section 20 of this Chapter.

#### **1. Form of Covered Bonds**

Covered Bonds are securities issued under Art. 3.1 (Mortgage Covered Bonds) and Art. 3.2 (Public Sector Covered Bonds) of the Covered Bond Act. Pursuant to Art. 3.1-2 and Art. 7.1 of the Covered Bond Act, Covered Bonds are dematerialised bearer securities.

The rights attached to Covered Bonds arise when Covered Bonds are for the first time registered in the securities account in the name of its holder. The holder of the securities account in which Covered Bonds are registered is considered the only person entitled to exercise the rights attached to Covered Bonds. Transfer of rights attaching to a Covered Bond is effective when a relevant entry is made in the securities account of the buyer of Covered Bonds. Covered Bonds are kept in deposit by the National Depository for Securities, ul. Książęca 4, 00-498 Warsaw, Poland. In accordance with Art. 5.3 of the Act on Trading in Financial Instruments, dated July 29th 2005 (Dz. U. No. 183, item 1538), the Issuer is required to conclude with the National Depository for Securities an agreement to register Covered Bonds offered in the Public Offering in the depository.

#### **2. Status of Covered Bonds**

Covered Bonds are a direct and unconditional commitment of the Issuer to provide the Holders of Covered Bonds with the benefits specified in these Issue Terms and Conditions and in the Supplement. The Issuer's liabilities under Covered Bonds rank *pari passu* with those under any other mortgage or public sector covered bonds that have been or will be issued by the Issuer.

In the event that the Issuer is declared bankrupt, the Issuer's claims, right and resources described in Art. 18.3 of the Covered Bond Act which served as the basis for the issue of Covered Bonds shall constitute a separate pool of assets which will be applied to satisfy in the first place the claims of creditors under covered bonds issued by the Issuer, including under Covered Bonds issued as part of the Programme. After creditors' claims under Covered Bonds are satisfied, any excess of assets from the separate pool is classified as bankruptcy estate, serving to satisfy the claims of the Issuer's creditors other than Holders of Covered Bonds (see Art. 442 of the Bankruptcy Law).

#### **3. Monetary Liabilities under Covered Bonds**

The Issuer is obliged under Covered Bonds to pay to the Holders monetary benefits in the form of the Interest Amount and the Maturity Amount.

#### **4. Interest Rate and Currency of Covered Bonds**

Covered Bonds shall be denominated in the zloty. Covered Bonds may also be denominated in USD (American dollars) or EUR (euro). The currency of issue of a given Covered Bond series shall be each time determined and published prior to the subscription of a given Covered Bond series in an appropriate Supplement.

Covered Bonds are interest-bearing instruments. The interest rate for all Covered Bonds of a single series shall be the same.

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Interest accrues on the par value of each Covered Bond from the Interest Commencement Date until (and including) the day immediately preceding the Maturity Date for Covered Bonds of a given series. Interest on a Covered Bond shall cease to accrue on the date on which such Covered Bond is redeemed or repurchased.

Interest on Covered Bonds of a given series shall accrue at the Fixed Interest Rate or the Variable Interest Rate, as specified in the Supplement for Covered Bonds of the given series.

### **5. Fixed Rate Covered Bonds**

If pursuant to the detailed terms and conditions of a Covered Bond issue, as laid down in the Supplement, the interest on Covered Bonds of a given series is based on the Fixed Interest Rate, then the interest on the Covered Bonds of such series shall accrue at an annual rate (expressed as a percentage) equal to the Fixed Interest Rate and shall be payable in arrears on each Interest Payment Date. If the Supplement specifies the Fixed Interest Amounts, the Interest Amount payable on each Interest Payment Date shall be equal to the Fixed Interest Amount assigned to such Interest Payment Date.

### **6. Variable Rate Covered Bonds**

If pursuant to the final terms and conditions of a Covered Bond issue, as laid down in the Supplement, the interest on Covered Bonds of a given series is based on the Variable Interest Rate, the Interest Rate for a given Interest Period shall be set individually for each Interest Period in a manner defined in the Supplement, and the interest on Covered Bonds of such series shall accrue at an annual rate (expressed as a percentage) equal to the Variable Interest Rate and shall be payable in arrears on each Interest Payment Date. The Variable Interest Rate shall be set individually for each Interest Period. The Variable Interest Rate applicable to a given Interest Period shall be determined by the Issuer as:

1. the Relevant Rate published on the Screen (based on a set of quotations or customarily obtained from one source), or
2. the arithmetic mean of the Relevant Rates quoted by the entities whose Relevant Rates are published on the Screen,

in each case taken from the Screen at the Relevant Time on the Interest Fixing Date relevant for a given Interest Period, or, if the Variable Interest Rate is established based on item (1) and no Relevant Rate is published on the Screen at the Relevant Time on the Interest Fixing Date, or if the Variable Interest Rate is established based on item (2) and fewer than two Relevant Rates are published on the Screen at the Relevant Time on the Interest Fixing Date, subject to the provisions presented below, the Issuer shall compute the Variable Interest Rate as the arithmetic mean of the Relevant Rates offered by the Reference Banks to the leading banks in Warsaw at the Relevant Time on the Interest Fixing Date, with the computation of the arithmetic mean based on the quotations by three Reference Banks remaining after excluding two extreme quotations. If the Relevant Rates are offered by four Reference Banks, the Issuer shall exclude the quotation of such Reference Bank which offers the highest interest rate. If the Relevant Rates are offered only by three Reference Banks, the computations shall be based on all the quotations.

Subject to the provisions presented below, if the Issuer finds that the Relevant Rates are offered by fewer than three Reference Banks, the Variable Interest Rate shall be computed as the arithmetic mean of the annual rates (expressed as a percentage) which – in the opinion of the Issuer – are offered to leading banks operating in the Relevant Market at or about 11am (yet not earlier than at 10am and not later than at 12pm) on the date on which interest rates are usually quoted for the period starting on the Commencement Date of the period whose length corresponds to the Reference Period, by at least two of five leading banks operating in the Relevant Market and selected by the Issuer. In accordance with the provisions presented above, if fewer than two of the banks selected by the Issuer offer interest rates to leading banks operating in the Relevant Market, the Variable Interest Rate shall be the same as set on the previous Interest Fixing Date.

### **7. Computation of Interest Amount**

If the Supplement does not specify the Fixed Interest Amount, the Interest Amount payable under a given Covered Bond for a given period (the Interest Period, in the case of Variable Rate Covered Bonds) shall be established based on the following formula:

$$O = N * SO * FOD$$

where:

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O is the Interest Amount for a given period (Interest Period);

N is the par value per Covered Bond specified in the Supplement;

SO is (i) the Interest Rate (Fixed Interest Rate or Variable Interest Rate for a given Interest Period) or (ii) the Rate of Interest (if the final terms and conditions for Covered Bonds of a given series provide for a Margin), specified in the Supplement or computed in accordance with the final issue terms and conditions presented in the Supplement;

FOD is the amount computed in accordance with the Day Count Convention (specified in the Supplement) and the number of days in a given Interest Period.

### **8. Round-Offs**

In the computation of payments under Covered Bonds:

1. all amounts expressed in percentage terms shall be rounded off to 0.001 percentage point (0.0005% and more shall be rounded up to 0.001%);
2. all payments expressed in PLN shall be rounded off to the nearest PLN 0.01 (PLN 0.005 and more shall be rounded up); and
3. all payments expressed in EUR or USD shall be rounded off to the nearest EUR/USD 0.01 (EUR/USD 0.005 and more shall be rounded up).

### **9. Interest Rate, Rate of Interest, and Interest Amount**

If Covered Bonds of a given series bear interest at the Fixed Interest Rate, such rate shall be specified in the Supplement concerning Covered Bonds of such series.

If Covered Bonds bear interest at the Variable Interest Rate, on the Interest Fixing Date for a relevant Interest Period or on the next Business Day, the Issuer shall announce:

1. the Variable Interest Rate for a given Interest Period;
2. the Rate of Interest for a given Interest Period, computed based on the Variable Interest Rate;
3. the first day of a given Interest Period;
4. the Interest Payment Date in a given Interest Period; and
5. the Interest Amount in a given Interest Period for one Covered Bond.

The above information shall be published in Current Reports, in line with the applicable regulations. Afterwards, the information shall also be published on the website of the Issuer ([www.rhb.com.pl](http://www.rhb.com.pl)) or another website replacing it in connection with a change of the Issuer's name. Information on a change of the website shall be published in a Current Reports, in line with the applicable regulations. The Issuer shall additionally provide the information specified in items (1)-(5) above and concerning the values and dates of payments under Covered Bonds to the National Depository for Securities and the Warsaw Stock Exchange or the Securities Market (depending on what market is specified in the Supplement as the market on which Covered Bonds are traded) in line with the deadlines and dates defined in the regulations of these entities.

The Issuer may appoint a domestic or foreign bank or another credit institution (depending on the currency of the Covered Bond issue) to act as the Calculation Agent for Covered Bonds of a given series. The Calculation Agent's duties include providing information on the matters described in items 1-5 above.

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The information on such appointment shall be published in the Supplement.

### **10. Repurchase of Covered Bonds**

Covered Bonds of a given series shall be repurchased by the Issuer on the Maturity Date by paying the Maturity Amount. The Holder of a Covered Bond may not submit its Covered Bond for repurchase before the Maturity Date defined in the Supplement for Covered Bonds of a given series, except for the situation discussed in Art. 24.2 of the Bond Act in conjunction with Art. 8.1.3 of the Covered Bond Act. Pursuant to that Article, if the Issuer fails to timely fulfil all or part of its obligations under Covered Bonds, the Holder has the right to submit the Covered Bond for immediate repurchase.

Pursuant to Art. 24.3 of the Bond Act in conjunction with Art. 8.1.3 of the Covered Bond Act, in the event that the Issuer is liquidated, Covered Bonds shall be subject to immediate repurchase as of the opening day of the liquidation proceedings.

### **11. Purchase of Own Covered Bonds by the Issuer or Redemption of Covered Bonds**

With a view to meeting the security limits provided for in the Covered Bond Act, the Issuer may:

1. **Purchase** its Covered Bonds in order to place them with the Trustee, provided that such an action is connected with the fulfilment by the Issuer of the obligation specified in Art. 18 of the Covered Bond Act. Pursuant to the Covered Bond Act, Covered Bonds issued by the Issuer and placed with the Trustee are not traded bonds.
2. **Redeem** Covered Bonds if the Maturity Date for Covered Bonds of a given series falls after five years from the Issue Date of such series. To redeem Covered Bonds of a given series, the Issuer shall issue an irrevocable redemption notice specifying the series of Covered Bonds to be redeemed, the Redemption Date and the Redemption Amount. The Issuer shall publish the redemption notice in a Current Report. Afterwards, the redemption notice shall be published on the Issuer's website at [www.rhb.com.pl](http://www.rhb.com.pl). Detailed conditions of redemption of Covered Bonds maturing in more than five years shall each time be presented in the Supplement concerning Covered Bonds of a given series.

### **12. Payments under Covered Bonds**

Payments under Covered Bonds shall be made by the Issuer to the persons holding Covered Bonds on the Record Date set for a given payment.

In each case, the payments shall be made with the intermediation of the National Depository for Securities and in a manner specified in the regulations of the National Depository for Securities and effective on the dates of particular payments. The Holders shall be entitled to interest on overdue payments; the interest shall be equal to the Statutory Interest for the period starting on (and including) the date on which the payment becomes due and ending on the date the payment is made (excluding that date).

### **13. Business Day Convention**

If payment under Covered Bonds is due in accordance with the Issue Terms and Conditions or the detailed Issue Terms and Conditions contained in the Supplement on a day on which is not a Business Day, then – if the Business Day Convention is:

1. the Variable Interest Rate Convention – such payment or action shall be postponed to the next Business Day, unless the day falls in the next calendar month; if such a day falls in the next calendar month then (i) the payment date shall be moved to the day immediately preceding the Business Day, and (ii) any consecutive payment date shall be the last Business Day of the month in which such date would occur if it was not adjusted;
2. the Next Business Day Convention – such payment or action shall be postponed to the next Business Day;
3. the Amended Next Business Day Convention – such payment or action shall be postponed to the next Business Day, unless such day falls in the next calendar month; if such payment date falls in the next calendar month, the payment or action shall be moved to the immediately preceding Business Day;

with the proviso that each next date shall be adjusted in accordance with the relevant Business Day Convention whether or not the previous date was adjusted in accordance with the provisions of item 1 above.

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Actions performed on a date adjusted in accordance with the rules set above shall be deemed performed on due dates.

#### **14. Other Provisions**

The Issuer may, to the extent permitted by law and in accordance with the internal regulations of the National Depository for Securities, assimilate individual series of Covered Bonds into one series.

Covered Bonds shall be issued in accordance with and governed by the Polish law.

Any disputes arising in connection with Covered Bonds shall be resolved exclusively in proceedings before the Polish civilian court with jurisdiction over the Issuer's registered office.

#### **15. Type, Scope, and Form of Collateral, Collateralised Assets**

Covered Bonds shall be issued based on claims and other funds specified in Section 16.3 of this Chapter.

The Issuer maintains and keeps the Covered Bond Collateral Register, described in detail in Section 20 of this Chapter.

The issue of Covered Bonds may only be based on claims entered into the Covered Bond Collateral Register maintained for Mortgage Covered Bonds or Public Sector Covered Bonds, as appropriate.

The loans on which the issues of Mortgage Covered Bonds are secured with mortgage created on the ownership title or perpetual usufruct right to real estate located in Poland. The mortgages securing such loans are entered into the relevant land and mortgage registers as senior mortgages (giving the Bank priority over other mortgages, if any, created on the same real estate).

In accordance with the Covered Bond Act, the amount of a mortgage-backed loan advanced by the Issuer may not exceed the mortgage lending value of mortgaged real estate. The portion of the total amount of the Issuer's claims under mortgage-backed loans granted by the Issuer and acquired claims under mortgage-backed loans advanced by other banks, which is in excess of 60% of the mortgage lending value of real estate may not exceed 30% of the total amount of the Issuer's mortgage-backed claims.

The Public Sector Covered Bonds are based on the Bank's claims under loans advanced to entities considered as having high creditworthiness, described in Section 16.3 of this Chapter. Where the issue of Public Sector Covered Bonds is based on loans advanced to local government institutions, the Bank is obliged to obtain a positive opinion of a regional accounting chamber, valid as at the loan grant date, to the effect that a given local government institution will be able to repay the loan, as such opinion is referred to in Art. 83.2 of the Public Finance Act of June 30th 2005 (Dz.U. No. 249, item 2104).

Pursuant to Art. 442 of the Bankruptcy Law, if a mortgage bank is declared bankrupt, the claims, rights and funds recorded in the covered bonds collateral register constitute a separate pool of assets which will be applied to satisfy primarily the claims of creditors under covered bonds. Any remaining part of the funds from the separate pool is included in the bankruptcy estate of the mortgage bank only after the claims of all creditors under covered bonds are satisfied.

If the separate pool is not sufficient to meet all the claims of creditors under covered bonds, the missing amount is covered with the funds from the bankruptcy estate. Declaration of a mortgage bank bankruptcy does not change the maturity dates of the liabilities towards creditors under covered bonds (cf. Art. 446 of the Bankruptcy Law).

#### **16. Legal Basis for Covered Bond Issue and Admission to Trading on the Regulated Market**

##### **16.1. Body Authorised to Make Decisions on Covered Bond Issue and Admission to Trading on the Regulated Market**

The decision on issue of Covered Bonds of a given series may be made by the Issuer's Management Board acting pursuant to the authorisation granted by the Issuer's General Shareholders Meeting under Resolution No. 1, dated November 17th 2008, adopted by the Issuer's Extraordinary General Shareholders Meeting, attached to Chapter XXI.

##### **16.2 Date and Form of Decision on Issue of Covered Bonds**

On November 17th 2008, the Extraordinary General Shareholders Meeting of the Issuer, attended by the shareholders representing 100% of the share capital, adopted Resolution No. 1 on the issue of mortgage covered bonds and public sector covered bonds and their sale in a public offering.

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### 16.3 Basis for the Covered Bond Issue

Covered Bonds shall be issued and admitted to trading on the regulated market pursuant to Art. 9.1 of the Bond Act in conjunction with Art. 8.1 of the Covered Bond Act and Art. 3.1 of the Public Offering Act, Chapter II (*Scope of the Bank's Activities*) Par. 6.4–5 of the Articles of Association, and Resolution No. 1 of the Extraordinary General Shareholders Meeting dated November 17th 2008.

Pursuant to the provisions of the Covered Bond Act, Covered Bonds are issued on the basis of: (i) in the case of the **Mortgage Covered Bonds** – the Issuer's claims under mortgage-backed loans, entered in the covered bond collateral register in accordance with the Covered Bond Act; as a basis for the Mortgage Covered Bond issue, in the amount of up to 10% of the Issuer's mortgage-backed claims referred to above, the Issuer may also apply its funds: a) (1) invested in securities issued or guaranteed by the National Bank of Poland, the European Central Bank, the governments or central banks of the member states of the European Union, and the Organisation of Economic Cooperation and Development, excluding the states which are restructuring or have restructured their foreign debt during the last five years, or by the State Treasury; (2) invested with the National Bank of Poland; and (3) held in cash; (ii) in the case of **Public Sector Covered Bonds**, the Issuer's claims under: a) (1) the secured portion of loans along with interest due and guarantees or sureties issued by the National Bank of Poland, the European Central Bank, the governments or central banks of the member states of the European Union, the Organisation of Economic Cooperation and Development, excluding the states which are restructuring or have restructured their foreign debt in the last five years, and guarantees or sureties of the State Treasury pursuant to the provisions of separate statutes, or (2) loans advanced to the entities listed in item (1), or (3) the secured portion of loans with interest due and guarantees or sureties of local government institutions, and loans advanced to local government institutions. Public Sector Covered Bond may be issued, for up to 10% of the Issuer's claims under the loans referred to above, also on the basis of funds: (1) invested in securities issued or guaranteed by the National Bank of Poland, the European Central Bank, the governments or central banks of the member states of the European Union, and the Organisation of Economic Cooperation and Development, excluding the states which are restructuring or have restructured their foreign debt during the last five years, or by the State Treasury; (2) placed with the National Bank of Poland; and (3) held in cash.

The general description of the claims which serve as the basis for the Covered Bond issue shall be updated by the Issuer prior to the issue of any subsequent series of Covered Bonds under the Programme and shall be presented in the Supplement.

### 17. Thresholds for the Issue to Be Successful

In Resolution No. 1 of the Extraordinary General Shareholders Meeting, dated November 17th 2008, the Issuer did not define any threshold for a Covered Bond issue to be successful.

### 18. Rules Governing the Taxation of Income Connected with the Holding of and Trade in Covered Bonds on a Regulated Market

The information provided below is of a general nature and is based exclusively on the legal regulations in force at the time when this Prospectus was prepared. Potential investors are recommended to seek professional advice of tax and legal advisors with regard to tax consequences of the holding of and trading in covered bonds.

#### 18.1 Taxation of Interest Income from Covered Bonds

##### 18.1.1. Taxation of Interest Income from Covered Bonds Earned by Domestic Natural Persons

Personal income tax on interest income from covered bonds is collected in accordance with the following rules stipulated in the Polish Personal Income Tax Act:

1. Interest on Covered Bonds is deemed income from monetary capital (Art. 17.1.3 of the Polish Personal Income Tax Act).
2. Interest income on Covered Bonds is not aggregated with other income.
3. Interest income is subject to a flat-rate tax of 19% of the income earned (Art. 30a.1.2 of the Polish Personal Income Tax Act).
4. Income tax is charged on the full amount of income (not reduced by tax-deductible costs).
5. The interest income tax is remitted by the entity paying out the interest (the Issuer).

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6. The tax remitter withholds flat-rate income tax on amounts paid out or made available to a taxpayer and transfers it to the account of the tax office managed by the director competent for the taxpayer's place of residence by the 20th day of the month immediately following the month in which the tax was withheld.
  7. By the end of February of the year immediately following the fiscal year in which the income was earned, the tax remitter is also obliged to send personal information on the income amount, prepared in a predefined format, to the taxpayer and the tax office managed by the director competent for the taxpayer's place of residence.

#### *18.1.2 Taxation of Interest Income from Covered Bonds Earned by Foreign Natural Persons*

As stipulated in the Polish Personal Income Tax Act, interest income earned by foreign natural persons is subject to personal income tax collected in accordance with the following rules:

1. Interest on Covered Bonds is deemed income from monetary capital (Art. 17.1.3 of the Polish Personal Income Tax Act).
2. Interest income on Covered Bonds is not aggregated with other income.
3. Interest income is subject to a flat-rate tax of 19% of the income earned (Art. 30a.1.2 of the Polish Personal Income Tax Act), unless a double-tax treaty to which the Republic of Poland is a party provides otherwise. A tax rate or a tax exemption specified in such a double-tax treaty applies to interest income on Covered Bonds if the taxpayer being a foreign entity earning income from Polish sources provides the tax remitter with a certificate specifying a place of residence abroad for tax purposes (the certificate of residence). The duty to provide such a certificate rests with the foreign entity earning income from Polish sources.
4. Income tax is charged on the full amount of income (not reduced by tax-deductible costs).
5. The interest income tax is remitted by the entity paying out the interest (the Issuer).
6. The tax remitter withholds flat-rate income tax on amounts paid out or made available to a taxpayer and transfers it to the account of the tax office managed by the director competent for the taxpayer's place of residence by the 20th day of the month immediately following the month in which the tax was withheld.
7. By the end of February of the year immediately following the fiscal year in which the income was earned, the tax remitter is also obliged to send personal information on the income amount, prepared in a predefined format, to the taxpayer and the tax office managed by the director competent for the taxation of foreign entities. At the taxpayer's written request, within 14 days from the request submission, the tax remitter is obliged to prepare the personal information referred to above and send it to the taxpayer and the tax office managed by the director competent for the taxation of foreign entities.

#### *18.1.3 Taxation of Interest Income from Covered Bonds Earned by Domestic Legal Persons*

Corporate income tax payable by legal persons with their registered offices in the Republic of Poland is collected in accordance with the rules stipulated in the Polish Corporate Income Tax Act. Interest income from Covered Bonds is aggregated with other income and is subject to taxation in accordance with general rules. The Issuer is not obliged to withhold and transfer tax prepayments with respect to benefits from Covered Bonds.

Pursuant to Art. 19 of the Polish Corporate Income Tax Act, as of January 1st 2004, corporate income tax is payable at the rate of 19% of the tax base.

Under Art. 25.1 of the Polish Corporate Income Tax Act, a legal person earning interest income on Covered Bonds is obliged to disclose the income in a monthly tax return (subject to the provisions of Art. 25.1b of the Polish Corporate Income Tax Act), specifying the amount of income earned (or loss incurred) since the beginning of the fiscal year, and to transfer a monthly tax prepayment to the tax office account. The prepayment is calculated as the difference between the tax payable on income earned since the beginning of the fiscal year and the sum of payments made in the previous months of a given year.

#### *18.1.4 Taxation of Interest Income from Covered Bonds Earned by Foreign Legal Persons*



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Corporate income tax payable by legal persons with registered offices outside the Republic of Poland is collected in accordance with the following rules:

1. Interest income on Covered Bonds is not aggregated with other income.
2. Interest income is subject to a flat-rate tax of 10% of the income earned (Art. 21.1.1 of the Polish Corporate Income Tax Act), unless a double-tax treaty to which the Republic of Poland is a party provides otherwise. A tax rate or a tax exemption specified in such a double-tax treaty applies to interest income on Covered Bonds if the taxpayer being a foreign entity earning income from Polish sources provides the tax remitter with a certificate of residence. The duty to provide such a certificate rests with the foreign entity earning income from Polish sources.
3. Income tax is charged on the full amount of income (not reduced by tax-deductible costs).
4. The interest income tax is remitted by the entity paying out the interest (the Issuer).
5. The tax remitter withholds flat-rate income tax on amounts paid out or made available to a taxpayer and transfers it to the account of the tax office managed by the director competent for the taxation of foreign entities by the 7th day of the month immediately following the month in which the tax was withheld.
6. By the end of the third month of the year immediately following the fiscal year in which the payments were made, the tax remitter is also obliged to send personal information on the payments made and tax withheld, prepared in a predefined format, to the taxpayer and the tax office managed by the director competent for the taxation of foreign entities. At the taxpayer's written request, within 14 days from the request submission, the tax remitter is obliged to prepare the personal information referred to above and send it to the taxpayer and the tax office managed by the director competent for the taxation of foreign entities.

## 18.2 Taxation of Income from Disposal of Covered Bonds

### *18.2.1 Taxation of Domestic Natural Persons*

Income from the disposal of securities is the excess of the proceeds, that is the value of these securities expressed as the price provided for in the sale agreement, over the costs incurred to acquire these securities.

Income from the disposal of securities should be disclosed following the end of the fiscal year in a separate tax return. Pursuant to Art. 45.1a of the Polish Personal Income Tax, such a return should be submitted to the tax office competent for the taxpayer's place of residence by April 30th of the year immediately following the fiscal year in which the income was earned. By the same date, the taxpayer is obliged to pay the personal income tax due, as disclosed in such a tax return. The tax rate applicable to income from the disposal of securities amounts to 19%.

Entities maintaining securities accounts are obliged to send to the taxpayer and the tax office managed by the director competent for the taxpayer's place of residence personal information on the amount of income referred to in Art. 30b.2 of the Polish Personal Income Tax, prepared in a predefined format, by the end of February of the year immediately following a given fiscal year.

### *18.2.2 Taxation of Foreign Natural Persons*

Income earned by foreign natural persons from the disposal of securities is subject to taxation in accordance with the rules described in Section 18.2.1, unless a double-tax treaty to which the Republic of Poland is a party provides otherwise.

Entities maintaining securities accounts are obliged to send to the taxpayer and the tax office managed by the director competent for the taxation of foreign entities personal information on the amount of income referred to in Art. 30b.2 of the Polish Personal Income Tax, prepared in a predefined format, by the end of February of the year immediately following a given fiscal year. At the taxpayer's written request submitted in connection with the taxpayer's intention to leave the territory of the Republic of Poland, within 14 days from the request submission, the tax remitter is obliged to prepare the personal information referred to above and send it to the taxpayer and the tax office managed by the director competent for the taxation of foreign entities.

As a rule, double-tax treaties stipulate that income earned from the disposal of Covered Bonds by tax residents of the countries which have concluded double-tax treaties with Poland is exempt from tax in Poland.

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### *18.2.3 Taxation of Domestic Legal Persons*

Income earned by legal persons from the disposal of Covered Bonds is subject to taxation in accordance with general rules stipulated in the Polish Corporate Income Tax Act. Tax is calculated on the income defined as the difference between the proceeds, that is amount received from the disposal of Covered Bonds, and the costs incurred in connection with the acquisition of Covered Bonds. Income from the disposal of Covered Bonds is aggregated with other income and subject to taxation in accordance with general rules.

The tax rate and manner of tax collection are as described in the section on the taxation of interest income earned by domestic legal persons.

### *18.2.4 Taxation of Foreign Legal Persons*

Income earned by foreign legal persons from the disposal of securities is subject to taxation in accordance with the rules described in Section 18.2.3, unless a double-tax treaty to which the Republic of Poland is a party provides otherwise.

As a rule, double-tax treaties stipulate that income earned from the disposal of Covered Bonds by tax residents of the countries which have concluded double-tax treaties with Poland is exempt from tax in Poland.

### *18.3 Duty on Actions under the Civil Law*

Pursuant to Art. 7.1.1.b) of the Polish Act on Duty on Actions under Civil Law, the sale of rights in securities is subject to duty on actions under civil law at the rate of 1% of the market value of securities being disposed of.

Pursuant to Art. 2.4 of the Act on Duty on Actions under Civil Law, actions under civil law are not subject to the duty on actions under civil law if at least one of the parties to such an action is obliged to pay value-added tax on such an action or such a party is VAT-exempt.

Moreover, the disposal of Covered Bonds performed through the intermediation of investment entities or banks conducting brokerage business is exempt from duty on actions under civil law.

### *18.4 Foreign Currency Regulations*

Expatriation of interest income from Covered Bonds or income from disposal of Covered Bonds, earned by foreign entities in the Republic of Poland is regulated by the provisions of the Foreign Exchange Act of July 27th 2002. Pursuant to Art. 3.1 of the Foreign Exchange Act, cross-border foreign currency transactions involving transfer of the abovementioned income are permitted subject to the provisions of Art. 9 of the said Act. In practice, following the change of foreign currency regulations made on the basis of the Act Amending the Foreign Exchange Act and Other Laws (Dz.U. No. 61, item 410), dated January 26th 2007, Art. 9 does not contain limitations that may apply to Covered Bonds offered for sale by the Issuer. Although Art. 9.5.a) of the Foreign Exchange Act limits the sale in Poland (by non-residents from third countries, as well as by international organisations of which Poland is not a member, both directly and through other entities) of debt securities maturing within one year, with the exception of those acquired in Poland, if we apply the provisions of Art 9.5a) Foreign Exchange Act to the Programme's parameters it should be stated that the provisions do not apply to Covered Bonds offered for sale by the Issuer under the Programme due to their maturity, which exceeds one year (see Chapter II – key parameters of the issue of Covered Bonds) and the place of their purchase.

Art. 9.5 of the Foreign Exchange Act provides for restrictions on disposal in Poland, directly or through the intermediation of other entities, by non-residents from third-party countries (countries other than Poland, which are not member states of the EU), of (i) debt securities with a maturity of less than one year, except those acquired in Poland, and (ii) claims and other rights which are exercised through monetary settlements, except those acquired in Poland or those which have arisen in transactions with residents to the extent that a currency permit is not required.

The abandonment of restrictions and obligations provided for in the Act requires an individual or general currency permit. Individual currency permits are granted by the National Bank of Poland by way of administrative decisions. General currency permits, on the other hand, are granted in accordance with the Regulation of the Minister of Finance on general currency permits dated September 4th 2007 (Dz.U. No. 168, item 1178, as amended).

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**19. Regulated Market on which the Issuer Intends to Introduce Covered Bonds to Public Trading, Planned Trade Commencement Date and Decisions Concerning the Admission of Covered Bonds to Trading on This Market**

Depending on the Series of Covered Bonds, the Issuer intends to introduce Covered Bonds to trading on a regulated exchange market operated by the WSE or a regulated non-exchange market operated by BondSpot S.A. To this end, as soon as permitted under the regulations issued by the National Depository of Securities and the WSE or BondSpot S.A, the Issuer will submit registration statements with respect to Covered Bonds and apply for their admission to trading on the market operated by the Securities Market or the WSE, depending on the provisions of the Supplement.

It is the Issuer's intention that Covered Bonds of individual series issued under the Covered Bond Programme be each time introduced to trading on the market specified in the Supplement.

**20. Covered Bond Collateral Register**

The Issuer manages and keeps the Covered Bond Collateral Register. The Issuer's claims, as well as the rights and funds referred to in Art. 18.3 and Art. 18.4 of the Covered Bond Act and forming a basis for the issue of Covered Bonds are entered as separate items into the Register. The Covered Bond Collateral Register is maintained separately for Mortgage Covered Bonds and Public Sector Covered Bonds. Whenever a mortgage securing the Issuer's claim entered into the Collateral Register for Mortgage Covered Bonds is established, an appropriate entry should be made in the relevant Land and Mortgage Register. Detailed rules governing the maintenance of the Covered Bond Collateral Register are defined in the relevant rules of procedure applied by the Issuer. The form of the Register is based on the form defined under the Polish Financial Supervision Authority's Resolution No. 388/2008 of December 17th 2008.

Pursuant to the provisions of the Covered Bond Act, the Issuer is obliged to announce, in *Monitor Sądowy i Gospodarczy*, prior to the expiry of the three-month period following the end of each of the Issuer's financial years, information on: (i) the total par value of covered bonds issued by the Issuer and outstanding as at the last day of that financial year, and (ii) the total amount of the Issuer's claims and funds entered into the Covered Bond Collateral Register as at the last day of that financial year.

Pursuant to the Covered Bond Act, the Trustee monitors on an ongoing basis whether the Covered Bond Collateral Register is maintained by the Issuer in a correct manner. A disposal to be made by the Issuer with respect to a claim entered into the Covered Bond Collateral Register requires the Trustee's prior written consent. The Trustee's prior written consent is also required for the deletion of any entries in the Covered Bond Collateral Register. By the seventh day of each month, the Trustee is obliged to deliver to the Polish Financial Supervision Authority, a current copy, approved by the Trustee, of the entries in the Covered Bond Collateral Register for the previous month.

**21. Computation of Covered Bond Yield**

The yield on Fixed Rate Covered Bonds will be determined for the Issue Date individually for each series of Covered Bonds (depending on the Issue Price (Selling Price) and the interest rate on a given series of Covered Bonds), and published in an appropriate Supplement prior to the opening of the subscription period for a given series of Covered Bonds.

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## XVII. Terms and Conditions of the Offering; Admission to Trading

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### 1. Terms and Conditions of the Offering (Firm Commitment Underwritten Offering)

1.1 Terms and Conditions, Parameters and Planned Schedule of the Offering, Actions Connected with Placement of Orders

1.1.1 Terms and Conditions

This Prospectus has been prepared in connection with the intended public offering and seeking admission of Mortgage Covered Bonds and Public Sector Covered Bonds ("the Covered Bonds") to trading on a regulated market. Covered Bonds shall be issued pursuant to Resolution No. 1 of the Issuer's Extraordinary General Shareholders Meeting of November 17th 2008 and shall be offered pursuant to Art. 3.1 in conjunction with Art. 21.2.2 of the Public Offering Act, for sale to the public in cycles comprising at least two issues, carried out at intervals of not more than 12 months.

Covered Bonds may be issued in multiple series and offered in accordance with the terms and conditions described in this Chapter and the Supplements, which shall comprise, for each series of the Covered Bonds, detailed terms and conditions of the offering as referred to in Art. 24.1 of the Public Offering Act.

Covered Bonds of each series shall be offered to Invited Investors or Retail Investors, as defined in Section 1.2.1 of this Chapter.

With respect to Covered Bonds of each series a firm commitment underwriting agreement may be concluded, under which the Firm Commitment Underwriter will sell the Covered Bonds to investors (Firm Commitment Underwritten Offering).

If no firm commitment underwriting agreement is concluded with regard to a given series of Covered Bonds or if such an agreement does not cover all offered Covered Bonds of a given series, such Covered Bonds shall be offered to investors in accordance with the ordinary procedure (Ordinary Procedure Offering).

If Covered Bonds of a given series are offered to Invited Investors in a Firm Commitment Underwritten Offering, a bookbuilding process shall be conducted by the Firm Commitment Underwriter prior to the opening of subscription for the Covered Bonds. Based on the results of the bookbuilding process, the Firm Commitment Underwriter shall determine, in consultation with the Issuer, the final parameters for Covered Bonds of a given series. Based on the results of the bookbuilding process, the Firm Commitment Underwriter shall select a group of investors interested in purchasing Covered Bonds, who will then be invited to participate in the subscription for Covered Bonds of a given series.

Detailed information on the number of Covered Bonds of a given series to be issued and offered as well as the opening and closing dates of the subscription period shall be published in the Supplement concerning Covered Bonds of that series.

A Supplement shall be published in line with the rules applicable to the publication of the base issue prospectus, i.e. at the websites of the Issuer and the entities involved in the subscription for Covered Bonds, and in Current Reports. A Supplement shall be published after the bookbuilding process is completed but prior to the opening of the subscription period.

1.1.2 Issue Size

Pursuant to Resolution No. 1 of the Issuer's Extraordinary General Shareholders Meeting of November 17th 2008, the body authorised to adopt a decision to issue Covered Bonds of a given series is the Issuer's Management Board. The Resolution stipulates that the Issuer may issue mortgage and/or public sector Covered Bonds with a total par value of up to PLN 6,000,000,000 (or the EUR or USD equivalent of this amount).

The number of Covered Bonds of a given series to be offered shall be specified in the Supplement concerning Covered Bonds of that series.

The main criterion for determining the number of Covered Bonds of a given series to be offered to Invited Investors shall be the results of the bookbuilding process, in which investors will declare their interest in buying Covered Bonds at specific levels of the Selling Price or interest rates.

The main criterion for determining the number of Covered Bonds of a given series to be offered to Retail Investors shall be an assessment of potential demand for non-equity financial instruments and of the rates of return on other capital investment opportunities available to investors on the Polish market.

In the case of both the offering addressed to Invited Investors and the offering addressed to Retail Investors, additional criteria shall also be taken into account in determining the number of Covered Bonds of a given series to be offered. Such additional criteria include the size and quality of the Issuer's loan portfolio, the level of WIBOR/LIBOR/EURIBOR rates (depending on the currency of Covered Bonds), interest rates on interbank deposits, investors' expectations regarding the level of premium on/discount to the Selling Price relative to the redemption price of Covered Bonds, cost of alternative methods of financing for the Issuer's operations, the Issuer's requirement for debt financing, or cost of the public offering. Other criteria may also be considered, including such that may follow from changes in the regulations governing the capital market as well as in the regulations of the Polish FSA, Polish NDS, WSE or BondSpot.

1.1.3 Opening and Closing Dates of the Offering and Subscription Procedure

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**A. Dates and Place of Acceptance of Subscription Orders for Covered Bonds in a Firm Commitment Underwritten Offering***Dates and Place of Acceptance of Subscription Orders for Covered Bonds to Be Acquired by Invited Investors from the Firm Commitment Underwriter*

The timing of acceptance of subscription orders for Covered Bonds shall be set separately for each series and shall be published in the Supplement concerning Covered Bonds of that series.

Subscription orders for Covered Bonds of each series may be placed by entitled persons at the offices of the Offeror and the offices of the Firm Commitment Underwriter, who in a such case shall accept subscription orders for Covered Bonds prior to their admission to organised trading on the Securities Market or the WSE using the instruction referred to in Art. 70.2 of the Act on Public Trading in Securities. The list of customer service points where investors will be able to place subscription orders for Covered Bonds of a given series shall be specified in an appropriate Supplement.

*Dates and Place of Acceptance of Subscription Orders for Covered Bonds to Be Acquired by Retail Investors from the Firm Commitment Underwriter*

The timing of acceptance of subscription orders for Covered Bonds shall be set separately for each series and shall be published in the Supplement concerning Covered Bonds of that series.

In the case of Covered Bonds of each series offered to Retail Investors, investors purchasing Covered Bonds from the Firm Commitment Underwriter may place subscription orders at the Offeror's customer service points, whose list shall be attached to the relevant Supplement. Subscription orders may also be accepted by the Firm Commitment Underwriter if the Offeror and Firm Commitment Underwriter so agree. In such a case, the Firm Commitment Underwriter shall accept subscription orders for Covered Bonds prior to the admission of Covered Bonds to organised trading on the Securities Market or the WSE using the instruction referred to in Art. 70.2 of the Act on Trading in Financial Instruments. It will also be possible to place orders with entities participating in a distribution consortium with the Offeror, if any. The list of customer service points where investors will be able to place subscription orders for Covered Bonds of a given series shall be specified in an appropriate Supplement.

**B. Bookbuilding Process**

If the issue of Covered Bonds of a given series is addressed to Invited Investors, the subscription for such Covered Bonds shall be preceded by a bookbuilding process. As part of the process, investors invited by the Offeror or the Firm Commitment Underwriter, as referred to in Section 1.2.1 of this Chapter, who are interested in purchasing Covered Bonds from the Firm Commitment Underwriter, will be able to submit purchase declarations concerning Covered Bonds ("Declarations"). Based on the Declarations, the Firm Commitment Underwriter shall establish, in consultation with the Issuer, the final parameters (price or interest rate) for Covered Bonds of a given series, which shall be offered to investors through the intermediation of the Firm Commitment Underwriter. Based on the results of the bookbuilding process, the Firm Commitment Underwriter shall select a group of investors declaring interest in purchasing Covered Bonds, who will then be invited to participate in the offering of Covered Bonds of a given series.

The timing of the bookbuilding process shall be determined separately for each series and specified in the invitations to submit purchase declarations, issued to investors by the Offeror or Firm Commitment Underwriter, who in such a case shall send invitations to submit Declarations prior to the admission of Covered Bonds to organised trading on the Securities Market or the WSE using the instruction specified in Art. 70.2 of the Act on Trading in Financial Instruments. The Firm Commitment Underwriter reserves the right to change the timing of the bookbuilding process for Covered Bonds of a given series. Information on such change, if any, shall be provided to the investors who were sent invitations to submit purchase declarations.

In the case of each series of Covered Bonds, investors purchasing Covered Bonds from the Firm Commitment Underwriter may submit purchase declarations as part of the bookbuilding process at the offices of the Offeror or the Firm Commitment Underwriter. Investors are obliged to submit purchase declarations to the entity that invited them to participate in the bookbuilding process.

Investors submitting Declarations should fill in a form which will be provided before the opening of the bookbuilding process for Covered Bonds of a given series and should specify, among other details, the number of Covered Bonds they would like to purchase as well as the parameters of Covered Bonds, i.e. the Selling Price or the interest rate, at which they declare their interest in purchasing Covered Bonds specified in the Declaration. The decision which parameter of Covered Bonds will be established on the basis of the Declarations shall be made in each case prior to the opening of the bookbuilding process for a given series of Covered Bonds. Investors shall be able to submit Declarations by fax if the Invited Investor and the Offeror or the Firm Commitment Underwriter, as appropriate, agree to such a method of submission.

The number of Covered Bonds that may be specified in one Declaration is not limited, but may not be higher than the number of Covered Bonds of a given series to be issued and offered. An investor may submit one Declaration containing no more than three different offered prices or three different interest rates, as appropriate.

The Declaration form shall be provided by the Offeror and the Firm Commitment Underwriter during the bookbuilding process with respect to Covered Bonds of a given series.

During the time set for the acceptance of the Declarations, an investor may cancel a submitted Declaration. The Declaration should be cancelled by the investor by way of a written statement delivered to such place and at such time as are set for the submission of Declarations.

Based on the bookbuilding results following from the submitted Declarations, the Firm Commitment Underwriter shall decide, in consultation with the Issuer, on the final parameters (the Selling Price or the interest rate) and the number of Covered Bonds of a

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given series to be offered. In addition, the Firm Commitment Underwriter shall select investors to be sent Invitations to place subscription orders for a specified number of Covered Bonds of a given series. If in a Declaration an investor is required to specify the Selling Price for Covered Bonds as the declared parameter, Invitations shall be sent only to those investors whose Declarations specify a price not lower than the finally determined Selling Price at which Covered Bonds of a given series will be sold by the Firm Commitment Underwriter (equal to the Issue Price of Covered Bonds of a given series). If in a Declaration an investor is required to specify an interest rate on Covered Bonds as the declared parameter, Invitations shall be sent only to those investors whose Declarations specify an interest rate not higher than the finally determined interest rate on Covered Bonds of a given series.

Submission of a Declaration does not oblige the Firm Commitment Underwriter or the Offeror to send an Invitation to an investor. However, Invitations may be sent only to those investors from among all investors participating in the bookbuilding process whose declarations meet the condition described above. If an investor is sent an Invitation, such an investor shall be entitled to subscribe for the number of Covered Bonds specified in the Invitation, not higher than the number of Covered Bonds whose purchase the investor proposed in a Declaration, and if the investor places a subscription order, such investor will be obliged to make a payment for the Covered Bonds in accordance with the rules described in Section 1.1.6 of this Chapter and in the Supplement concerning a given series of Covered Bonds.

Persons acting on behalf of an investor should, no later than at the time of submitting a Declaration, provide valid documents confirming their authorisation to represent the investor as well as documents which are required under applicable laws and regulations to effectively purchase Covered Bonds, unless such documents have been already provided in connection with another transaction and can be regarded as valid and up to date.

Invitations shall be sent to investors after closing of the bookbuilding process for Covered Bonds of a given series, within a timeframe specified in the Declaration form. If no invitation is sent to an investor within that timeframe, the Declaration submitted by such an investor shall expire. Invitations shall be sent to investors by the Offeror or the Firm Commitment Underwriter, by fax to the number provided by an investor in a Declaration or otherwise, as agreed with the investor.

### **C. Rules Governing Placement of Subscription Orders for Covered Bonds in a Firm Commitment Underwritten Offering**

#### *Rules Governing Placement of Subscription Orders by Invited Investors Purchasing Covered Bonds from the Firm Commitment Underwriter*

Subscription orders for Covered Bonds purchased from the Firm Commitment Underwriter shall be accepted from the investors to whom Invitations were sent in accordance with the rules set forth in Section 1.1.3, letter B, of this Chapter.

An investor shall be entitled to place a subscription order for such number of Covered Bonds as specified in the Invitation sent to such an investor and not exceeding the number of Covered Bonds the investor declared to purchase during the bookbuilding process.

Placement by an investor of an order for a number of Covered Bonds lower than specified in the Invitation or payment by an investor for a number of Covered Bonds lower than specified in the Invitation may lead to a situation where the investor will be sold no Covered Bonds. Nonetheless, the Firm Commitment Underwriter may decide to sell Covered Bonds to the investor in the number corresponding to the amount paid. If an investor places a subscription order for a number of Covered Bonds greater than specified in the Invitation, such an order shall be treated as an order for the number of the Covered Bonds indicated in the Invitation.

In order to place a subscription order, an investor should fill in a form including the following details:

- Investor's details:
  - first name and surname of natural person / name of legal person / name of unincorporated organisational unit,
  - place of residence / registered office, address,
  - address for correspondence,
  - Personal Identification Number (PESEL) and identification document number or passport number (in the case of natural persons) / Industrial Identification Number (REGON) or other identification number (in the case of Polish legal persons/unincorporated organisational units) or number in the relevant register in the country of origin (in the case of foreign legal persons),
  - currency status (information whether the investor is a resident or non-resident within the meaning of the Foreign Exchange Act),
- number of Covered Bonds subscribed for;
- purchase price per Covered Bond of a given series;
- total amount of payment for Covered Bonds;
- details of the account to which a return of payment, if any, should be made;
- representation to the effect that the investor knows the contents of the Prospectus and the Supplement, including the risk factors described therein, and accepts the terms and conditions governing the acquisition of Covered Bonds;
- Date and signature of the person placing the subscription order.

Persons placing orders on behalf of a legal person or an unincorporated organisational unit should, no later than at the time of placing the order, provide valid documents confirming their authorisation to represent the investor as well as documents which are

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required under applicable laws and regulations to effectively purchase Covered Bonds, unless such documents have been already provided in connection with another transaction and can be regarded as valid and up to date.

The form of a subscription order for Covered Bonds to be purchased from the Firm Commitment Underwriter shall be provided by the Offeror or the Firm Commitment Underwriter during the subscription period for Covered Bonds of a given series.

Any consequences of an inaccurate filling in of the subscription order form shall be borne by the person placing the order.

Subscription orders may be placed by fax if the agreement concluded by the Invited Investor and the entity accepting the order provides for such a possibility.

A subscription order for Covered Bonds shall be irrevocable, unconditional and may not contain any reservations. However, investors should note that by virtue of Art. 51a of the Public Offering Act in the event that a supplement to a prospectus is published after the opening of subscription or sale, a person who submitted a subscription order before the supplement is made available may avoid the legal effect of the subscription by submitting a relevant written statement to one of the customer service points of the investment firm acting as the offeror with respect to the securities within two business days following the date on which the supplement was made available. The right to avoid the legal effect of a subscription order does not apply if a supplement is made available in connection with any misstatements in the prospectus of which the issuer or the selling shareholder became aware following the allotment of the securities or circumstances arising, or of which the issuer or the selling shareholder became aware, following such allotment. The issuer or the selling shareholder may allot securities no earlier than following the end of the period during which an investor may avoid the legal effect of the subscription order.

Along with the subscription order for Covered Bonds, an investor may submit an instruction to deposit the Covered Bonds in such investor's securities account. In such an instruction the investor shall specify the number of the securities account and the name of the bank or brokerage house keeping the account. The instruction shall be irrevocable and may not contain any reservations, and its form shall be included in the subscription order form.

If an investor does not submit a deposit instruction, the allotted Covered Bonds shall be deposited in the issue sponsor's account maintained by the Offeror. In such a case, the investor shall be entitled to collect a confirmation of his acquisition of Covered Bonds from the entity with which the investor submitted the subscription order and to deposit such Covered Bonds in the investor's securities account.

*Rules Governing Placement of Subscription Orders by Retail Investors Purchasing Covered Bonds from the Firm Commitment Underwriter*

Investors may place any number of subscription orders for Covered Bonds, provided that the total number of Covered Bonds subscribed for in all placed subscription orders may not be greater than the number of Covered Bonds of a given series offered for acquisition. The number of offered Covered Bonds of a given series shall be specified in the Supplement concerning Covered Bonds of a given series.

A subscription order for a number of Covered Bonds higher than the number of Covered Bonds of a given series to be issued shall be deemed a subscription order for the maximum number of Covered Bonds of the given series to be issued.

If Covered Bonds are allotted through the company operating a regulated market, investors placing subscription orders for Covered Bonds shall be required to hold an investment account with the entity which accepts their subscription orders. Detailed information on the requirement to hold an investment account in order to be able to place an order for Covered Bonds shall be included in the Supplement concerning Covered Bonds of a given series.

In order to place a subscription order, an investor should fill in three copies of the form including the following details:

- Investor's details:
  - first name and surname of natural person / name of legal person / name of unincorporated organisational unit,
  - place of residence / registered office, address,
  - address for correspondence,
  - Personal Identification Number (PESEL) and identification document number or passport number (in the case of natural persons) / Industrial Identification Number (REGON) or other identification number (in the case of Polish legal persons/ unincorporated organisational units) or number in the relevant register in the country of origin (in the case of foreign legal persons),
  - currency status (information whether the investor is a resident or non-resident within the meaning of the Foreign Exchange Act),
- number of Covered Bonds subscribed for;
- purchase price per Covered Bond of a given series;
- total amount of payment for Covered Bonds;
- details of the account to which a return of payment, if any, should be made;
- representation to the effect that the investor knows the contents of the Prospectus and the Supplement, including the risk factors described therein, and accepts the terms and conditions governing the acquisition of Covered Bonds;
- Date and signature of the person placing the subscription order.

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Persons placing orders on behalf of a legal person or an unincorporated organisational unit should, no later than at the time of placing the order, provide valid documents confirming their authorisation to represent the investor as well as documents which are required under applicable laws and regulations to effectively purchase Covered Bonds, unless such documents have been already provided in connection with another transaction and can be regarded as valid and up to date.

The form of a subscription order for Covered Bonds purchased from the Firm Commitment Underwriter shall be provided by the Offeror during subscription periods for Covered Bonds of a given series. A computer print-out containing all the elements required in a subscription order form and signed by the investor shall be also recognised as a form of subscription order for Covered Bonds. As proof of placement of a subscription order, the person placing the subscription order shall receive one copy of the filled in and placed subscription order.

Any consequences of an inaccurate filling in of the subscription order form shall be borne by the person placing the order.

A subscription order for Covered Bonds shall be irrevocable, unconditional and may not contain any reservations. However, investors should note that pursuant to Art. 51a of the Public Offering Act in the event that a supplement to a prospectus is published after the opening of the subscription or sale, a person who submitted a subscription order before the supplement is made available may avoid the legal effect of the subscription by submitting a relevant written statement to one of the Customer Service Points of the investment firm acting as the offeror with respect to the securities within two business days following the date on which the supplement was made available. The right to avoid the legal effect of a subscription order does not apply if a supplement is made available in connection with any misstatements in a prospectus of which the issuer or the selling shareholder became aware following the allotment of securities or circumstances arising, or of which the issuer or the selling shareholder became aware, following such allotment. The issuer or the selling shareholder may allot securities no earlier than following the end of the period during which an investor may avoid the legal effect of the subscription order.

If the investor is required – pursuant to the Supplement concerning Covered Bonds of a given series – to hold an investment account with the entity which accepts its subscription order, Covered Bonds allotted to the investor shall be deposited in the investment account used to place the subscription order.

If the investor is not required – pursuant to the Supplement concerning Covered Bonds of a given series – to hold an investment account with the entity which accepts its subscription order, the investor will be able to submit, along with the subscription order for Covered Bonds, an instruction to deposit the Covered Bonds in the investor's securities account. In such an instruction, the investor shall specify the number of the securities account and the name of the bank or brokerage house keeping the account. The instruction shall be irrevocable and may not contain any reservations, and its form shall be included in the subscription order form. If an investor does not submit a deposit instruction, the allotted Covered Bonds shall be deposited in the issue sponsor's account maintained by the Offeror. In such a case, the investor shall be entitled to collect a confirmation of acquisition of Covered Bonds from the entity with which the investor placed the subscription order and to deposit such Covered Bonds in the investor's securities account.

Investors may place orders by means of remote communication (e.g. by fax, Internet, telephone) if the agreement between the investor and the entity with which the investor places the subscription order provides for such a possibility.

Dom Inwestycyjny BRE Banku S.A., registered office at ul. Wspólna 47/49, Warsaw, is the data administrator within the meaning of applicable laws on personal data protection.

#### *Acting through a Proxy*

Investors may acquire Covered Bonds through a proxy. Acting through a proxy is subject to the rules and regulations of the entity at which an investor intends to subscribe for Covered Bonds.

The number of powers of proxy is not limited.

#### 1.1.4 Reduction of Subscription Orders and Return of Overpayments to Investors

##### *Invited Investors*

Covered Bonds of a given series offered to Invited Investors shall be allotted to investors by the Firm Commitment Underwriter in the number specified in the subscription orders.

If an investor purchasing Covered Bonds from the Firm Commitment Underwriter makes a payment exceeding the amount payable pursuant to the rules contained in this Prospectus, the overpayment shall be returned by the entity with which the subscription order was placed to the account specified by the investor in the subscription order within seven business days from the allotment of Covered Bonds of a given series.

##### *Retail Investors*

In the case of Covered Bonds of a given series offered to Retail Investors, Covered Bonds shall be allotted to investors by the Firm Commitment Underwriter in the number specified in the subscription orders. If the number of Covered Bonds subscribed for by an investor exceeds the number of Covered Bonds of a given series to be issued, the Covered Bonds shall be allotted by the Firm Commitment Underwriter using one of the following methods:

- in accordance with the proportional reduction principle,
- depending on the time of order placement.



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If Covered Bonds are allotted in accordance with the proportional reduction principle, all received orders shall be reduced proportionately to their size and no fractions of Covered Bonds shall be allotted. If after proportional reduction of subscription orders a number of Covered Bonds remains unallotted, such Covered Bonds shall be allotted (one Covered Bond per person) to the investors who subscribed for the largest number of Covered Bonds.

If Covered Bonds are allotted depending on the time of order placement, Covered Bonds shall be allotted in the number specified in the subscription orders in the case of the orders placed before the date on which the number of Covered Bonds subscribed for reaches the number of Covered Bonds of a given series offered for acquisition. Subscription orders placed on the date on which the number of subscribed Covered Bonds reaches the number of Covered Bonds of a given series offered for acquisition and on the subsequent days shall be reduced proportionately and no fractions of Covered Bonds shall be allotted. If after proportional reduction of subscription orders a number of Covered Bonds remains unallotted, such Covered Bonds shall be allotted (one Covered Bond per person) to the investors who subscribed for the largest number of Covered Bonds and whose orders were reduced.

The method to be used for the allocation of Covered Bonds shall be indicated each time in the Supplement concerning Covered Bonds of a given series.

If an investor purchasing Covered Bonds from the Firm Commitment Underwriter makes a payment in an amount exceeding the product of the allotted Covered Bonds and their Selling Price, the overpayment shall be returned by the entity with which the investor placed the subscription order to the account specified by the investor in the subscription order (if the investor is not required to hold an investment account with the entity which accepts its subscription order) or to the investment account used to place the subscription order (if the investor is required to hold an investment account with the entity which accepts its subscription order), no later than seven business days from the allotment of Covered Bonds of a given series.

The allotment of Covered Bonds may be performed through the IT system of the company operating a regulated market – in such a case relevant information shall be included in the Supplement concerning a given series of Covered Bonds.

#### 1.1.5 Minimum and Maximum Size of a Subscription Order

##### *Covered Bonds Offered to Invited Investors*

An Invited Investor may subscribe for the number of Covered Bonds specified in the Invitation sent to such an investor, which shall not exceed the number of Covered Bonds which the investor declared to purchase during the bookbuilding process. There are no limitations as to the number of Covered Bonds which an investor may declare to purchase in a single Declaration during the bookbuilding process, with the proviso that the maximum number of Covered Bonds to be specified in the Declaration may not exceed the total number of Covered Bonds of a given series issued and offered for acquisition.

##### *Covered Bonds offered to Retail Investors*

A Retail Investor may subscribe for no more Covered Bonds than the number of Covered Bonds of a given series issued and offered for acquisition. The number of issued Covered Bonds of a given series shall be specified in the Supplement concerning Covered Bonds of a given series.

#### 1.1.6 Time and Manner of Payment; Delivery of Securities

##### **A. Payments for Covered Bonds Purchased by Invited Investors from the Firm Commitment Underwriter**

Payment for Covered Bonds purchased by Invited Investors from the Firm Commitment Underwriter should be made in full in the currency of denomination of Covered Bonds of a given series or – in the case of Covered Bonds denominated in the euro or in the U.S. dollar – in the Polish złoty, translated at a rate agreed upon between the Firm Commitment Underwriter and the investor, in such a manner that the payment is credited to the account of the entity accepting the subscription order on the date determined separately for each series of Covered Bonds. Information on the date and form of payment shall be published in the Supplements.

A full payment is understood as the product of the number of Covered Bonds of a given series specified in the Invitation sent to the investor, as referred to in Section 1.1.3, letter B, of this Chapter, and the Selling Price per Covered Bond of that series (equal to the Issue Price of Covered Bonds of that series).

Information on the number of the account to which payment for Covered Bonds purchased by an investor from the Firm Commitment Underwriter should be made shall be available from the Offeror and the Firm Commitment Underwriter during the subscription period for Covered Bonds of a given series and, in addition, shall be provided to investors in the Invitation to place a subscription order.

##### **B. Payments for Covered Bonds Purchased by Retail Investors from the Firm Commitment Underwriter**

Payment for Covered Bonds purchased by Retail Investors from the Firm Commitment Underwriter should be made in full in the Polish złoty and in the case of Covered Bonds denominated in the euro or in the U.S. dollar – in the Polish złoty, translated at a rate determined by the Firm Commitment Underwriter.

If the Retail Investor is required – in order to be able to place its subscription order – to hold an investment account with the entity entitled to accept such subscription orders, at the time of placing an order the Retail Investor shall have funds deposited in the investment account held with the entity accepting its subscription order in an amount sufficient to cover the full payment for subscribed Covered Bonds. Subscription orders for Covered Bonds may be paid for with accounts receivable under concluded but unsettled sale transactions, in line with the rules applicable at a given entity entitled to accept subscription orders.

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If the Retail Investor is not required to hold an investment account with the entity entitled to accept such subscription orders, the Retail Investor shall make a full payment for the Covered Bonds subscribed for in such a manner that the payment is credited to the account of the entity accepting the subscription order on the date determined in the Supplement. Information on the date and form of payment shall be published in the Supplements.

A full payment is understood as the product of the number of Covered Bonds of a given series subscribed for by a Retail Investor, and the Selling Price per Covered Bond of that series (equal to the Issue Price of Covered Bonds of that series), plus commission (if any) charged by the entity accepting the order.

In the event of failure to make a full payment for Covered Bonds, the subscription order shall be deemed null and void in its entirety. Payments for Covered Bonds shall not bear interest.

The entity entitled to accept subscription orders may collect commission in connection with the acquisition of Covered Bonds, in accordance with the internal rules applicable at such entity.

### **C. Delivery of Securities**

Prior to the opening of the Offering, the Issuer shall enter into an agreement with the Polish NDS providing for the registration of Covered Bonds with the Polish NDS. Upon allotment to investors, Covered Bonds of a given series shall be immediately placed in the securities accounts of the persons to whom they were allotted.

Covered Bonds shall be deposited in the investors' investment accounts in accordance with their instructions. If an investor does not submit the instruction to deposit Covered Bonds in a securities account, the Covered Bonds allotted to such investor shall be deposited in the issue sponsor's account maintained by the Offeror. In such a case, the investor shall be entitled to collect a confirmation of the acquisition of Covered Bonds from the entity with which the investor placed the subscription order and to deposit the Covered Bonds in the investor's securities account.

#### **1.1.7 Manner and Time of Publishing Information on the Results of the Public Offering**

The results of the public offering of Covered Bonds of a given series shall be published by the Issuer in a current report within fourteen days from the closing of subscription for Covered Bonds of a given series.

#### **1.1.8 Pre-Emptive Right Exercise Procedure**

Not applicable.

### **1.2 Rules of Distribution and Allotment**

#### **1.2.1 Investors to whom the Offering is Addressed**

In the case of a Firm Commitment Underwritten Offering, the Issuer shall execute a firm commitment underwriting agreement, whereby the Firm Commitment Underwriter shall acquire Covered Bonds of a given series in order to subsequently sell them to investors.

Covered Bonds may be acquired from the Firm Commitment Underwriter by one of the following groups of investors:

- Retail Investors, i.e. natural persons, legal persons and their unincorporated organisational units, both residents and non-residents within the meaning of the Foreign Exchange Act.
- Invited Investors, i.e. natural persons, legal persons and their unincorporated organisational units, both residents and non-residents within the meaning of the Foreign Exchange Act, who were invited to place a subscription order for Covered Bonds on the terms and conditions described in this Chapter.

The investor group to whom Covered Bonds of a given series will be offered shall be selected by the Firm Commitment Underwriter in consultation with the Issuer and specified in the Supplement concerning Covered Bonds of that series. Covered Bonds of the same series shall not be simultaneously offered to both investor groups specified above.

Non-resident investors are advised that Art. 9.5 of the Foreign Exchange Act provides for restrictions on disposal in Poland, directly or through the intermediation of other entities, by non-residents from third-party countries (other than the Republic of Poland, not being the EU member states) of (i) debt securities with maturities of less than one year, other than those acquired in Poland, and (ii) claims and other rights exercisable by way of cash settlements, other than those acquired in Poland or those which arise as a result of transactions executed with residents, to the extent that a currency permit is not required. Waiver of the restrictions and obligations provided for in the Act requires an individual or general currency permit. Individual currency permits are granted by the Governor of the National Bank of Poland by way of administrative decisions. General currency permits, on the other hand, are granted in accordance with the Regulation of the Minister of Finance on general currency permits dated September 4th 2007 (Dz.U. No. 168, item 1178, as amended).

#### **1.2.2 Notification of the Number of Allotted Securities**

An investor is entitled to receive information on the number of Covered Bonds the investor was allotted at the offices of the entity keeping the investor's investment account and in accordance with the rules of procedure followed by that entity, and if the Covered Bonds are deposited in the issue sponsor's account – at the Customer Service Point of the Offeror. Investors should take into

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account that no notifications of the allotment shall be sent unless such a requirement follows from the rules of procedure effective at the entity with which the investor's subscription order was placed.

In particular, trading in Covered Bonds acquired by investors may commence before they learn of the number of Covered Bonds allotted to them, since the commencement of trading in Covered Bonds is not contingent upon notifying the subscribers of the number of Covered Bonds allotted to them. Investors are therefore advised to contact the entities keeping their investment accounts in order to obtain information on the allotment size.

### 1.3 Selling Price/Interest Rate on Covered Bonds

Maximum Selling Price per Covered Bond shall equal 110% of the par value of a Covered Bond of a given series.

Final Selling Price/ interest rate on Covered Bonds shall be set separately for each series of Covered Bonds included in the Programme. The Selling Price/interest rate on particular series of Covered Bonds shall be each time determined and published prior to the opening of subscription for a given series of Covered Bonds in a relevant Supplement.

The main criterion for setting the Selling Price/interest rate on Covered Bonds of a given series as part of an offering addressed to Invited Investors shall be the results of the bookbuilding process in which investors will declare their interest in purchasing Covered Bonds at a specified Selling Price or interest rate.

The main criterion for setting the Selling Price/interest rate on Covered Bonds of a given series as part of an offering addressed to Retail Investors shall be an analysis of rates of return on non-equity financial instruments and other capital investment opportunities available to investors on the Polish market.

In the case of both an offering addressed to Invited Investors and an offering addressed to Retail Investors, additional criteria shall be taken into consideration when setting the Selling Price/interest rate for Covered Bonds of a given series. These will include the size and quality of the Issuer's loan portfolio, WIBOR/LIBOR/EURIBOR rates (depending on the currency of Covered Bonds), interest rates on interbank deposits, investors' expectations regarding the level of premium on/discount to the Selling Price relative to the redemption price of Covered Bonds, cost of alternative methods of financing of the Issuer's operations, or cost of the public offering. Other criteria may also be considered, including such that may follow from changes in the regulations governing the capital market as well as in the regulations of the Polish FSA, Polish NDS, WSE or BondSpot.

An investor placing a subscription order for Covered Bonds shall not bear any additional costs related to such order placement, except for commissions, if any, which the entities accepting the subscription orders in the offering addressed to Retail Investors are entitled to collect. There may also be other costs indirectly connected with the placement of subscription orders for Covered Bonds, including the cost of opening and maintaining an investment account. However, it should be noted that payments for Covered Bonds made by investors shall bear no interest, and in the case of a return of payment, an investor shall not be entitled to any interest or compensation.

### 1.4 Placement and Underwriting

#### 1.4.1 Names and Addresses of Lead Managers of the Entire Offering and its Particular Parts

The Public Offering's Lead Manager is Dom Inwestycyjny BRE Banku S.A., registered office at ul. Wspólna 47/49, Warsaw, Poland. BRE Bank S.A., registered office at ul. Senatorska 18, Warsaw, is also involved in the Offering, as the Firm Commitment Underwriter with respect to the series of Covered Bonds that will be issued as part of the Firm Commitment Underwritten Offering.

#### 1.4.2 Names and Addresses of Paying Agents and Entities Providing Deposit Services

The paying agent and the entity providing deposit services is the National Depository for Securities, registered office at ul. Książęca 4, Warsaw, Poland, as well as the banks and investment firms keeping investment accounts in which Covered Bonds will be deposited.

#### 1.4.3 Names and Addresses of Entities which Agreed to Underwrite the Issue on a Firm Commitment Basis; Names and Addresses of Entities which Agreed to Place the Offering with no Firm Commitment or on a Best Efforts Basis

As part of a Firm Commitment Underwritten Offering, the Issuer intends to enter into a firm commitment underwriting agreement with BRE Bank S.A., registered office at ul. Senatorska 18, Warsaw, Poland, each time prior to the opening of subscription for Covered Bonds of a given series.

The entities which agreed to place the offering with no firm commitment are Dom Inwestycyjny BRE Banku S.A., registered office at ul. Wspólna 47/49, Warsaw, Poland, and BRE Bank S.A., registered office at ul. Senatorska 18, Warsaw, Poland.

The aggregate amount of fees payable by the Issuer to the entities which agreed to place Covered Bonds is not known as at this Prospectus Date since the amount is contingent upon such factors as the maturity dates of Covered Bonds, the issue currency, the exchange rates as at the issue date of Covered Bonds of a given series, and the offering procedure applied in the case of Covered Bonds of a given series. The aggregate amount of fees payable by the Issuer to the entities which agreed to place Covered Bonds shall be published in a Current Report after closing of the subscription for the last series of Covered Bonds.

#### 1.4.4 Underwriting Agreement Execution Date

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The Issuer intends to execute a firm commitment underwriting agreement with respect to Covered Bonds of each series issued in a Firm Commitment Underwritten Offering. The information that such an agreement has been executed and on the key features thereof shall be included in the Supplement for each respective series of Covered Bonds.

## **2. Information on the Terms and Conditions of the Offering (Ordinary Procedure)**

### **2.1 Terms and Conditions, Parameters and Planned Schedule of the Offering, Actions Connected with Placement of Orders**

#### **2.1.1 Terms and Conditions**

This Prospectus was drawn up in connection with the intended public offering and seeking admission of Mortgage and Public Sector Covered Bonds ("Covered Bonds") to trading on a regulated market. The Covered Bonds shall be issued pursuant to Resolution No. 1 of the Issuer's Extraordinary General Shareholders Meeting of November 17th 2008 and shall be offered pursuant to Art. 3.1 in conjunction with Art. 21.2.2 of the Public Offering Act, for sale to the public in cycles comprising at least two issues, carried out at intervals of not more than 12 months.

Covered Bonds may be issued in multiple series and offered in accordance with the terms and conditions described in this Chapter and the Supplements, which shall comprise, for each series of the Covered Bonds, detailed terms and conditions of the offering as referred to in Art. 24.1 of the Public Offering Act.

Covered Bonds of each series shall be offered to Invited Investors or Retail Investors, as defined in Section 2.2.1 of this Chapter.

If Covered Bonds of a given series are offered to Invited Investors, the subscription for Covered Bonds may be preceded by a bookbuilding process. Based on the results of the bookbuilding process, the final parameters (price or interest rate) for Covered Bonds of a given series shall be determined and a group of investors declaring interest in purchasing Covered Bonds shall be selected and then invited to participate in the subscription for Covered Bonds of that series.

If Covered Bonds of a given series are offered to Retail Investors, the parameters (price or interest rate) of Covered Bonds of each series shall be determined each time by the Issuer's Management Board and shall be published in a Supplement.

Detailed information on the number of Covered Bonds of a given series to be issued and offered as well as the opening and closing dates of the subscription period shall be published in the Supplement concerning Covered Bonds of that series.

A Supplement shall be published in line with the rules applicable to the publication of the base issue prospectus, i.e. at the websites of the Issuer and the entities involved in the subscription for Covered Bonds, and in Current Reports. A Supplement shall be published prior to the opening of the subscription period.

#### **2.1.2 Issue Size**

Pursuant to Resolution No. 1 of the Issuer's Extraordinary General Shareholders Meeting of November 17th 2008, the body authorised to adopt a decision to issue Covered Bonds of a given series is the Issuer's Management Board. The Resolution stipulates that the Issuer may issue mortgage and/or public sector Covered Bonds with a total par value of up to PLN 6,000,000,000 (or the EUR or USD equivalent of the amount).

The number of Covered Bonds of a given series to be offered shall be specified in the Supplement concerning Covered Bonds of that series.

If a bookbuilding process is carried out as part of an offering addressed to Invited Investors, its results shall be the main criterion for determining the number of Covered Bonds of a given series to be offered. Otherwise, the main criterion for determining the number of Covered Bonds of a given series to be offered shall be an assessment of potential demand for non-equity financial instruments and of the rates of return on other capital investment opportunities available to investors on the Polish market.

The main criterion for determining the number of Covered Bonds of a given series to be offered to Retail Investors shall be an assessment of potential demand for non-equity financial instruments and of the rates of return on other capital investment opportunities available to investors on the Polish market.

In the case of both the offering addressed to Invited Investors and the offering addressed to Retail Investors, additional criteria shall also be taken into account in determining the number of Covered Bonds of a given series to be offered. Such additional criteria include the size and quality of the Issuer's loan portfolio, the level of WIBOR/LIBOR/EURIBOR rates (depending on the currency of Covered Bonds), interest rates on interbank deposits, investors' expectations regarding the level of premium on/discount to the Issue Price relative to the redemption price of Covered Bonds, cost of alternative methods of financing for the Issuer's operations, the Issuer's requirement for debt financing, or cost of the public offering. Other criteria may also be considered, including such that may follow from changes in the regulations governing the capital market as well as in the regulations of the Polish FSA, Polish NDS, WSE or BondSpot.

#### **2.1.3 Opening and Closing Dates of the Offering and Subscription Procedure**

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## **A. Dates and Place of Acceptance of Subscription Orders for Covered Bonds in an Ordinary Procedure Offering**

### *Dates and Place of Acceptance of Subscription Orders for Covered Bonds to Be Acquired by Invited Investors*

The timing of acceptance of subscription orders for Covered Bonds shall be set separately for each series and shall be published in the Supplement concerning Covered Bonds of that series.

Subscription orders for Covered Bonds of each series may be placed by entitled persons at the offices of the Offeror. The list of customer service points where investors will be able to place subscription orders for Covered Bonds of a given series shall be specified in an appropriate Supplement.

### *Dates and Place of Acceptance of Subscription Orders for Covered Bonds to Be Acquired by Retail Investors*

The timing of acceptance of subscription orders for Covered Bonds shall be set separately for each series and shall be published in the Supplement concerning Covered Bonds of that series.

In the case of Covered Bonds of each series offered to Retail Investors, subscription orders for Covered Bonds may be submitted at the offices of the Offeror. It will also be possible to place orders with entities participating in a distribution consortium with the Offeror, if any. The list of customer service points where investors will be able to place subscription orders for Covered Bonds of a given series shall be specified in an appropriate Supplement.

## **B. Bookbuilding Process**

If the issue of Covered Bonds of a given series is addressed to Invited Investors, the subscription for such Covered Bonds may be preceded by a bookbuilding process. As part of the process, persons referred to in Section 2.2.1 of this Chapter will be able to submit purchase declarations concerning Covered Bonds. Based on the Declarations, demand shall be gauged and the detailed parameters (price or interest rate) for Covered Bonds of a given series shall be determined, and a group of investors declaring interest in purchasing Covered Bonds shall be selected and then invited to participate in the offering of Covered Bonds of that series.

The timing of the bookbuilding process and of acceptance of subscription orders for Covered Bonds shall be determined separately for each series and shall be specified in the invitations to submit purchase declarations, issued to investors by the Offeror or BRE Bank S.A. (using the instruction specified in Art. 70.2.1 of the Act on Trading in Financial Instruments), if agreed upon by the Offeror and BRE Bank S.A. and specified in an appropriate Supplement. The Issuer reserves the right to change the timing of the bookbuilding process for Covered Bonds of a given series. Information on such change, if any, shall be provided to the investors who were sent invitations to submit purchase declarations.

In the case of each series of Covered Bonds, entitled persons may submit purchase declarations as part of the bookbuilding process at the offices of the Offeror or BRE Bank S.A., as appropriate. Investors are obliged to submit purchase declarations to the entity that invited them to participate in the bookbuilding process.

Investors submitting Declarations should fill in a form which will be provided before the opening of the bookbuilding process for Covered Bonds of a given series and should specify, among other details, the number of Covered Bonds they would like to purchase as well as the parameters of Covered Bonds, i.e. the Issue Price or the interest rate, at which they declare their interest in purchasing Covered Bonds specified in the Declaration. The decision which parameter of Covered Bonds will be established on the basis of the Declarations shall be made in each case prior to the opening of the bookbuilding process for a given series of Covered Bonds. Investors shall be able to submit Declarations by fax if the Invited Investor and the Offeror or BRE Bank S.A., as appropriate, agree to such a method of submission.

The number of Covered Bonds that may be specified in one Declaration is not limited, but may not be higher than the number of Covered Bonds of a given series to be issued and offered. An investor may submit one Declaration containing no more than three different offered prices or three different interest rates, as appropriate.

The Declaration form shall be provided to investors during the bookbuilding process with respect to Covered Bonds of a given series.

During the time set for the acceptance of the Declarations, an investor may cancel a submitted Declaration. The Declaration should be cancelled by the investor by way of a written statement delivered to such place and at such time as are set for the submission of Declarations.

Based on the bookbuilding results following from the submitted Declarations, the Issuer shall decide, in consultation with the Offeror and BRE Bank S.A., on the final parameters (price or interest rate) and the number of Covered Bonds of a given series to be offered. In addition, the Issuer shall select, in consultation with the Offeror, investors to be sent Invitations to place subscription orders for a specified number of Covered Bonds of a given series. Invitations shall be sent only to those investors whose Declarations specify a price not lower than the finally determined issue price of Covered Bonds of a given series. If in a Declaration an investor is required to specify an interest rate on Covered Bonds as the declared parameter, Invitations shall be sent only to those investors whose Declarations specify an interest rate not higher than the finally determined interest rate on Covered Bonds of a given series.

Submission of a Declaration does not oblige the Issuer or the Offeror or BRE Bank S.A. to send an Invitation to an investor. However, Invitations may be sent only to those investors from among all investors participating in the bookbuilding process whose declarations meet the condition described above. If an investor is sent an Invitation, such an investor shall be entitled to subscribe for the number of Covered Bonds specified in the Invitation, not higher than the number of Covered Bonds whose purchase the

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investor proposed in a Declaration, and if the investor places a subscription order, such investor will be obliged to make a payment for the Covered Bonds in accordance with the rules described in Section 2.1.6 of this Chapter and in the Supplement concerning Covered Bonds of a given series.

Persons acting on behalf of an investor should, no later than at the time of submitting a Declaration, provide valid documents confirming their authorisation to represent the investor as well as documents which are required under applicable laws and regulations to effectively purchase Covered Bonds, unless such documents have been already provided in connection with another transaction and can be regarded as valid and up to date.

Invitations shall be sent to investors after closing of the bookbuilding process for Covered Bonds of a given series, within a timeframe specified in the Declaration form. If no Invitation is sent to an investor within that timeframe, the Declaration submitted by such an investor shall expire. Invitations shall be sent to investors by the Offeror or BRE Bank S.A., by fax to the number provided by an investor in a Declaration or otherwise, as agreed with the investor.

### **C. Rules Governing Placement of Subscription Orders for Covered Bonds in an Ordinary Procedure Offering**

#### *Rules Governing Placement of Subscription Orders by Invited Investors*

Subscription orders representing the basis for the purchase of Covered Bonds of a given series shall be accepted from the investors to whom Invitations were sent in accordance with the rules set forth in Section 2.1.3, letter B, of this Chapter.

If no bookbuilding process is conducted in an Ordinary Procedure Offering, the Issuer shall send Invitations to Invited Investors in a discretionary manner, i.e. the Issuer shall send Invitations to selected investors to place subscription orders for a number of Covered Bonds of a given series specified by the Issuer.

An investor shall be entitled to place a subscription order for such number of Covered Bonds as specified in the Invitation sent to such an investor and not exceeding the number of Covered Bonds the investor declared to purchase during the bookbuilding process.

Placement by an investor of an order for a number of Covered Bonds lower than specified in the Invitation or payment by an investor for a number of Covered Bonds lower than specified in the Invitation may lead to a situation where the investor will be allotted no Covered Bonds. Nonetheless, the Issuer may decide to allot Covered Bonds to the investor in the number corresponding to the amount paid. If an investor places a subscription order for a number of Covered Bonds greater than specified in the Invitation, such an order shall be treated as an order for the number of the Covered Bonds indicated in the Invitation.

In order to place a subscription order, an investor should fill in a form including the following details:

- Investor's details:
  - first name and surname of natural person / name of legal person / name of unincorporated organisational unit,
  - place of residence / registered office, address,
  - address for correspondence,
  - Personal Identification Number (PESEL) and identification document number or passport number (in the case of natural persons) / Industrial Identification Number (REGON) or other identification number (in the case of Polish legal persons/unincorporated organisational units) or number in the relevant register in the country of origin (in the case of foreign legal persons),
  - currency status (information whether the investor is a resident or non-resident within the meaning of the Foreign Exchange Act),
- number of Covered Bonds subscribed for;
- purchase price per Covered Bond of a given series;
- total amount of payment for Covered Bonds;
- details of the account to which a return of payment, if any, should be made;
- representation to the effect that the investor knows the contents of the Prospectus and the Supplement, including the risk factors described therein, and accepts the terms and conditions governing the acquisition of Covered Bonds;
- date and signature of the person placing the subscription order.

Persons placing orders on behalf of a legal person or an unincorporated organisational unit should, no later than at the time of placing the order, provide valid documents confirming their authorisation to represent the investor as well as documents which are required under applicable laws and regulations to effectively purchase Covered Bonds, unless such documents have been already provided in connection with another transaction and can be regarded as valid and up to date.

The form of a subscription order for Covered Bonds shall be provided to investors during subscription periods for Covered Bonds of a given series.

Any consequences of an inaccurate filling in of the subscription order form shall be borne by the person placing the order.

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Subscription orders may be placed by fax if the agreement executed by the Invited Investor with the entity accepting the order provides for such a possibility.

A subscription order for Covered Bonds shall be irrevocable, unconditional and may not contain any reservations. However, investors should note that pursuant to Art. 51a of the Public Offering Act, in the event that a supplement to a prospectus is published after the opening of the subscription or sale, a person who submitted a subscription order before the supplement is made available may avoid the legal effect of the subscription by submitting a relevant written statement to one of the Customer Service Points of the investment firm acting as the offeror with respect to the securities within two business days following the date on which the supplement was made available. The right to avoid the legal effect of a subscription order does not apply if a supplement is made available in connection with any misstatements in a prospectus of which the issuer or the selling shareholder became aware following the allotment of securities or circumstances arising, or of which the issuer or the selling shareholder became aware, following such allotment. The issuer or the selling shareholder may allot securities no earlier than following the end of the period during which an investor may avoid the legal effect of the subscription order.

Along with the subscription order for Covered Bonds, an investor may submit an instruction to deposit the Covered Bonds in the investor's securities account. In such an instruction, the investor shall specify the number of the securities account and the name of the bank or brokerage house keeping the account. The instruction shall be irrevocable and may not contain any reservations as to value, and its form shall be included in the subscription order form.

If an investor does not submit a deposit instruction, the allotted Covered Bonds shall be deposited in the issue sponsor's account maintained by the Offeror. In such a case, the investor shall be entitled to collect a confirmation of acquisition of Covered Bonds from the entity with which the investor placed the subscription order and to deposit such Covered Bonds in the investor's securities account.

#### *Rules Governing Placement of Subscription Orders by Retail Investors*

Investors may place any number of subscription orders for Covered Bonds, provided that the total number of Covered Bonds subscribed for based on all subscription orders placed may not be greater than the number of Covered Bonds of a given series offered for acquisition. The number of offered Covered Bonds of a given series shall be specified in the Supplement concerning Covered Bonds of a given series.

A subscription order for a number of Covered Bonds higher than the number of Covered Bonds of a given series to be issued shall be deemed a subscription order for the maximum number of Covered Bonds of the given series to be issued.

If Covered Bonds are allotted through the company operating a regulated market, investors placing subscription orders for Covered Bonds shall be required to hold an investment account with the entity which accepts their subscription orders. Detailed information on the requirement to hold an investment account in order to be able to place an order for Covered Bonds shall be included in the Supplement concerning Covered Bonds of a given series.

In order to place a subscription order, an investor should fill in three copies of the form including the following details:

- Investor's details:
  - first name and surname of natural person / name of legal person / name of unincorporated organisational unit,
  - place of residence / registered office, address,
  - address for correspondence,
  - Personal Identification Number (PESEL) and identification document number or passport number (in the case of natural persons) / Industrial Identification Number (REGON) or other identification number (in the case of Polish legal persons/unincorporated organisational units) or number in the relevant register in the country of origin (in the case of foreign legal persons),
  - currency status (information whether the investor is a resident or non-resident within the meaning of the Foreign Exchange Act),
- number of Covered Bonds subscribed for;
- purchase price per Covered Bond of a given series;
- total amount of payment for Covered Bonds;
- details of the account to which a return of payment, if any, should be made;
- representation to the effect that the investor knows the contents of the Prospectus and the Supplement, including the risk factors described therein, and accepts the terms and conditions governing the acquisition of Covered Bonds;
- date and signature of the person placing the subscription order.

Persons placing orders on behalf of a legal person or an unincorporated organisational unit should, no later than at the time of submitting the order, provide valid documents confirming their authorisation to represent the investor as well as documents which are required under applicable laws and regulations to effectively purchase Covered Bonds, unless such documents have been already provided in connection with another transaction and can be regarded as valid and up to date.

The form of a subscription order for Covered Bonds shall be provided to investors during subscription periods for Covered Bonds of a given series. A computer print-out containing all the elements required in a subscription order form and signed by the investor shall be also recognised as a form of subscription order for Covered Bonds. As proof of placement of a subscription order, the person placing the subscription order shall receive one copy of the filled in and placed subscription order.

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Any consequences of an inaccurate filling in of the subscription order form shall be borne by the person placing the order.

A subscription order for Covered Bonds shall be irrevocable, unconditional and may not contain any reservations. However, investors should note that pursuant to Art. 51a of the Public Offering Act, in the event that a supplement to a prospectus is published after the opening of subscription or sale, a person who submitted a subscription order before the supplement is made available may avoid the legal effect of the subscription by submitting a relevant written statement to one of the customer service points of the investment firm acting as the offeror with respect to the securities within two business days following the date on which the supplement was made available. The right to avoid the legal effect of a subscription order does not apply if a supplement is made available in connection with any misstatements in the prospectus of which the issuer or the selling shareholder became aware following the allotment of the securities or circumstances arising, or of which the issuer or the selling shareholder became aware, following such allotment. The issuer or the selling shareholder may allot securities no earlier than following the end of the period during which an investor may avoid the legal effect of the subscription order.

If the investor is required – pursuant to the Supplement concerning Covered Bonds of a given series – to hold an investment account with the entity which accepts its subscription order, Covered Bonds allotted to the investor shall be deposited in the investment account used to place the subscription order.

If the investor is not required – pursuant to the Supplement concerning Covered Bonds of a given series – to hold an investment account with the entity which accepts its subscription order, the investor will be able to submit, along with the subscription order for Covered Bonds, an instruction to deposit the Covered Bonds in the investor's securities account. In such an instruction the investor shall specify the number of the securities account and the name of the bank or brokerage house keeping the account. The instruction shall be irrevocable and may not contain any reservations, and its form shall be included in the subscription order form. If an investor does not submit a deposit instruction, the allotted Covered Bonds shall be deposited in the issue sponsor's account maintained by the Offeror. In such a case, the investor shall be entitled to collect a confirmation of his acquisition of Covered Bonds from the entity with which the investor submitted the subscription order and to deposit such Covered Bonds in the investor's securities account.

Investors may place subscription orders by means of remote communication (e.g. by fax, Internet, telephone) if the agreement between the investor and the entity with which the investor will place a subscription order provides for such a possibility.

Dom Inwestycyjny BRE Banku S.A., registered office at ul. Wspólna 47/49, Warsaw, is the data administrator within the meaning of applicable laws on personal data protection.

#### *Acting through a Proxy*

Investors may acquire Covered Bonds through a proxy. Acting through a proxy is subject to the rules and regulations of the entity at which investors intend to subscribe for Covered Bonds.

The number of powers of proxy is not limited.

#### 2.1.4 Reduction of Subscription Orders and Return of Overpayments to Investors

##### *Invited Investors*

In the case of Covered Bonds of a given series offered to Invited Investors, Covered Bonds shall be allotted to investors by the Issuer in the number specified in the subscription orders.

If an investor purchasing Covered Bonds makes a payment exceeding the amount payable pursuant to the rules contained in this Prospectus, the overpayment shall be returned by the entity with which the subscription order was placed to the account specified by the investor in the subscription order within seven business days from the allotment of Covered Bonds of a given series.

The number of Covered Bonds for which an investor will be entitled to place a subscription order should be equal to the number of Covered Bonds specified in the Invitation sent to such an investor (if a bookbuilding process has been carried out, such number should not exceed the number of Covered Bonds whose purchase the investor proposed in the Declaration). Placement by an investor of an order for a number of Covered Bonds lower than specified in the Invitation or payment by an investor for a number of Covered Bonds lower than specified in the Invitation may lead to a situation where the investor will be allotted no Covered Bonds. Nonetheless, the Issuer may decide to sell Covered Bonds to the investor in the number corresponding to the amount paid. If an investor places a subscription order for a number of Covered Bonds greater than specified in the Invitation, such an order shall be treated as an order for the number of the Covered Bonds indicated in the Invitation.

##### *Retail Investors*

In the case of Covered Bonds of a given series offered to Retail Investors, Covered Bonds shall be allotted to investors by the Issuer in the number specified in the subscription orders. If the number of Covered Bonds subscribed for by an investor exceeds the number of Covered Bonds of a given series to be issued, the Covered Bonds shall be allotted by the Issuer using one of the following methods:

- in accordance with the proportional reduction principle,
- depending on the time of order placement.

If Covered Bonds are allotted in accordance with the proportional reduction principle, all orders which are placed by the investors shall be reduced proportionately to their size and no fractions of Covered Bonds shall be allotted. If after proportional reduction of subscription orders a number of Covered Bonds remains unallotted, such Covered Bonds shall be allotted (one Covered Bond per person) to the investors who subscribed for the largest number of Covered Bonds.



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If Covered Bonds are allotted depending on the time of order placement, Covered Bonds shall be allotted in the number specified in the subscription orders in the case of the orders placed before the date on which the number of Covered Bonds subscribed for reaches the number of Covered Bonds of a given series offered for acquisition. Subscription orders placed on the date on which the number of subscribed Covered Bonds reaches the number of Covered Bonds of a given series offered for acquisition and on the subsequent days shall be reduced proportionately and no fractions of Covered Bonds shall be allotted. If after proportional reduction of subscription orders a number of Covered Bonds remains unallotted, such Covered Bonds shall be allotted (one Covered Bond per person) to the investors who subscribed for the largest number of Covered Bonds and whose orders were reduced.

The method to be used for the allocation of Covered Bonds shall be indicated each time in the Supplement concerning Covered Bonds of a given series.

If an investor purchasing Covered Bonds from the Issuer makes a payment in an amount exceeding the product of the allotted Covered Bonds and their Issue Price, the overpayment shall be returned by the entity with which the investor placed the subscription order to the account specified by the investor in the subscription order (if the investor is not required to hold an investment account with the entity which accepts its subscription order) or to the investment account used to place the subscription order (if the investor is required to hold an investment account with the entity which accepts its subscription order), no later than seven business days from the allotment of Covered Bonds of a given series.

Covered Bonds may be allotted through the IT system of the company operating a regulated market – in such a case, relevant information shall be included in the Supplement concerning Covered Bonds of a given series.

#### 2.1.5 Minimum and Maximum Size of a Subscription Order

##### *Covered Bonds Offered to Invited Investors*

An Invited Investor shall be obliged to subscribe for the number of Covered Bonds specified in the Invitation sent to such an investor, which shall not exceed the number of Covered Bonds of a given series to be issued and offered for acquisition (if a bookbuilding process has been carried out, such number shall not exceed the number of Covered Bonds whose purchase the investor proposed in the Declaration). During the bookbuilding process there are no limitations as to the number of Covered Bonds which an investor may declare to purchase in a single Declaration, with the proviso that the maximum number of Covered Bonds to be specified in the Declaration may not exceed the total number of Covered Bonds of a given series issued and offered for acquisition.

##### *Covered Bonds Offered to Retail Investors*

A Retail Investor may place an order for no more than the number of Covered Bonds of a given series issued and offered for acquisition. The number of issued Covered Bonds of a given series shall be specified in the Supplement concerning Covered Bonds of a given series.

#### 2.1.6 Time and Manner of Payment; Delivery of Securities

##### **A. Payments for Covered Bonds Purchased by Invited Investors**

Payment for Covered Bonds purchased by Invited Investors should be made in full in the currency of denomination of Covered Bonds of a given series or – in the case of Covered Bonds denominated in the euro or in the U.S. dollar – in the Polish zloty, translated at a rate agreed upon between the Issuer and the investor, in such a manner that the payment is credited to the account of the entity accepting the subscription order on the date determined separately for each series of Covered Bonds. Information on the date and form of payment shall be published in the Supplements.

A full payment is understood as the product of the number of Covered Bonds of a given series specified in the Invitation sent to the investor, as referred to in Section 2.1.3, letter B, of this Chapter, and the price per Covered Bond of that series for which the Covered Bonds will be purchased by the investor (equal to the issue price of Covered Bonds of that series).

Information on the number of the account to which payment for Covered Bonds should be made shall be available from the Offeror during the subscription period for Covered Bonds of a given series and, in addition, shall be provided to investors in the Invitation to place a subscription order.

##### **B. Payments for Covered Bonds Purchased by Retail Investors**

Payment for Covered Bonds purchased by Retail Investors should be made in the Polish zloty and – in the case of Covered Bonds denominated in the euro or in the U.S. dollar – in the Polish zloty, translated at a rate determined by the Issuer.

If the Retail Investor is required – in order to be able to place its subscription order – to hold an investment account with the entity entitled to accept such subscription orders, at the time of placing an order the Retail Investor shall have funds deposited in the investment account held with the entity accepting its subscription order in an amount sufficient to cover the full payment for subscribed Covered Bonds. Subscription orders for Covered Bonds may be paid for with accounts receivable under concluded but unsettled sale transactions, in line with the rules applicable at a given entity entitled to accept subscription orders.

If the Retail Investor is not required to hold an investment account with the entity entitled to accept such subscription orders, the Retail Investor shall make a full payment for the Covered Bonds subscribed for in such a manner that the payment is credited to the account of the entity accepting the subscription order on the date determined in the Supplement. Information on the date and form of payment shall be published in the Supplements.

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A full payment is understood as the product of the number of Covered Bonds of a given series subscribed for by a Retail Investor, and the price per Covered Bond of that series for which the Covered Bonds will be purchased by the investor (equal to the issue price of Covered Bonds of that series), plus commission, if any, charged by the entity accepting the subscription order.

In the event of failure to make a full payment for Covered Bonds, the subscription order shall be deemed null and void in its entirety. Payments for Covered Bonds shall not bear interest.

The entity entitled to accept subscription orders may collect commission in connection with the acquisition of Covered Bonds, in accordance with the internal rules applicable at such entity.

## **C. Delivery of Securities**

Prior to the opening of the Offering, the Issuer shall enter into an agreement with the Polish NDS providing for the registration of Covered Bonds with the Polish NDS. Upon allotment to investors, Covered Bonds of a given series shall be immediately placed in the securities accounts of the persons to whom they were allotted.

Covered Bonds shall be deposited in investors' investment accounts in accordance with their instructions. If an investor does not submit the instruction to deposit Covered Bonds in a securities account, the Covered Bonds allotted to such investor shall be deposited in the issue sponsor's account maintained by the Offeror. In such a case, the investor shall be entitled to collect a confirmation of the acquisition of Covered Bonds from the entity with which the investor placed the subscription order and to deposit the Covered Bonds in the investor's securities account.

### **2.1.7 Manner and Time of Publishing Information on the Results of the Public Offering**

The results of the public offering of Covered Bonds of a given series shall be published by the Issuer in a current report within fourteen days from the closing of subscription for Covered Bonds of a given series.

### **2.1.8 Pre-Emptive Right Exercise Procedure**

Not applicable.

## **2.2 Rules of Distribution and Allotment**

### **2.2.1 Investors to whom the Offering is Addressed**

Investors entitled to purchase Covered Bonds in the Ordinary Procedure Offering are:

- Retail Investors, i.e. natural persons, legal persons and their unincorporated organisational units, both residents and non-residents within the meaning of the Foreign Exchange Act.
- Invited Investors, i.e. natural persons, legal persons and their unincorporated organisational units, both residents and non-residents within the meaning of the Foreign Exchange Act, who were invited to place a subscription order for Covered Bonds on the terms and conditions described in this Chapter.

The investor group to whom Covered Bonds of a given series will be offered shall be selected by the Issuer and specified in the Supplement concerning Covered Bonds of that series. Covered Bonds of the same series shall not be simultaneously offered to both investor groups specified above.

Non-resident investors are advised that Art. 9.5 of the Foreign Exchange Act provides for restrictions on disposal in Poland, directly or through the intermediation of other entities, by non-residents from third-party countries (other than the Republic of Poland, not being the EU member states) of (i) debt securities with maturities of less than one year, other than those acquired in Poland, and (ii) claims and other rights exercisable by way of cash settlements, other than those acquired in Poland or those which arise as a result of transactions executed with residents, to the extent that a currency permit is not required. Waiver of the restrictions and obligations provided for in the Act requires an individual or general currency permit. Individual currency permits are granted by the Governor of the National Bank of Poland by way of administrative decisions. General currency permits, on the other hand, are granted in accordance with the Regulation of the Minister of Finance on general currency permits dated September 4th 2007 (Dz.U. No. 168, item 1178, as amended).

### **2.2.2 Notification of the Number of Allotted Securities**

An investor is entitled to receive information on the number of Covered Bonds the investor was allotted at the offices of the entity keeping the investor's investment account and in accordance with the rules of procedure followed by that entity. Investors should take into account that no notifications of the allotment shall be sent unless such a requirement follows from the rules of procedure effective at the entity with which the investor's subscription order was placed.

In particular, trading in Covered Bonds acquired by investors may commence before they learn of the number of Covered Bonds allotted to them, since the commencement of trading in Covered Bonds is not contingent upon notifying the subscribers of the number of Covered Bonds allotted to them. Investors are therefore advised to contact the entities keeping their investment accounts in order to obtain information on the allotment size.

### **2.3 Issue Price / Interest Rate on Covered Bonds**

Maximum Issue Price per Covered Bond shall equal 110% of the par value of a Covered Bond of a given series.

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Final Issue Price/ interest rate on Covered Bonds shall be set separately for each series of Covered Bonds included in the Programme. The Issue Price/interest rate on particular series of Covered Bonds shall be each time determined and published prior to the opening of subscription for a given series of Covered Bonds in a relevant Supplement.

If a bookbuilding process is carried out as part of an offering addressed to Invited Investors, its results shall be the main criterion for determining the Issue Price / interest rate on Covered Bonds of a given series. Otherwise, the main criterion for determining the number of Covered Bonds of a given series to be offered shall be an assessment of potential demand for non-equity financial instruments and of the rates of return on other capital investment opportunities available to investors on the Polish market.

The main criterion for setting the Issue Price/interest rate on Covered Bonds of a given series as part of an offering addressed to Retail Investors shall be an analysis of rates of return on non-equity financial instruments and other capital investment opportunities available to investors on the Polish market.

In the case of both an offering addressed to Invited Investors and an offering addressed to Retail Investors, additional criteria shall be taken into consideration when setting the Issue Price/interest rate for Covered Bonds of a given series. These will include the size and quality of the Issuer's loan portfolio, WIBOR/LIBOR/EURIBOR rates (depending on the currency of Covered Bonds), interest rates on interbank deposits, investors' expectations regarding the level of premium on/discount to the Selling Price relative to the redemption price of Covered Bonds, cost of alternative methods of financing of the Issuer's operations, the Issuer's requirement for debt financing, or cost of the public offering. Other criteria may also be considered, including such that may follow from changes in the regulations governing the capital market as well as in the regulations of the Polish FSA, Polish NDS, WSE, BondSpot, etc.

An investor placing a subscription order for Covered Bonds shall not bear any additional costs related to such order placement, except for commissions, if any, which the entities accepting the subscription orders in the offering addressed to Retail Investors are entitled to collect. There may also be other costs indirectly connected with the placement of subscription orders for Covered Bonds, including the cost of opening and maintaining an investment account. It should also be noted that payments for Covered Bonds made by investors shall bear no interest, and in the case of a return of payment, an investor shall not be entitled to any interest or compensation.

## 2.4 Placement and Underwriting

### 2.4.1 Names and Addresses of Lead Managers of the Entire Offering and its Particular Parts:

The Public Offering's Lead Manager is Dom Inwestycyjny BRE Banku S.A., registered office at ul. Wspólna 47/49, Warsaw, Poland. BRE Bank S.A., registered office at ul. Senatorska 18, Warsaw, Poland has agreed to complete the bookbuilding process described in this Chapter.

### 2.4.2 Names and Addresses of Paying Agents and Entities Providing Deposit Services

The paying agent and the entity providing deposit services is the National Depository for Securities, registered office at ul. Książęca 4, Warsaw, Poland, as well as the banks and investment firms keeping investment accounts in which Covered Bonds will be deposited.

### 2.4.3 Names and Addresses of Entities which Agreed to Underwrite the Issue on a Firm Commitment Basis; Names and Addresses of Entities which Agreed to Place the Offering with no Firm Commitment or on a Best Efforts Basis

In the case of an Ordinary Procedure Offering, the Issuer does not exclude the possibility of entering into a separate standby underwriting agreement for each series of Covered Bonds, no later than before the opening of subscription for Covered Bonds. The Issuer does not intend to enter into a firm commitment underwriting agreement in the case of an Ordinary Procedure Offering.

The entity which agreed to place the offering with no firm commitment is Dom Inwestycyjny BRE Banku S.A., registered office at ul. Wspólna 47/49, Warsaw, Poland. BRE Bank S.A., registered office at ul. Senatorska 18, Warsaw, Poland has agreed to complete the bookbuilding process described in this Chapter.

The aggregate amount of fees payable by the Issuer to the entities which agreed to place Covered Bonds is not known as at this Prospectus Date since the amount is contingent upon such factors as the maturity dates of Covered Bonds, the issue currency, the exchange rates as at the issue date of Covered Bonds of a given series, and the offering procedure applied in the case of Covered Bonds of a given series. The aggregate amount of fees payable by the Issuer to the entities who agreed to place Covered Bonds shall be published in a Current Report after closing of the subscription for the last series of Covered Bonds.

### 2.4.4 Underwriting Agreement Execution Date

The Issuer does not exclude the possibility of executing a standby underwriting agreement, no later than before the opening of subscription for Covered Bonds of a given series. In such a case, relevant information shall be published in the Supplement concerning Covered Bonds of a given series. The Issuer does not intend to execute a firm commitment underwriting agreement in the case of an Ordinary Procedure Offering.

## 3. Admission of Securities to Trading; Trading-Related Arrangements

### 3.1 Information Whether an Application for Admission to Trading shall Be Filed with Respect to the Offered Securities

The Issuer's intention is to apply for Covered Bonds to be admitted and introduced to trading on a regulated market. The Issuer intends to file relevant applications for admission and introduction of Covered Bonds to trading at the time specified in the Supplements concerning Covered Bonds of each series.

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The Issuer's intention is that Covered Bonds be admitted and introduced to trading on the WSE or the Securities Market. The decision on the choice of the listing market will be made separately for each series of Covered Bonds; the listing market for Covered Bonds shall be specified each time in the Supplement concerning Covered Bonds of a given series.

3.2 Regulated Markets or Equivalent Markets on which, to the Issuer's Knowledge, Securities of the Same Class as the Securities Offered or Admitted to Trading under this Prospectus are Admitted to Trading

In the past, the Issuer issued covered bonds which were admitted to trading on a regulated OTC market. As at this Prospectus date the following series of covered bonds issued by the Issuer are traded on the Securities Market operated by BondSpot S.A.:

- mortgage covered bonds, series PA3, traded under the following ISIN code PLRHNHP00037 (admitted to trading on a regulated market on March 12th 2003 and introduced to trading on a regulated market on April 18th 2005);
- public sector covered bonds, series PUA1, traded under the following ISIN code: PLRHNHP00045 (admitted and introduced to trading on a regulated market on August 7th 2007);
- public sector covered bonds, series PUA2, traded under the following ISIN code: PLRHNHP00052 (admitted and introduced to trading on a regulated market on October 10th 2007);
- public sector covered bonds, series PUA3, traded under the following ISIN code: PLRHNHP00078 (admitted and introduced to trading on a regulated market on December 18th 2007);
- public sector covered bonds, series PUA4, traded under the following ISIN code: PLRHNHP00110 (admitted and introduced to trading on a regulated market on October 2nd 2008);
- mortgage covered bonds, series HPA1, traded under the following ISIN code: PLRHNHP00060 (admitted and introduced to trading on a regulated market on December 18th 2007);
- mortgage covered bonds, series HPA2, traded under the following ISIN code: PLRHNHP00086 (admitted and introduced to trading on a regulated market on March 31st 2008);
- mortgage covered bonds, series HPA3, traded under the following ISIN code: PLRHNHP00094 (admitted and introduced to trading on a regulated market on May 13th 2008);
- mortgage covered bonds, series HPA4, traded under the following ISIN code: PLRHNHP00102 (admitted and introduced to trading on a regulated market on June 30th 2008);
- mortgage covered bonds, series HPA5, traded under the following ISIN code: PLRHNHP00128 (admitted and introduced to trading on a regulated market on October 28th 2008);
- mortgage covered bonds, series HPA6, registered under the following ISIN code: PLRHNHP00136 (admitted and introduced to trading on a regulated market on June 10th 2009);
- mortgage covered bonds, series HPA7, registered under the following ISIN code: PLRHNHP00136 (admitted and introduced to trading on a regulated market on July 10th 2009).

3.3 Names and Addresses of Entities under a Binding Obligation to Act as Intermediaries in Secondary Market Trading to Ensure Liquidity by Quoting Buy and Sell Offers; Key Terms and Conditions of Their Obligation

As at this Prospectus date, the Issuer has not entered into any agreement with any intermediary in secondary market trading which would be obliged to ensure liquidity by quoting buy and sell offers.

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## XVIII. Representation Made Pursuant to Commission Regulation (EC) No. 809/2004

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### 1. Representation by the Issuer

As the entity responsible for the information contained in the Prospectus, BRE Bank Hipoteczny Spółka Akcyjna of Warsaw hereby represents that to the best of its knowledge and belief, having taken all reasonable care to ensure that such is the case, the information contained in the Prospectus is true, reliable and in accordance with the facts, and does not omit anything likely to affect its import.

BRE Bank Hipoteczny Spółka Akcyjna

**Sven-Torsten Kain**

Member of the Management Board

**Piotr Cyburt**

President  
of the Management Board

**Krzysztof Czerkas**

Member of the Management Board

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## 2. Representation by the Legal Adviser

Acting on behalf of Lovells (Warszawa) (Spółka partnerska) Poland Branch of Warsaw, the legal adviser, we hereby represent that to the best of our knowledge and belief, having taken all reasonable care to ensure that such is the case, the information contained in those sections of the Prospectus for which the legal advisor is responsible as the entity involved in their preparation, i.e. in the following sections of the Prospectus:

- (i) Chapter V. Interests of Natural and Legal Persons Involved in the Issue or the Offering, Section 2. *Legal Adviser*
- (ii) Chapter VII. Information on the Issuer
- (iii) Chapter XI. Administrative, Management and Supervisory Bodies
- (iv) Chapter XVI. Securities Note (Terms and Conditions of Covered Bond Issues under the Programme)
- (v) Chapter XVIII. Representation Made Pursuant to Commission Regulation (EC) No. 809/2004, Section 2. *Representation by the Legal Adviser,*

is true, reliable and in accordance with the facts, and does not omit anything likely to affect its import.

**Piotr Zawiślak**

Partner

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### 3. Representation by the Financial Adviser

Acting on behalf of BRE Corporate Finance Spółka Akcyjna (*joint-stock company*) of Warsaw, we hereby represent that to the best of our knowledge and belief, having taken all reasonable care to ensure that such is the case, the information contained in those sections of the Prospectus for which BRE Corporate Finance S.A. is responsible, i.e. in the following sections of the Prospectus:

- (i) Chapter II. Summary
- (ii) Chapter III. Risk Factors, Section 1. *Risk Factors Related to the Issuer's Business*, Section 2. Risk Factors Related to the Issuer's Business Environment
- (iii) Chapter V. Interests of Natural and Legal Persons Involved in the Issue or the Offering, Section 3. *Financial Adviser*
- (iv) Chapter VI. Additional Information
- (v) Chapter VIII. Business Overview
- (vi) Chapter X. Trends
- (vii) Chapter XVIII. Representation Made Pursuant to Commission Regulation (EC) No. 809/2004, Section 3. *Representation by the Financial Adviser*

is true, reliable and in accordance with the facts, and does not omit anything likely to affect its import.

**Piotr Gałązka**

President of the Management Board

**Leszek Filipowicz**

Vice-President of the Management Board

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#### 4. Representation by the Offeror

Acting on behalf of Dom Inwestycyjny BRE Banku Spółka Akcyjna (*joint-stock company*) of Warsaw, we hereby represent that to the best of our knowledge and belief, having taken all reasonable care to ensure that such is the case, the information contained in those sections of the Prospectus for which Dom Inwestycyjny BRE Banku S.A. is responsible, i.e. in the following sections of the Prospectus:

- (i) Prospectus's cover page
- (ii) Chapter III. Risk Factors, Section 3. *Risks Connected with the Nature of Covered Bonds and Regulated Market*
- (iii) Chapter V. Interests of Natural and Legal Persons Involved in the Issue or the Offering, Section 4. Offeror
- (iv) Chapter XVII. Information on the Terms and Conditions of the Offering; Admission to Trading
- (v) Chapter XVIII. Representation Made Pursuant to Commission Regulation (EC) No. 809/2004, Section 4. *Representation by the Offeror*
- (vi) Supplement, Sections 7, 8 and 9.

is true, reliable and in accordance with the facts, and does not omit anything likely to affect its import.

**Adam Jaroszewicz**

Vice-President of the Management Board

**Konrad Zawisza**

Attorney-in-fact



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## 5. Representation by the Firm Commitment Underwriter

Acting on behalf of BRE Bank Spółka Akcyjna (*joint-stock company*) of Warsaw, we hereby represent that to the best of our knowledge and belief, having taken all reasonable care to ensure that such is the case, the information contained in those sections of the Prospectus for which BRE Bank S.A. is responsible as the firm commitment underwriter, i.e. in the following sections of the Prospectus:

- (i) Chapter V. Interests of Natural and Legal Persons Involved in the Issue or the Offering, Section 5. *Firm Commitment Underwriter/BRE Bank S.A.*
- (ii) Chapter XVII. Information on the Terms and Conditions of the Offering; Admission to Trading, excluding *Section 3. Admission of Securities to Trading; Trading-Related Arrangements*
- (iii) Supplement, Sections 7-8
- (iv) Chapter XVIII. Representation Made Pursuant to Commission Regulation (EC) No. 809/2004, Section 5. *Representation by the Firm Commitment Underwriter*

is true, reliable and in accordance with the facts, and does not omit anything likely to affect its import.

**Wiesław Thor**

Vice-President of the Management Board

**Hans Dieter Kemler**

Member of the Management Board

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## XIX. List of Information Included in this Prospectus by Reference

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The Issuer 's historical financial information is included in the Prospectus by reference to the Company's periodic financial statements.

This Prospectus contains references to:

- XX. the Issuer's 2008 annual report, released on March 31st 2009 and published on the Issuer's website at [www.rhb.com.pl](http://www.rhb.com.pl), containing the Issuer's financial statements for the period January 1st 2008 – December 31st 2008 along with the auditor's opinion on those statements,
- XXI. the Issuer's 2007 annual report, released on March 31st 2008 and published on the Issuer's website at [www.rhb.com.pl](http://www.rhb.com.pl), containing the Issuer's financial statements for the period January 1st 2007 – December 31st 2007 along with the auditor's opinion on those statements.

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## XX. Definitions

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**Calculation Agent** – the Issuer or other domestic or foreign bank or other credit institution (depending on the currency of the Covered Bonds' issue), provided that such an entity is designated as the Calculation Agent by the Issuer for the purposes of Covered Bonds of a given series.

### **US Securities Act**

The Securities Act of 1933 – the US Securities Act of 1933, as amended (28 Stat. 74, 15 United States Code, Sections 77a-77aa, as amended).

**Reference Banks** – no fewer than three banks selected by the Issuer at its sole discretion from among the banks acting as Money Market Dealers in a given year pursuant to agreements concluded with the National Bank of Poland.

### **Bank, Issuer, Company, BRE Bank Hipoteczny S.A.**

BRE Bank Hipoteczny S.A. of Warsaw.

### **Bank Mortgage Value of Real Estate**

Bank Mortgage Value of Real Estate is a value determined in accordance with the Covered Bond Act, which in the opinion of a mortgage bank reflects the risk associated with real estate serving as collateral for loans advanced by the mortgage bank.

The bank mortgage value of real estate is determined on the basis of the real estate valuation rules applicable at the mortgage bank, as approved by the Financial Supervision Authority.

### **Auditor**

PricewaterhouseCoopers Sp. z o.o., registered office at ul. Armii Ludowej 14, Warsaw, entered under Reg. No. 144 into the register of entities qualified to audit financial statements, maintained by the National Board of Qualified Auditors, audited the Issuer's financial statements for the periods January 1st 2007 – December 31st 2007 and January 1st 2008 – December 31st 2008.

### **BRE Bank**

BRE Bank S.A., registered office at ul. Senatorska 18, Warsaw, Poland.

### **BondSpot Spółka Akcyjna, BondSpot**

BondSpot S.A. of Warsaw, a company operating a regulated, over-the-counter market under the name *Rynek Papierów Wartościowych CeTO*.

### **Issue Price**

The issue price of Covered Bonds in the Ordinary Procedure Offering at which Investors acquire Covered Bonds, equal to the par value, below the par value (issue discount), or above the par value (issue premium).

### **Selling Price**

The selling price of Covered Bonds in the Firm Commitment Underwritten Offering at which Investors purchase Covered Bonds from the Firm Commitment Underwriter, equal to the issue price at which the Firm Commitment Underwriter acquires Covered Bonds, or equal to the par value, below the par value (issue discount), or above the par value (issue premium).

### **Relevant Time**

On or about 11:00 am (but not sooner than 10:00 am and not later than 12:00 pm), Warsaw time, or such other time at which the Relevant Rate is to be displayed on the Screen, in accordance with the information provided on the Screen, or the time specified as the "Relevant Time" in a Supplement.

### **Securities Market**

The CeTO Securities Market (*Rynek Papierów Wartościowych CeTO*) operated by BondSpot Spółka Akcyjna of Warsaw, which is a regulated over-the-counter (OTC) market.

### **Prospectus Date**

The date on which the Financial Supervision Authority approves the Prospectus.

### **Dealers**

DI BRE Bank S.A. and BRE Bank

### **Declarations, Purchase Declarations**

Purchase declarations concerning Covered Bonds of a given series submitted by investors in the bookbuilding process on the terms and conditions specified in Chapter XVII (*Information on the Terms and Conditions of the Offering; Admission to Trading*), Section 1 (*Information on the Terms and Conditions of the Offering (Firm Commitment Underwritten Offering)*) and Section 2 (*Information on the Terms and Conditions of the Offering (Ordinary Procedure)*) of the Prospectus.

### **Financial Adviser**

BRE Corporate Finance S.A. (BRE CF S.A.), registered office at ul. Wspólna 47/49, Warsaw

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**Legal Adviser**

Lovells (Warszawa) (Spółka partnerska) Poland Branch ("Lovells") with registered office at ul. Nowogrodzka 50, Warsaw.

**Prospectus Directive**

Directive 2003/71/EC of the European Parliament and of the Council of November 4th 2003 on the prospectus to be published when securities are offered to the public or admitted to trading, and amending Directive 2001/34/EC (Official Journal of the European Union No. L 345 of December 31st 2003).

**Dz.U.**

The Journal of Laws of the Republic of Poland.

**OJ of the EU**

The Official Journal of the European Union.

**Issue Date**

The date indicated in the Supplement as the date on which the Issuer shall allocate Covered Bonds of the series to which the Supplement relates.

**Interest Payment Date**

The date or dates specified in the Supplement concerning Covered Bonds of a given series as "Designated Interest Payment Dates". If the Interest Payment Dates are not indicated as provided above in the Supplement, the Interest Payment Date shall mean any date which falls after a specific number of months or after a specific date indicated in the Supplement, counting from the previous Interest Payment Date or – in the case of the first Interest Payment Date – from the Interest Commencement Date, and if no such date exists in a given month – the last Business Day of that month after the specific number of months or the specific date.

**Commencement Date**

The first day of a given Interest Period or other date specified as the "Commencement Date" in the Supplement.

**Business Day**

Any date on which banks in Warsaw or the National Depository for Securities perform settlements of money transactions.

**Interest Commencement Date**

In relation to Covered Bonds of a given series, the Issue Date of that Covered Bond series or another date specified as the "Interest Commencement Date" in the Supplement relating to that series.

**Reference Period Commencement Date**

Any date specified in the Supplement as the "Reference Period Commencement Date", and if no such date is specified – the first day of a given Interest Period to which that Reference Period relates.

**Redemption Date**

In relation to Covered Bonds of a given series, any date on which the Covered Bonds of that series are redeemed prior to the Maturity Date, falling five years from the Issue Date of that Covered Bond series.

**Fixing Date**

Any date specified as the "Fixing Date" in the applicable Supplement, and if no such date is specified – the Interest Fixing Date.

**Interest Fixing Date**

In relation to a given Interest Period, the date falling two Business Days prior to the first day of that Interest Period, or other date specified as the "Interest Fixing Date" in the Supplement.

**Record Date**

Any date specified in accordance with the regulations of the National Depository for Securities on which the rights to receive specific payments under a Covered Bond are determined.

**Maturity Date**

The maturity date of Covered Bonds of a given series, specified in the Supplement relating to that Covered Bond series.

**Interest Period Change Date**

In relation to Covered Bonds of a given series, any date specified as the "Interest Period Change Date" in the Supplement relating to that Covered Bond series.

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**Euro, EUR** – the European currency established pursuant to legislative acts of the European Union regarding the implementation of the third stage of the Economic and Monetary Union created in the Treaty establishing the European Union.

### **Business Day Convention**

Any of the conventions described in Chapter XVI (*Covered Bond Issue Terms and Conditions*), Section 13. (*Business Day Convention*), and in relation to Covered Bonds of a given series – one of the conventions specified in the Supplement relating to that Covered Bond series.

### **Next Business Day Convention**

The Business Day Convention specified in Chapter XVI (*Covered Bond Issue Terms and Conditions*), Section 13 (*Business Day Convention*), Subsection 2, and in relation to Covered Bonds of a given series the Next Business Day Convention shall have the meaning assigned to it in the Supplement relating to that Covered Bond series.

### **Day Count Convention**

With respect to the computation of the Interest Amount accrued under a given Covered Bond for a given period, including the first day thereof, but excluding the last day thereof (whether or not such a period corresponds with the Interest Period it shall be referred to in this definition as the "Calculation Period"):

1. if the relevant Supplement specifies conventions "Actual/365" or "Actual/Actual-ISDA<sup>2\*</sup>" – the actual number of days in the Computation Period divided by 365 (or, if part of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in the Calculation Period which fall in a leap year divided by 366, and (B) the actual number of days in the Calculation Period which do not fall in a leap year divided by 365);
2. if the relevant Supplement specifies convention:
  - a. "Actual/365 (Fixed)" – the actual number of days in the Calculation Period divided by 365;
  - b. "Actual/360 (Fixed)" – the actual number of days in the Calculation Period divided by 360; and
3. if the "Actual/Actual- ICMA<sup>\*\*</sup>" convention is specified in the relevant Supplement, and
  - a. the Calculation Period is equal to the Fixing Period or is shorter than the Fixing Period during which it falls – the number of days in the Calculation Period divided by the product of (x) the number of days in the Fixing Period and (y) the number of Fixing Periods falling in a given year; or
  - b. if the Calculation Period is longer than the Fixing Period – the sum of:
    - i. the number of days in the Calculation Period falling in the Fixing Period in which that Calculation Period starts divided by the product of (x) the number of days in that Fixing Period and (xx) the number of Fixing Periods falling in a given year; and
    - ii. the number of days in the Calculation Period falling in the next Fixing Period divided by the product of (x) the number of days in that Fixing Period and (xx) the number of Fixing Periods falling in a given year.

### **Variable Interest Rate Convention**

The Business Day Convention specified in Chapter XVI (*Securities Note (Terms and Conditions of Covered Bond Issues under the Programme)*), Section 13 (*Business Day Convention*), Subsection 1, and in relation to Covered Bonds of a given series, the Variable Interest Rate Convention shall have the meaning assigned to it in the Supplement relating to that Covered Bond series.

**The Group** – the capital group of BRE Bank S.A. including the Issuer.

**WSE or the Warsaw Stock Exchange** – Giełda Papierów Wartościowych w Warszawie S.A., a company operating an official exchange trading market.

### **Mortgage Covered Bonds**

Bearer securities issued based on the Issuer's mortgage-backed claims, under which the Issuer agrees to make specified payments to the Holder.

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\* ISDA (International Swaps and Derivatives Association) is an international association of swap and derivative dealers; Actual/Actual-ISDA is an interest day count convention.

\*\* ICMA (International Capital Market Association) is an international organisation of capital market participants (formerly operating under the name of International Securities Market Association (ISMA)); Actual/Actual-ICMA is an interest day count convention.

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**Retail Investor**

Natural persons, legal entities and non-incorporated organisations of such persons or entities, both residents and non-residents within the meaning of the Foreign Exchange Act, who will subscribe for Covered Bonds issued in the series addressed to Retail Investors.

**Jurisdiction**

Competence of a Polish common court with jurisdiction over the registered office of the Issuer, which shall resolve any disputes related to Covered Bonds.

**National Depository for Securities**

Krajowy Depozyt Papierów Wartościowych S.A. of Warsaw.

**Banking Supervision Commission**

The Polish Banking Supervision Commission.

**Civil Code**

The Polish Civil Code of April 23rd 1964 (Dz.U. No. 16, item 93, as amended).

**Financial Supervision Authority**

The Polish Financial Supervision Authority.

**Commercial Companies Code**

The Polish Commercial Companies Code of September 15th 2000 (Dz.U. No. 94, item 1037, as amended).

**Loan for local government institutions**

A loan for local government institutions for the financing of their operations or a loan for public healthcare centres guaranteed by local government institutions.

**Commercial Loan**

Any loan advanced to entrepreneurs to finance real estate generating income from the lease of usable space.

**Housing Loan**

Any loan advanced to natural persons to meet their housing needs.

**Interest Amount**

The interest amount payable in respect of a given Interest Period, and in relation to Covered Bonds bearing interest at the Fixed Interest Rate – any of the Fixed Interest Amounts specified in the relevant Supplement.

**Fixed Interest Amount**

In relation to a given series of Covered Bonds bearing interest at the Fixed Interest Rate, any amount specified as the "Fixed Interest Amount" in the Supplement relating to that Covered Bond series (if such amounts are specified).

**Representative Amount**

The amount specified as the "Representative Amount" in relation to Covered Bonds of a given series in the applicable Supplement, and if no such amount is defined – any amount which serves as reference in the determination of the terms and conditions of an individual transaction on a specified market and at a specified time.

**Maturity Amount**

In relation to a given Covered Bond, the amount equal to its par value.

**Redemption Amount**

In relation to Covered Bonds of a given series, the amount specified as the "Redemption Amount" in the Supplement relating to that Covered Bond series or an amount computed in accordance with the formula provided in the Supplement, at which one Covered Bond is redeemed at the Redemption Date set for that series.

**LTV (Loan to Value)**

A ratio of indebtedness to the value of real estate serving as loan collateral.

**Covered Bonds**

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Bearer securities with the par value of PLN 1,000 (or its equivalent denominated in EUR or USD) per bond and the total par value of PLN 6,000,000,000 (or its equivalent denominated in EUR or USD), issued by BRE Bank Hipoteczny S.A. pursuant to Resolution No. 1 of November 17th 2008, i.e. as Mortgage Covered Bonds or Public Sector Covered Bonds.

**Margin**

The interest rate per annum or the number of basis points specified in the Supplement as the "Margin" (if provided for in relation to Covered Bonds of a given series).

**IFRS**

International Financial Reporting Standards as endorsed by the European Union.

**Relevant Rate**

The Reference Rate for a period equal to the Reference Period (if applicable or appropriate for the Reference Rate), starting on the Reference Period Commencement Date.

**Statutory Interest**

Interest charged for any delays in payment, specified in the Regulation of the Council of Ministers of December 4th 2008 regarding determination of statutory interest (Dz.U. No. 220, item 1434).

**Offering, Public Offering**

Public offering within the meaning of the Public Offering Act, conducted on the basis of this Prospectus and the Supplements.

**Firm Commitment Underwritten Offering**

Offering under which Covered Bonds will be offered on the basis of a firm commitment underwriting agreement, on the terms and conditions specified in this Prospectus.

**Ordinary Procedure Offering**

Offering comprising Covered Bonds which are not subject to a firm commitment underwriting agreement, offered on the terms and conditions specified in this Prospectus.

**Offeror, DI BRE Bank S.A.**

Dom Inwestycyjny BRE Banku S.A., registered office at ul. Wspólna 47/49, Warsaw, Poland.

**Interest Period**

If a relevant Supplement does not stipulate any other definition, the period beginning on the Interest Commencement Date (including that date) and ending on the first Interest Payment Date (but excluding that date) and any subsequent period beginning on a given Interest Payment Date (including that date) and ending on the next Interest Payment Date (but excluding that date).

**Reference Period**

In relation to the Variable Interest Rate which is to be determined on a given Interest Fixing Date, the period equal to the relevant Interest Period or other period specified as such in the Supplement.

**Fixing Period**

The period from the Fixing Date (including that date) to the next Fixing Date (but excluding that date).

**PAP**

Polska Agencja Prasowa S.A.

**PLN, złoty**

The legal tender in the Republic of Poland, introduced into monetary circulation as of January 1st 1995 by virtue of the Act on Denomination of the Polish Złoty of July 7th 1994 (Dz.U. No. 84, item 386, as amended).

**Customer Service Point**

Customer Service Point of a brokerage house.

**Holder**

In relation to a Covered Bond, a person holding from time to time the securities account in which that Covered Bond is registered.

**Trustee**

The person appointed by the Polish Financial Supervision Authority at the request of the Supervisory Board of a mortgage bank to ensure ongoing monitoring of the appropriateness of collateral created for covered bonds in accordance with the Covered Bond Act.

**Foreign Exchange Act**

The Polish Foreign Exchange Act of July 27th 2002 (Dz.U. No. 141, item 1178, as amended).

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## **Banking Law**

The Polish Banking Law of August 29th 1997 (consolidated text: Dz.U. of 2002, No. 72, item 665, as amended).

## **Law on Financial Instruments**

The Polish Act on Trading in Financial Instruments of July 29th 2005 (Dz.U. No. 183, item 1538) and the Polish Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of July 29th 2005 (Dz.U. No. 184, item 1539).

## **Governing Law**

The Polish law which applies to Covered Bonds and on the basis of which Covered Bonds are issued.

## **Programme, Issue Programme, Covered Bond Programme**

Recurrent issues of Covered Bonds issued in one or multiple series by the Issuer pursuant to Resolution No. 1 of November 17th 2008.

## **Prospectus, Issue Prospectus**

This Prospectus drawn up in accordance with the Prospectus Directive, representing the only legally binding document containing information on the Offering, which is the base prospectus for the Programme, accompanied by relevant Supplements for the purposes of each issue under the Programme.

## **Bankruptcy Law**

The Polish Bankruptcy and Recovery Law of February 28th 2003 (Dz.U. No. 60, item 535, as amended).

## **Public Sector Covered Bonds**

Bearer securities issued based on the Issuer's claims under:

- 1) the secured portion of loans with interest due and guarantees or sureties issued by the National Bank of Poland, the European Central Bank, the governments or central banks of the member states of the European Union, the Organisation of Economic Cooperation and Development, excluding the states which are restructuring or have restructured their foreign debt in the last five years and guarantees or sureties of the State Treasury pursuant to the provisions of separate statutes; or
- 2) loans advanced to the entities listed in item 1; or
- 3) the secured portion of loans with interest due and guarantees or sureties of local government institutions, and loans advanced to local government institutions.

## **Supervisory Board**

The Supervisory Board of BRE Bank Hipoteczny S.A.

## **Current Report**

A current report, prepared by the Issuer, as defined in the Regulation of the Minister of Finance of October 19th 2005 on current and periodic information to be published by issuers of securities (Dz.U. No. 209, item 1744).

## **Prospectus Regulation**

Commission Regulation (EC) No. 809/2004 of April 29th 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (OJ of the EU L 149 of April 30th 2004, as amended).

## **Registry Court**

The District Court for the Capital City of Warsaw in Warsaw, XII Commercial Division of the National Court Register.

## **Fixed Interest Rate**

The Interest Rate defined as a fixed interest rate per annum, expressed in percents.

## **Rate of Interest**

The sum of the Interest Rate and the Margin per annum.

## **Interest Rate**

The Fixed Interest Rate or the Variable Interest Rate.

## **Reference Rate**

In relation to a given series of Covered Bonds bearing interest at the Variable Interest Rate, the interest rate specified in the Supplement relating to that series, and if no such interest rate is specified – the WIBOR rate, if the currency of a given series of Covered Bonds is PLN (or, LIBOR or EURIBOR, if the currency of a given series of Covered Bonds is USD or EUR).

## **Screen**

The relevant screen, section, column or other part of a specific information service (including the Reuter Monitor Money Rates service ("Reuters") or the Bloomberg Professional service ("Bloomberg")) which may be indicated by the Issuer in a given



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Supplement for the purposes of determining the Reference Rate or the Relevant Rate, or another screen, section or column or other part replacing such screen in the information service, or another information service, in each case designated by the person or organisation providing or sponsoring the provision of information to that service for the purposes of obtaining rates or prices comparable with the Relevant Rate.

#### **Articles of Association**

The Articles of Association of BRE Bank Hipoteczny S.A.

#### **Supplement**

The document containing the detailed terms and conditions of the issue, prepared separately for each series of Covered Bonds issued under the Programme, i.e. containing the final terms and conditions of the offering within the meaning of the Prospectus Regulation and the Prospectus Directive, supplementing the base prospectus, published prior to the beginning of the subscription period for Covered Bonds of a given series, pursuant to Art. 7.1 of the Public Offering Act. The form of the Supplement is attached as an Appendix to this Prospectus.

#### **Anti-Trust and Consumer Protection Authority**

The Anti-Trust and Consumer Protection Authority – central government body performing tasks related to prevention of monopolistic practices and promotion of competition and consumer protection.

#### **USD**

The legal tender of the United States of America.

#### **Covered Bond Act, the Act**

The Polish Act on Covered Bonds and Mortgage Banks of August 29th 1997 (consolidated text: Dz.U. of 2003, No. 99, item 919, as amended).

#### **Bond Act**

The Polish Bond Act of June 29th 1995 (consolidated text: Dz.U. of 2001, No. 120, item 1300, as amended).

#### **Act on Trading in Financial Instruments**

The Act on Trading in Financial Instruments of July 29th 2005 (Dz.U. No. 183, item 1538, as amended).

#### **Public Offering Act**

The Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of July 29th 2005 (Dz.U. No. 184, item 1539).

#### **Personal Income Tax Act**

The Polish Personal Income Tax Act of July 26th 1991 (consolidated text: Dz. U. of 2000, No. 14, item 176, as amended).

#### **Corporate Income Tax Act**

The Polish Corporate Income Tax Act of February 15th 1992 (consolidated text: Dz.U. of 2000, No. 54, item 654, as amended).

#### **Anti-Trust and Consumer Protection Act**

The Polish Anti-Trust and Consumer Protection Act of February 16th 2007 (consolidated text: Dz.U. No. 50, item 331).

#### **Accountancy Act**

The Polish Accountancy Act of September 29th 1994 (consolidated text: Dz.U. of 2002, No. 76, item 694, as amended).

#### **Issue Terms and Conditions**

The terms and conditions of the issue of Covered Bonds described in Chapter XVI (Terms and Conditions of Covered Bond Issues under the Programme) of this Prospectus together with additional information contained in the Supplement relating to a given series of Covered Bonds.

#### **Relevant Interest Rate**

The Reference Rate applicable to the Representative Amount, for the period equal to the Reference Period and beginning on the Reference Period Commencement Date.

#### **Relevant Market – in relation to:**

- (i) PLN-denominated Covered Bonds – the Warsaw interbank market
- (ii) EUR-denominated Covered Bonds – the Brussels interbank market
- (iii) USD-denominated Covered Bonds – the London interbank market.

#### **General Shareholders Meeting, Extraordinary General Shareholders Meeting**

The General Shareholders Meeting or the Extraordinary General Shareholders Meeting of BRE Bank Hipoteczny S.A.

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**Invitation**

An invitation to subscribe for Covered Bonds of a given series, issued to an investor on the basis of the Declaration submitted by the investor, on the terms and conditions specified in Chapter XVI (*Information on the Terms and Conditions of the Offering; Admission to Trading*), Section 1 (*Information on the Terms and Conditions of the Offering (Firm Commitment Underwritten Offering)*) and Section 2 (*Information on the Terms and Conditions of the Offering (Ordinary Procedure)*) of the Prospectus.

**Invited Investor**

Natural persons, legal persons and their unincorporated organisational units, both residents and non-residents within the meaning of the Foreign Exchange Act, invited to place a subscription order for Covered Bonds on the terms and conditions described in this Prospectus.

**Management Board, Company's Management Board**

The Management Board of BRE Bank Hipoteczny S.A.

**Amended Next Business Day Convention**

The Business Day Convention specified in Chapter XVI (*Covered Bond Issue Terms and Conditions*), Section 13 (Business Day Convention), Subsection 3, and in relation to a given series of Covered Bonds – the Amended Next Business Day Convention which shall have the meaning assigned to it in the Supplement relating to that Covered Bond series.

**Variable Interest Rate**

A variable interest rate expressed in percents per annum determined separately for each Interest Period.

**ZOZ**

Public healthcare centre (*Zakład Opieki Zdrowotnej*)

**Annual General Shareholders Meeting**

The Annual General Shareholders Meeting of BRE Bank Hipoteczny S.A.

The Articles of Association of the Issuer

**Consolidated Text of**

**THE ARTICLES OF ASSOCIATION  
OF  
BRE Bank Hipoteczny  
Spółka Akcyjna**

**I. GENERAL PROVISIONS**

Par. 1

BRE Bank Hipoteczny Spółka Akcyjna, hereinafter referred to as the "Bank", is a bank operating under the Act on Covered Bonds and Mortgage Banks (hereinafter referred to as the "Act"), the Banking Law, the Commercial Companies Code, other applicable laws, and these Articles of Association.

Par. 2

The Bank's name shall be BRE Bank Hipoteczny Spółka Akcyjna.

The Bank may use the abbreviated name of BRE Bank Hipoteczny S.A.

Par. 3

1. The Bank shall operate in the territory of the Republic of Poland and, subject to applicable permits and approvals, outside the Republic of Poland.
2. The Bank's registered office shall be situated in the capital city of Warsaw, Poland.
3. The Bank shall be incorporated for an unspecified period.

Par. 4

The Bank was founded by: Bank Rozwoju Eksportu Spółka Akcyjna of Warsaw, Poland, and RHEINHYP Rheinische Hypothekenbank Aktiengesellschaft of Frankfurt am Main, the Federal Republic of Germany.

**II. BUSINESS SCOPE**

Par. 5

1. The Bank's business shall consist in the provision of banking services within the scope defined in the

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Act and these Articles of Association (PKD 6512 A).

2. The Bank shall offer its services to natural persons, legal entities and unincorporated organisational units, both in the zloty and foreign currencies.

Par. 6

The Bank's core business shall include:

- 1) origination of mortgage-backed loans;
- 2) origination of non-mortgage-backed loans specified in Art. 3.2 of the Act,
- 3) acquisition of other banks' claims under mortgage-backed loans originated by those banks and claims under non-mortgage-backed loans specified in item 2;
- 4) issue of mortgage covered bonds based on the Banks' claims under:
  - a) mortgage-backed loans originated by the Bank, and
  - b) other banks' claims under mortgage-backed loans originated by those banks, purchased by the Bank;
- 5) issue of public sector covered bonds based on:
  - a) the Bank's claims under non-mortgage-backed loans referred to in item 2 and originated by the Bank,
  - b) other banks' claims under non-mortgage-backed loans originated by those banks, referred to in item 2, purchased by the Bank.

Par. 7

1. In addition to the operations listed in Par. 6, the Bank may only:

- 1) accept term deposits;
- 2) contract loans and borrowings;
- 3) issue bonds, with a proviso that any funds acquired as specified in items 1) – 3) may be used by the Bank only to refinance the activities listed in Par. 6;
- 4) hold securities;
- 5) purchase or acquire shares or equity interests in other entities whose legal form limits the Bank's liability to the funds invested, provided that it is conducive to the Bank's activities, as defined by the provisions of the Act,
- 6) maintain bank accounts for the purposes of servicing investment projects executed with the support of loans advanced by the Bank,
- 7) deliver consultancy and advisory services related to the real estate market, including services related to determining the mortgage lending value of real estate,
- 8) manage the Bank's claims and other banks' claims under the loans referred to in Par. 6 as well as originate such loans on behalf of other banks under agreements concluded with such banks.

2. The Bank may use any free funds to:

- 1) place deposits and acquire securities within the scope specified in Art. 16.1.1, 16.1.3 and 16.1.4 of the Act;
- 2) purchase covered bonds issued by the Bank on the terms and conditions defined in Art. 16.1.2 of the Act, and,
- 3) purchase covered bonds issued by other mortgage banks.

3. The Bank may purchase real estate only to prevent losses under mortgage-backed loans originated by the Bank and only if it is necessary for the purposes of the Bank's operations.

Par.8

1. The Bank may undertake the following steps supporting the activities listed in Par. 6 and Par. 7.1.1–7.1.3 and 7.1.5:

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- 1) sell and buy foreign currencies and receivables denominated in foreign currencies and intermediate in money transfers and foreign-exchange trading settlements,
  - 2) perform activities mitigating currency risk and interest-rate risk, subject to Par. 8.2.
2. If covered bonds are issued in a currency other than the currency of the Bank's claims serving as collateral for such bonds or the currency of the funds referred to in Art. 18.3 of the Act, the Bank shall undertake actions to limit its exposure to foreign exchange risk.
  3. Any operations which under the applicable laws require specific permits or authorisations shall be executed by the Bank upon obtaining such permits and authorisations.

### **III. ORGANISATION OF THE BANK**

#### Par. 9

1. The Bank shall conduct its operations through its Head Office, branches, regional representative offices and other organisational units in Poland and abroad.
2. The Bank may open and close branches, regional representative offices and other organisational units in Poland and abroad.
3. Decisions on opening and closing of organisational units of the Head Office as well as branches, representative offices and other organisational units of Bank shall be made by the Bank's Management Board. Such decisions shall require prior approval of the Supervisory Board.
4. The organisational structure of the Head Office shall comprise divisions, departments, offices, areas and the Management Board Office.
5. The Bank may assign the performance of acquisition activities and preparatory tasks for loan decisions to other institutions, legal or natural persons.
6. The detailed organisational structure of the Bank shall be provided for in the Organisational Rules adopted by the Bank's Management Board.

#### Par. 10

1. The Bank shall operate a management system based on a set of rules and tools designed to support decision-making processes at the Bank and evaluate the Bank's operations.
2. The management system at the Bank shall comprise in particular:
  - 1) a risk management system, and
  - 2) an internal control system.
3. The Management Board shall design and implement the management system and shall ensure its proper functioning.
4. The Supervisory Board shall oversee the implementation of the management system and shall assess its adequacy and efficiency.
5. Detailed rules governing the operation of the management system shall be provided for in the Bank's internal regulations.

#### Par.10a

1. The risk management system shall be used to identify, measure or estimate, and monitor the risk inherent in the Bank's operations in order to ensure that the process of setting and attaining particular objectives related to the Bank's operations functions properly.
2. As part of the risk management system, the Bank shall:
  - 1) apply formal rules designed to measure risk exposures, and risk management rules,
  - 2) apply formal procedures to identify, measure or estimate, and monitor the risk inherent in the Bank's operations, which account for risk exposures expected in the future,
  - 3) apply formal limits to mitigate the risk, and rules of conduct to be followed in the event that the limits are exceeded,

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- 4) apply the adopted management reporting system to monitor the risk,
  - 5) have an organisational structure adjusted to the size and nature of the Bank's risk exposure.

Par.10b

1. The Bank shall operate an internal control system designed to support decision-making processes in order to ensure:
  - 1) effectiveness and efficiency of the Bank's operations,
  - 2) reliability of the financial reporting,
  - 3) compliance with applicable laws and internal regulations.
2. The internal control system shall comprise:
  - 1) risk control mechanisms,
  - 2) assessment of the Bank's compliance with legal provisions and internal regulations,
  - 3) internal audit function designed to assess and evaluate, in an independent and unbiased manner, the adequacy and effectiveness of the internal control system and to issue opinions on the Bank management system, including on the effectiveness of the system used to manage the risk inherent in the Bank's operations.
3. Detailed rules governing the operation of the internal control system shall be provided for in the rules adopted by the Bank's Management Board and approved by the Supervisory Board.

Par. 11

1. Internal regulations in the form of rules of procedure and instructions which relate in particular to the Bank's organisation, operation and policy shall be issued in the form of resolutions by the Bank's Management Board, subject to the provisions of Par. 26.5.
2. Heads of the Bank's organisational units may issue instructions regarding issues which are not reserved for the competence of the Bank's Management Board or other governing bodies of the Bank.

#### **IV. GOVERNING BODIES**

Par. 12

The Bank's governing bodies shall be:

- 1) General Meeting
- 2) Supervisory Board
- 3) Management Board

General Meeting

Par. 13

1. The General Meeting shall be convened as an Ordinary General Meeting or an Extraordinary General Meeting.
2. The Ordinary General Meeting shall be convened by the Bank's Management Board once a year, by the end of May.
3. The Extraordinary General Meeting may be convened as required, by the Bank's Management Board at its initiative or upon the motion of the Supervisory Board or on the demand of shareholders representing in total at least 1/10 (one tenth) of the share capital.
4. The Supervisory Board shall have the right to convene the General Meeting if the Bank's Management Board fails to do so, in accordance with the rules and within the timeframe provided for in these Articles of Association.

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Par. 14

The following issues shall require a resolution of the General Meeting:

- 1) review and approval of the Directors' Report on the Bank's operations and the financial statements for the preceding financial year;
- 2) approval of performance of duties by the members of the Bank's governing bodies,
- 3) distribution of the Bank's net profit or coverage of loss;
- 4) amendments to the Articles of Association;
- 5) appointment and removal from office of the Supervisory Board members and determination of the rules of their remuneration;
- 6) increase or reduction of the Bank's share capital;
- 7) issue of covered bonds referred to in Par. 6.4 and 6.5;
- 8) issue of bonds referred to in Par. 7.1.3;
- 9) liquidation or sale of the entire enterprise of the Bank or merger with another bank;
- 10) selection of liquidators and determination of their remuneration;
- 11) decisions concerning claims for damages caused in the course of establishment, management or supervision of the company;
- 12) determination of the dividend payment date;
- 13) sale or encumbrance of the Bank's real estate where its governing bodies are located;
- 14) issues submitted for consideration by the Supervisory Board;
- 15) issues submitted for consideration by the shareholders in accordance with the procedure provided for in the Articles of Association;
- 16) other issues requiring a resolution of the General Meeting in accordance with the applicable laws or these Articles of Association.

Par. 15

1. Issues to be discussed at the General Meeting should be earlier presented by the Bank's Management Board to the Supervisory Board for consideration.
2. A shareholder or shareholders intending to submit to the General Meeting a motion concerning the Bank's affairs should submit it in writing to the Bank's Management Board at least one month prior to the General Meeting.
3. Any motions submitted by the Bank shareholders shall be presented by the Bank's Management Board, together with its opinion, to the Supervisory Board.
4. The Supervisory Board, at its sole discretion, may decide whether a given motion should be presented to the General Meeting; however, a motion submitted at least a month prior to the meeting date by the shareholders holding jointly at least 1/10 (one tenth) of the share capital must be presented to the General Meeting.

Par. 16

1. The shareholders may participate in the General Meeting personally or through their proxies.
2. The powers of proxy to participate and vote at the General Meeting shall be null and void unless made in writing.

Par. 17

1. Unless the provisions of the Commercial Companies Code provide otherwise, the General Meeting shall be valid irrespective of the number of shares represented.
2. Resolutions of the General Meeting shall be adopted by an absolute majority of votes cast, unless the provisions of the Commercial Companies Code and Par.17.3 below provide otherwise.

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3. Resolutions concerning the issues listed in Par. 14.1, 14.2, 14.3, 14.4, 14.6, 14.7, 14.8 and 14.9 shall be adopted by a majority of at least three-quarters of votes cast.

Par. 18

The provisions of Art. 420.1 and Art. 420.2 of the Commercial Companies Code shall not apply to voting at the General Meeting.

Par. 19

1. The General Meeting shall be opened by the chairman or deputy chairman of the Supervisory Board. In their absence, the General Meeting shall be opened by one of the members of the Supervisory Board or the President of the Management Board.
2. The General Meeting shall appoint its chairman from among the persons entitled to participate in the General Meeting.

Supervisory Board

Par. 20

1. The Supervisory Board shall be composed of five to eight members appointed by the General Meeting for a joint term of office.
2. The mandates of the Supervisory Board members shall expire no later than on the day of the General Meeting approving the financial statements for the last full financial year of membership on the Supervisory Board. The mandate of a Supervisory Board member shall also expire in the event of his/her death, resignation or removal from the Supervisory Board, as of the date of the event causing expiry, unless the resolution on the removal specifies other expiry date.
3. Members of the first-term Supervisory Board shall be appointed for a period of one year. The subsequent terms of office of Supervisory Board members shall be two years.
4. Members of the Supervisory Board may be re-appointed.
5. The mandates of the Supervisory Board members appointed mid-term shall expire upon the end of the term of office of the Supervisory Board.
6. The Supervisory Board or its individual members may be removed from office by the General Meeting before the end of the term.
7. The Bank shall inform the Banking Supervision Commission of the composition of the Supervisory Board and of any changes to the Supervisory Board promptly after the Supervisory Board is appointed or its composition is changed.

Par. 21

The Supervisory Board members may perform their duties only in person.

Par. 22

The Supervisory Board shall appoint its chairman and deputy chairman from among its members.

Par. 23

The Supervisory Board shall operate pursuant to the rules adopted by the Supervisory Board and



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approved by the General Meeting.

Par. 24

1. Resolutions adopted by the Supervisory Board are valid provided that all of its members have been invited and at least half of its members are present at the meeting.
2. Resolutions adopted by the Supervisory Board, including resolutions concerning elections, shall be adopted by an absolute majority of votes and in the event of a voting tie the Chairman of the Supervisory Board shall have the casting vote.
3. Each member of the Supervisory Board shall have one vote.
4. Supervisory Board resolutions shall be recorded in the minutes.
5. The Supervisory Board members may participate in adoption of resolutions by casting their votes in writing with the intermediation of another Supervisory Board member. Written votes may not be cast on any matters placed on the agenda during the Supervisory Board meeting.
6. The Supervisory Board may also adopt resolutions in writing or via means of remote communication. A resolution shall be valid if all of the Supervisory Board members have been informed of the text of the draft resolution and participated in voting by casting their votes.
7. The procedure for adoption of resolutions specified in Par. 24.5 and Par. 24.6 may not be applied to appoint the chairman or deputy chairman of the Supervisory Board, a member of the Management Board or to remove such persons from office or suspend them from duties.

Par. 25

1. The Supervisory Board shall meet as required, but at least three times in a financial year.
2. The Supervisory Board meetings shall be convened by the chairman of the Supervisory Board, acting on his/her own initiative or at the request of the Bank's Management Board or a Supervisory Board member.

Par. 26

The Supervisory Board shall exercise ongoing supervision over the Bank's business. The powers of the Supervisory Board shall include in particular:

- 1) approving the Bank's policy, in particular with respect to lending and issue activities, management of assets and liabilities and risk management;
- 2) approving the Bank's annual financial plans and long-term development programmes;
- 3) approving the Management Board's requests concerning the opening and closing of the organisational units at the Head Office, branches, regional representative offices and other organisational units;
- 4) granting consent to the Bank's Management Board to purchase, encumber or sell real estate, subject to Par. 14.13, and shares and equity interests in other companies; the consent is not required if the purchase or sale is carried out under enforcement, bankruptcy or composition proceedings or other arrangement with the Bank's debtors; in such a case the Bank's Management Board shall inform the Supervisory Board of the above actions;
- 5) issuing rules reserved for the competence of the Supervisory Board and approving the rules issued by the Bank's Management Board concerning lending activities, management of assets and liabilities, risk management, internal control and real estate valuation; the real estate valuation rules shall come into effect upon approval by the Banking Supervision Commission;
- 6) reviewing the Directors' Report on the Bank's operations and the financial statements for the previous financial year in terms of their consistency with the accounting books, documents and the actual state of affairs and reviewing the motions submitted by the Bank's Management Board concerning profit distribution or coverage of loss, and submitting to the General Meeting annual written reports on the findings of such reviews,
- 7) considering other motions and issues which require resolutions by the General Meeting;
- 8) appointing, at the request of the Bank's Management Board, an auditor to audit the Bank's

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- financial statements;
- 9) determining the terms and conditions of the contracts and remuneration for the members of the Bank's Management Board and representing the Bank during execution of the agreements with the Management Board members; and
  - 10) approving the Management Board's motions concerning the Bank's future lending activities abroad.

Par. 27

1. The Supervisory Board shall appoint and remove from office the members of the Management Board, including the President of the Management Board.
2. Two members of the Management Board, including the President, shall be appointed subject to approval of the Banking Supervision Commission. The Supervisory Board shall apply for the approval.
3. The Supervisory Board shall notify the Banking Supervision Commission of the composition of the Management Board and of any changes to the Management Board promptly after the Management Board is appointed or its composition is changed. The Supervisory Board shall also provide the Banking Supervision Commission with information on the members of the Management Board who, as part of the division of powers within the Management Board, are responsible for, in particular, risk management and the internal audit unit.

Management Board

Par. 28

1. The Bank's Management Board shall be composed of three to four members.
2. The Management Board shall be composed of the President of the Management Board and other members of the Management Board.
3. The President and other members of the Management Board shall be appointed for a joint three-year term of office.
4. The mandates of the Management Board members shall expire no later than on the day of the General Meeting approving the financial statements for the last full financial year of membership on the Management Board. The mandate of a Management Board member shall also expire in the event of his/her death, resignation or removal from the Management Board, as of the date of the event causing expiry, unless the resolution on the removal specifies another expiry date.
5. The Management Board members may be at any time removed from office before their term of office expires.
6. The Management Board may adopt resolutions provided that all the members of the Management Board have been duly notified of the Management Board's meeting. In order for the decisions of the Management Board to be valid, at least two members of the Management Board shall be present.
7. Resolutions of the Management Board shall be adopted by an absolute majority of votes.
8. The Management Board may adopt resolutions in writing or via means of remote communication. A resolution shall be valid if all of the Management Board members have been informed of the text of the draft resolution.
9. Decisions on assumption of liabilities or disposal of assets whose total value with respect to one entity exceeds 5% of the Bank's equity shall be made by the Management Board. This shall not apply to any activities reserved for other governing bodies of the Bank.
10. The Management Board's resolutions shall be recorded in the minutes.

Par. 29

1. The Management Board shall represent the Bank and manage its affairs. The scope of activities of the Management Board shall include all issues not reserved for other governing bodies of the Bank under the Articles of Association or applicable laws.

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2. The Management Board shall operate pursuant to the rules adopted by the Management Board and approved by the Supervisory Board.

Par. 30

1. The powers and duties of the individual members of the Management Board and the scope of their actions shall be defined in a resolution of the Supervisory Board, subject to Par. 30.2.
2. The scope of powers and duties of the President of the Management Board shall include, in particular, supervision over the Bank's internal control and its activity related to issues of covered bonds and bonds. A Management Board member whose appointment is subject to approval by the Banking Supervision Commission shall be responsible, in particular, for the supervision over the commercial loan sales division.
3. In addition, the President of the Management Board shall manage the work of the Management Board and represent the Management Board before the General Meeting and the Supervisory Board.

Par. 31

1. Powers of attorney shall be granted by:
  - 1) two members of the Management Board acting jointly or
  - 2) one member of the Management Board acting jointly with a proxy.
2. Powers of attorney may be granted to a person to represent the Bank independently or jointly with another authorised person.

Par. 32

The following persons shall be authorised to make representations and sign documents on behalf of the Bank:

- 1) two members of the Management Board acting jointly or a member of the Management Board and a proxy acting jointly, or each of these persons acting jointly with an attorney-in-fact,
- 2) attorneys-in-fact acting independently or jointly within their respective powers.

Par. 33

1. The Management Board shall prepare the Directors' Report on the Bank's operations and ensure for the annual financial statements to be prepared not later than within three months after the end of a given financial year.
2. The Management Board shall submit the Directors' Report and annual financial statements to the Supervisory Board for review and then to the General Meeting for approval.

## **V. SHARE CAPITAL, SHARES**

Par. 34

1. The share capital shall amount to PLN 175,000,000 (one hundred and seventy-five million złoty) and shall be divided into 1,750,000 (one million seven hundred and fifty thousand) registered shares with a par value of PLN 100 (one hundred złoty) per share, including: 500,000 (five hundred thousand) Series A ordinary registered Shares numbered from 000001 to 500000, 850,000 (eight hundred and fifty thousand) Series B ordinary registered Shares numbered from 000001 to 850000 and 400,000 (four hundred thousand) Series C ordinary registered Shares numbered from 000001 to 400000. Each

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- share confers the right to one vote at the General Meeting.
2. The Bank's share capital shall be covered with cash paid in full prior to the registration of the Bank or prior to the registration of a capital increase at the Bank.
  3. The shares may be redeemed. The redemption shall be effected either through share capital reduction or with the funds from net profit.

Par. 35

The Bank shares shall be transferable.

**VI. FUNDS, FINANCIAL MANAGEMENT  
AND ACCOUNTING**

Par. 36

1. The Bank's equity shall comprise:
  - 1) basic capital,
  - 2) supplementary capital in an amount not exceeding the Bank's basic capital,
2. The Bank's basic capital shall comprise:
  - 1). paid in and registered share capital,
  - 2). statutory reserve funds,
  - 3). capital reserve,
  - 4). general banking risk fund,
  - 5). retained profit,
  - 6). profit pending approval and net profit for current reporting period, computed in compliance with applicable accounting policies and limitations provided for in the Banking Law,
  - 7). other balance-sheet items reported by the Bank, as specified by the Banking Supervision Commission

- reduced by the items provided for in the Banking Law.

Par. 37

1. Statutory reserve funds shall be created to cover any net loss which might arise in connection with the Bank's business. At least 8% of the net profit disclosed in annual financial statements shall be transferred to the statutory reserve funds until their amount has reached at least one-third of the share capital.
2. Share premium, net of the cost of share delivery, shall also be transferred to the statutory reserve funds.
3. Statutory reserve funds shall also comprise additional contributions made by shareholders in return for attaching special preferences to their existing shares without a share capital increase, unless such contributions are used to cover extraordinary write-offs or losses.
4. The General Meeting shall decide on the application of statutory reserve funds, with the proviso that a part of statutory reserve funds in the amount of one-third of the share capital may be applied exclusively to cover a net loss.

Par. 38

In addition to statutory reserve funds, part of the net profit shall be used to create a capital reserve to be applied towards covering the Bank's special losses or expenses.

The General Meeting shall decide on the application of capital reserve.

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Par. 39

1. A general banking risk fund shall be created in accordance with the rules stipulated in the Banking Law.
2. The general banking risk fund shall be applied towards covering losses connected with banking activities.
3. The Bank's Management Board shall decide on the use of the general banking risk fund referred to in Par. 39.1.

Par. 40

The annual net profit shall be applied, in line with a resolution of the Ordinary General Meeting, towards:

- 1) statutory reserve funds,
- 2) capital reserve,
- 3) general banking risk fund,
- 4) other reserves or accounts,
- 5) dividend for shareholders,
- 6) other purposes.

Par. 41

1. The Bank's financial management shall be performed based on and in line with financial plans approved by the Supervisory Board.
2. The Bank's Management Board shall define detailed rules of financial management, based on criteria approved by the Supervisory Board.

Par. 42

1. Starting from January 1st 2006, the Bank shall maintain its accounting records in accordance with the International Accounting Standards and the International Financial Reporting Standards; any matters not regulated under those Standards shall be governed by the Polish accounting standards.
2. The Bank shall maintain a separate Covered Bond Collateral Account in order to monitor long-term compliance with the requirements referred to in Art. 18 of the Act.
3. The Bank's Management Board shall define the detailed rules for and organisation of the Bank's accounting procedures.

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Par. 43

The calendar year shall be the Bank's financial year. Should the Bank commence its activity in the second half of a calendar year, the Bank may combine the accounting books and financial statements relating to the remaining part of such a year with the accounting books and financial statements relating to the next year.

**VII. FINAL PROVISIONS**

Par. 44

Copies of the Directors' Report on the Bank's activities, annual financial statements and the Supervisory Board's report shall be made available to shareholders for inspection at their request, not later than 15 days prior to the annual General Meeting.

Par. 45

Dividend shall be payable on the dates specified by the General Meeting. The Bank shall not pay interest on dividend not collected in due time.

Par. 46

1. The Bank's announcements required under the law shall be published in *Monitor Sądowy i Gospodarczy*, unless Polish law provide otherwise.
2. Annual financial statements shall be published in *Monitor Polski B*.

Par. 47

Not later than three months after the end of each financial year, the Bank shall publish in *Monitor Sądowy i Gospodarczy*:

- 1). the total par value of covered bonds issued by the Bank and outstanding as at the last day of a given financial year;
- 2). the total amount of the Bank's claims and funds entered into the Covered Bond Collateral Register as at the last day of a given financial year.

Par. 48

Any issues not regulated under these Articles of Association shall be governed by applicable laws, including in particular the Commercial Companies Code, the Banking Law, and the Act.

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## Resolution of the Extraordinary General Shareholders Meeting

### Resolution No. 1 of the Extraordinary General Shareholders Meeting of BRE Bank Hipoteczny S.A. of Warsaw dated November 17th 2008 concerning the issue of mortgage covered bonds and public sector covered bonds and their sale through public offering

#### Par. 1

Pursuant to Par. 14.7 and in conjunction with Par. 6.4-5 of the Articles of Association of BRE Bank Hipoteczny S.A. ("**Bank Hipoteczny**"), in conjunction with Art. 398 of the Commercial Companies Code Act, dated September 15th 2000 (Dz.U. No. 94, item 1037, as amended) ("**CCC**"), and Art. 12.4-5 of the Act on Covered Bonds and Mortgage Banks, dated August 29th 1997 (consolidated text: Dz.U. of 2003, No. 99, item 919, as amended) ("**Covered Bonds Act**"), and Art. 9.1 of the Bond Act, dated June 29th 1995 (consolidated text: Dz.U. of 2001, No. 120, item 1300, as amended) ("**Bond Act**"), it is hereby resolved as follows:

1. The Extraordinary General Shareholders Meeting of Bank Hipoteczny approves of the issue by Bank Hipoteczny of up to 6,000,000 (six million) bearer mortgage and public sector covered bonds, with a par value of PLN 1,000 (one thousand złoty) per covered bond, or a multiple of this amount, with an aggregate par value of up to PLN 6,000,000,000 (six billion złoty) ("**Mortgage Covered Bonds**") and ("**Public Sector Covered Bonds**"), in repeated issues, pursuant to Art. 21.2.2 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies, dated July 29th 2005 (Dz.U. of 2005, No. 184, item 1539) ("**Public Offering Act**"), ("**Covered Bonds Programme**").
2. When used further in this Resolution, the term "Covered Bonds" shall refer to Mortgage Covered Bonds and Public Sector Covered Bonds jointly or separately, depending on the context.
3. The issue basis:
  - (a) Mortgage Covered Bonds shall be issued on the basis of Bank Hipoteczny's receivables referred to in Art. 12.4 of the Covered Bonds Act in conjunction with Art. 3.1 of that Act,
  - (b) Public Sector Covered Bonds shall be issued on the basis of Bank Hipoteczny's receivables referred to in Art. 12.5 of the Covered Bonds Act in conjunction with Art. 3.2 of that Act.
4. Covered Bonds shall be offered under Art. 9.1 of the Bond Act, i.e. by way of an offer of Covered Bonds to the public, as referred to in Art. 3.1 of the Public Offering Act.
5. Covered Bonds shall be denominated in PLN (the Polish złoty). Covered Bonds may be also denominated in USD (the US dollar) or in EUR (the euro). In that case, the par value per Covered Bond shall be EUR 1,000.00 (one thousand euros) or USD 1,000.00 (one thousand US dollars) or a multiple of those amounts in the issue currency. The aggregate par value of Covered Bonds of a given series issued in EUR or USD shall be translated into the złoty in order to determine the maximum amount to be used under the Programme, as specified in Par. 1.1 of this Resolution: (i) at the mid-exchange rate quoted by the National Bank of Poland for the date of the resolution of Bank Hipoteczny's Management Board concerning the issue of Covered Bonds of a given series, or (ii) if the mid exchange rate of the National Bank of Poland cannot be determined for that date – at the mid exchange rate of the currency of Covered Bonds issue, quoted by the National Bank of Poland immediately before the date of the resolution of Bank Hipoteczny's Management Board concerning the issue of Covered Bonds of a given series.

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6. Under the Covered Bonds Programme, Covered Bonds shall be issued in book-entry form.
  7. For each issue of Covered Bonds under the Covered Bonds Programme, the Management Board of Bank Hipoteczny shall determine in detail the terms and conditions of issue, in particular:
    - (a) the type of Covered Bonds (Mortgage Covered Bonds or Public Sector Covered Bonds), the series, number, par value per Covered Bond and the currency (PLN, USD, or EUR) for individual issues under the Programme, as well as the dates of the issues, with the proviso that:
      - (i) the issue of Mortgage Covered Bonds or Public Sector Covered Bonds under the Covered Bonds Programme may be carried out only against the issue basis appropriate for the given type of Covered Bonds and specified in Par. 3 of this Resolution,
      - (ii) the issue of Covered Bonds under the Covered Bonds Programme may be carried out only by way of at least two issues of Covered Bonds, executed within an interval of not more than 12 months;
    - (b) the rights and obligations of Bank Hipoteczny and purchasers of Covered Bonds, along with the dates as of which such rights and obligations accrue, including the rate of interest payable or the manner of its determination, the dates when the right to receive interest payments begins to accrue, the interest payment record dates, the dates of interest payments, the maturity dates and terms of repurchase and redemption of Covered Bonds;
    - (c) the issue price of the offered Covered Bonds, or the manner of its determination in individual issues of Covered Bonds under the Programme;
    - (d) subject to Art. 12.1-2 of the Bond Act, the opening and closing dates of the subscription period for Covered Bonds issued under the Programme, and the main rules governing the distribution and allotment of Covered Bonds;
    - (e) conclusion of a standby underwriting agreement or firm-commitment underwriting agreement with relevant entities, under the terms and conditions specified by the Management Board of Bank Hipoteczny;
    - (f) conclusion of an agreement with the National Depository for Securities (*Krajowy Depozyt Papierów Wartościowych S.A.*) concerning registration of Covered Bonds with the depository, under the terms and conditions specified by the Management Board of Bank Hipoteczny.
  8. The Management Board of Bank Hipoteczny shall take all necessary steps to introduce Covered Bonds to trading on the regulated market of: (i) the Warsaw Stock Exchange, or (ii) the OTC market operated by MTS-CeTO S.A. – at the discretion of Bank Hipoteczny's Management Board.

## **Par. 2**

This Resolution shall take effect as of its adoption date.



## Excerpt from the National Court Register

CODo WA/17.06/471/2009

Registering officer: MATUSIAK Monika Page 1 of 9

BRANCH OF THE CENTRAL INFORMATION OFFICE  
OF NATIONAL COURT REGISTER  
ul. Czerniakowska 100  
00-454 Warsaw

### NATIONAL COURT REGISTER (KRS)

As at June 17th 2009, 1:17:54 pm

No. KRS: **0000003753**

### VALID EXCERPT FROM THE REGISTER OF ENTREPRENEURS

Date of registration in KRS		March 27th 2001	
Last entry	Entry No.	40	Date of entry
	File No.	WA.XII NS-REJ.KRS/8798/09/399	
	Court:	DISTRICT COURT FOR THE CAPITAL CITY OF WARSAW IN WARSAW, XII COMMERCIAL DIVISION OF THE NATIONAL COURT REGISTER	

### Section 1

Subsection 1 – Company data	
1. Legal form	JOINT-STOCK COMPANY
2. Industry Identification Number (REGON)/Tax Identification Number (NIP)	REGON (Industry Identification No.): 014953634, NIP (Tax Identification No.): 5262316250
3. Company name	BRE BANK HIPOTECZNY SPÓŁKA AKCYJNA
4. Previous registration	RHB 56623 DISTRICT COURT FOR THE CAPITAL CITY OF WARSAW, COMMERCIAL COURT, XVI COMMERCIAL AND REGISTRATION DIVISION
5. Does the entrepreneur conduct business activity together with other entities under an agreement establishing a partnership under civil law?	NO
6. Does the company have the status of a public benefit organisation?	---

Subsection 2 – Principal place of business and registered address	
1. Principal place of business	country: POLAND, province: PROVINCE OF WARSAW, county: COUNTY OF WARSAW, municipality: WARSAW-CENTRE, city/ town: WARSAW
2. Registered address	ul. ALEJA ARMII LUDOWEJ, No. 26, office No. ---, WARSAW, postal code: 00-609, post office: WARSAW, country: POLAND

Subsection 3 – Branches	
No entry	

Subsection 4 – Articles of Association	
1. Information on execution of or amendments to the Articles of Association	1 MARCH 18TH 1999; NOTARY OFFICE OF PAWEŁ CUPRIAK, NOTARY PUBLIC, REP. A NO. 1186/99; CHANGE NOT REGISTERED: PAR 20.1, NOTARIAL DEED OF DECEMBER 21ST 2000, NOTARY OFFICE OF PAWEŁ CUPRIAK, REP. A NO. 9499/2000

	2	JUNE 17TH 2003, REP. A NO. 4244/2003, NOTARY OFFICE OF PAWEŁ CUPRIAK, NOTARY PUBLIC, 00-131 WARSAW, UL. GRZYBOWSKA 2/26B; AMENDMENTS: PAR. 1, PAR. 5, PAR. 7, PAR. 8.1, TITLE OF CHAPTER IV, PAR. 9.4, PAR. 10, PAR. 12, PAR. 13.3, PAR. 14.1, PAR. 14.2, PAR. 14.6, PAR. 14.7, PAR. 15.2, PAR. 15.4, PAR. 17, PAR. 18.2, PAR. 20.1, PAR. 20.2, PAR. 24, PAR. 25, PAR. 26.6, PAR. 28.3-7, PAR. 29.2, PAR. 31, PAR. 32, TITLE OF CHAPTER V, PAR. 34, PAR. 36.1, PAR. 37, PAR. 42.2, PAR. 47, PAR. 48.
	3	NOTARIAL DEED MADE ON OCTOBER 27TH 2004, REP. A NO. 9429/2004, NOTARY PUBLIC: PAWEŁ CUPRIAK, NOTARY OFFICE OF PAWEŁ CUPRIAK, WARSAW, UL. GRZYBOWSKA 2/26B, AMENDMENTS: THE WORDS "GENERAL SHAREHOLDERS MEETING" USED IN THE TEXT OF THE ARTICLES OF ASSOCIATION ARE REPLACED WITH THE WORDS "GENERAL MEETING", AMENDMENTS: PAR. 2, PAR. 16.2, PAR. 18, PAR. 19.1, PAR. 20.1, PAR. 20.7, PAR. 24.1, PAR. 24.2; PAR. 26.10 IS DELETED, PAR. 26.11 IS RENUMBERED AS PAR. 26.10, PAR. 27.3 IS AMENDED
	4	AUGUST 30TH 2005, REP. A NO. 6755/2005, NOTARY PUBLIC PAWEŁ CUPRIAK, NOTARY OFFICE IN WARSAW, UL. GRZYBOWSKA 2/26B, AMENDMENT TO PAR. 8.1.1,
	5	JANUARY 22ND 2006, REP. A NO. 638/2006, NOTARY ASSISTANT MARCIN ŁASKI, DEPUTY OF PAWEŁ CUPRIAK, NOTARY PUBLIC IN WARSAW, NOTARY OFFICE IN WARSAW AT UL. GRZYBOWSKA 2/26B, AMENDMENT TO PAR. 34.1,
	6	MARCH 22ND 2006, REP. A NO. 2408/2006, NOTARY PUBLIC PAWEŁ CUPRIAK, NOTARY OFFICE IN WARSAW, UL. GRZYBOWSKA 2/26B, AMENDMENTS: PAR. 4 WAS AMENDED, PAR. 9.4 WAS ADDED, PAR. 9.4 WAS RENUMBERED AS PAR. 9.5, PAR. 9.6 WAS ADDED, PAR. 10 AND PAR. 11 WERE AMENDED, PAR. 28.7 WAS AMENDED, PAR. 28.8 AND PAR. 28.9 WERE ADDED, PAR. 29, PAR. 30 AND PAR. 36 WERE AMENDED, PAR. 40.2 WAS DELETED, THE DESIGNATION OF THE PROVISIONS PREVIOUSLY CONTAINED IN PAR. 40.1 AS PAR. 40.1 WAS DELETED, PAR. 42.1 WAS AMENDED,
	7	APRIL 25th 2007, REP. A NO. 3893/2007, NOTARY PUBLIC PAWEŁ CUPRIAK, NOTARY OFFICE IN WARSAW, UL. GRZYBOWSKA 2/26B, AMENDMENTS: PAR 34.3 WAS DELETED, EXISTING PAR 34.4 WAS RENUMBERED AS PAR 34.3,
	8	OCTOBER 31ST 2007, NOTARY ASSISTANT MARCIN ŁASKI, DEPUTY OF PAWEŁ CUPRIAK, NOTARY PUBLIC OF WARSAW, NOTARY OFFICE IN WARSAW AT UL. GRZYBOWSKA 2/26B, REP. A NO. 11713/2007 AMENDMENT TO PAR. 10, PAR. 10A AND 10B WERE ADDED, PAR. 26.1 AND PAR 26.5 WERE AMENDED, PAR. 27.3 WAS AMENDED, PAR. 28.6 AND PAR. 28.7 WERE AMENDED, NEW PAR. 28.8 WAS ADDED, EXISTING PAR. 28.8 AND PAR. 28.9 WERE RENUMBERED AS PAR. 28.9 AND PAR. 28.10, PAR. 28.9 WAS AMENDED, PAR. 36.1.3 WAS DELETED, PAR. 36.2.7 WAS ADDED FOLLOWING PAR. 36.2.6.

Subsection 5	
1. Period of time for which the company has been established	UNSPECIFIED
2. Journal designated for placing company communiqués, other than Monitor Sądowy i Gospodarczy	-----
4. Do the Articles of Association grant personal rights to specific shareholders/partners or interest in the company's income or assets other than resulting from the shares held?	NO
5. Do bondholders have the right to share in profits?	NO

Subsection 6 – Establishing the company	
No entry	

Subsection 7 – Information on the sole shareholder	
No entry	

Subsection 8 – Company's share capital	
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1. Amount of share capital	PLN 175,000,000.00
2. Amount of authorised share capital	-----
3. Total number of outstanding shares	1,750,000
4. Par value per share	PLN 100.00
5. Capital paid	PLN 175,000,000.00
6. Par value of conditional share capital increase	-----
Part 1 Information on contribution	
No entry	

Subsection 9 – Issue of shares		
1	1. Series of shares	A
	2. Number of shares in the series	500,000
	3. Type of preference and the number of preference shares or information that the shares are non-preference shares	-----
2	1. Series of shares	B
	2. Number of shares in the series	850,000
	3. Type of preference and the number of preference shares or information that the shares are non-preference shares	-----
3	1. Series of shares	SERIES C
	2. Number of shares in the series	400,000
	3. Type of preference and the number of preference shares or information that the shares are non-preference shares	NON-PREFERENCE SHARES

Subsection 10 – Information on adoption of a resolution on an issue of convertible bonds	
No entry	

Subsection 11	
1. Is the Management Board or the Supervisory Board authorised to issue subscription warrants?	---

## Section 2

Subsection 1 - Governing body authorised to represent the company		
1. Name of the governing body authorised to represent the company	MANAGEMENT BOARD	
2. Form of representation	TWO MANAGEMENT BOARD MEMBERS ACTING JOINTLY OR ONE MANAGEMENT BOARD MEMBER ACTING JOINTLY WITH A PROXY	
Part 1 Information on members of the governing body		
1	1. Surname / Name of company	CYBURT
	2. First and middle name	PIORT JAN
	3. Personal Identification Number (PESEL)/Industry Identification Number (REGON)	56080801057
	4. KRS No.	****
	5. Function in the governing body	PRESIDENT
	6. Has the person been suspended from duties?	NO
	7. Suspension end date	-----
2	1. Surname / Name of company	KAIN
	2. First and middle name	SVEN TORSTEN
	3. Personal Identification Number (PESEL)/Industry Identification Number (REGON)	---
	4. KRS No.	****
	5. Function in the governing body	MANAGEMENT BOARD MEMBER
	6. Has the person been suspended from duties?	NO

	7. Suspension end date	-----
3	1. Surname / Name of company	CZERKAS
	2. First and middle name	KRZYSZTOF
	3. Personal Identification Number (PESEL)/Industry Identification Number (REGON)	66121200776
	4. KRS No.	****
	5. Function in the governing body	MANAGEMENT BOARD MEMBER
	6. Has the person been suspended from duties?	NO
	7. Suspension end date	-----

Subsection 2 – Supervisory body		
1. Name of the governing body		SUPERVISORY BOARD
Part 1 Information on members of the governing body		
1	1. Surname	WOJSIAT PRZEDPELSKA
	2. First and middle name	MARIA
	3. Personal Identification Number (PESEL)	48020204408
2	1. Surname	THOR
	2. First and middle name	WIESLAW BOGDAN
	3. Personal Identification Number (PESEL)	58061503790
3	1. Surname	DANIEWSKA
	2. First and middle name	JOLANTA MARIA
	3. Personal Identification Number (PESEL)	42040300364
4	1. Surname	GLATZKI
	2. First and middle name	HARTWIG
	3. Personal Identification Number (PESEL)	-----
5	1. Surname	LOEWEN
	2. First and middle name	BERNDT
	3. Personal Identification Number (PESEL)	-----
6	1. Surname	GDANSKI
	2. First and middle name	PRZEMYSLAW PIOTR
	3. Personal Identification Number (PESEL)	67010500597

Subsection 3 – Proxies		
1	1. Surname	RYSZEWSKI
	2. First and middle names	JACEK MARIUSZ
	3. Personal Identification Number (PESEL)/	67032602237
	4. Type of proxy	INDIVIDUAL
2	1. Surname	ADAMSKA
	2. First and middle names	JOLANTA GRAZYNA
	3. Personal Identification Number (PESEL)/	61012000086
	4. Type of proxy	INDIVIDUAL
3	1. Surname	LOPUSZYNSKI
	2. First and middle names	PAWEL
	3. Personal Identification Number (PESEL)/	66121100410
	4. Type of proxy	INDIVIDUAL
4	1. Surname	LIBURA
	2. First and middle names	HANNA MARIA
	3. Personal Identification Number (PESEL)/	52072902283
	4. Type of proxy	INDIVIDUAL
5	1. Surname	MALASZUK
	2. First and middle names	ANETA MALGORZATA
	3. Personal Identification Number (PESEL)/	74063008286
	4. Type of proxy	INDIVIDUAL
6	1. Surname	NOWAK
	2. First and middle names	JAN ROBERT

3. Personal Identification Number (PESEL)/	68071413055
4. Type of proxy	INDIVIDUAL

### Section 3

Subsection 1 – Business profile		
1. Entrepreneur's business profile	1	65 12 A OTHER BANKING ACTIVITIES

Subsection 2 – Information on documents submitted			
Type of document	Entry No.	Submission date	For period
1. Information on submission of the annual financial statements	1	March 19th 2001	January 1st 2000 – December 31st 2000
	2	March 21st 2002	January 1st 2001 – December 31st 2001
	3	June 26th 2003	January 1st 2002 – December 31st 2002
	4	May 26th 2004	January 1st 2003 – December 31st 2003
	5	May 25th 2005	January 1st 2004 – December 31st 2004
	6	April 18th 2006	January 1st 2005 – December 31st 2005
	7	May 8th 2007	January 1st 2006 – December 31st 2006
	8	April 24th 2008	January 1st 2007 – December 31st 2007
	9	April 10th 2009	January 1st 2008 – December 31st 2008
2. Information on submission of the auditor's opinion	1	*****	January 1st 2000 – December 31st 2000
	2	*****	January 1st 2001 – December 31st 2001
	3	*****	January 1st 2002 – December 31st 2002
	4	*****	January 1st 2003 – December 31st 2003
	5	*****	January 1st 2004 – December 31st 2004
	6	*****	January 1st 2005 – December 31st 2005
	7	*****	January 1st 2006 – December 31st 2006
	8	*****	January 1st 2007 – December 31st 2007
	9	*****	January 1st 2008 – December 31st 2008
3. Information on submission of the resolution or decision on approval of the financial statements	1	*****	January 1st 2000 – December 31st 2000
	2	*****	January 1st 2001 – December 31st 2001
	3	*****	January 1st 2002 – December 31st 2002
	4	*****	January 1st 2003 – December 31st 2003
	5	*****	January 1st 2004 – December 31st 2004
	6	*****	January 1st 2005 – December 31st 2005
	7	*****	January 1st 2006 – December 31st 2006
	8	*****	January 1st 2007 – December 31st 2007
	9	*****	January 1st 2008 – December 31st 2008
4. Information on submission of the director's report on the company's activities	1	*****	January 1st 2000 – December 31st 2000
	2	*****	January 1st 2001 – December 31st 2001
	3	*****	January 1st 2002 – December 31st 2002
	4	*****	January 1st 2003 – December 31st 2003
	5	*****	January 1st 2004 – December 31st 2004
	6	*****	January 1st 2005 – December 31st 2005
	7	*****	January 1st 2006 – December 31st 2006
	8	*****	January 1st 2007 – December 31st 2007
	9	*****	January 1st 2008 – December 31st 2008

Subsection 3 – Financial statements of a capital group	
No entry	

Subsection 4 – Business profile defined in the Articles of Association of a Public Benefit Organisation	
No entry	

### Section 4

Subsection 1 – Payments in arrears	
No entry	

Subsection 2 – Claims
No entry

Subsection 3 – Information on securing the debtor’s assets in bankruptcy proceedings by abatement of enforcement proceedings against the entrepreneur, on dismissing bankruptcy petition on the grounds that the assets of the insolvent debtor do not suffice to satisfy the costs of the proceedings
No entry

Subsection 4 – Discontinuation of enforcement proceedings against the entrepreneur due to the fact that the amount recoverable under enforcement proceedings will not be higher than enforcement costs
No entry

## Section 5

Subsection 1 – Custodian
No entry

## Section 6

Subsection 1 – Liquidation
No entry

Subsection 2 – Information on dissolution or winding-up of the company
No entry

Subsection 3 – Executive trustee
No entry

Subsection 4 – Information on mergers, demergers or transformations
No entry

Subsection 5 – Bankruptcy proceedings
No entry

Subsection 6 – Arrangement proceedings
No entry

Subsection 7 – Recovery proceedings
No entry

Subsection 8 – Information on suspension of business activity
No entry

Warsaw, June 17th 2009, 1:17:54 pm

[stamp with the state emblem]  
CENTRAL INFORMATION  
OFFICE  
OF THE NATIONAL COURT  
REGISTER

- 34 -

Signature

[illegible signature]

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## Supplement

Supplement dated [•]

### **BRE Bank Hipoteczny S.A.**

Issue of [Mortgage] [Public Sector] Covered Bonds for a total amount of [*total nominal amount of the Series*] PLN [USD] [EUR]

under the Covered Bond Issue Programme of up to PLN 6,000,000,000

No. [•]

This document is a Supplement to the Terms and Conditions of Covered Bond Issues contained in the Issuer's Issue Prospectus approved by the Financial Supervision Authority by virtue of Decision No. [•], dated [•] ("the Prospectus"). The terms used in this document shall be deemed defined terms for the purposes of the Issue Terms and Conditions set forth in the Prospectus.

THE SUPPLEMENT CAN BE TREATED AS A SOURCE OF FULL INFORMATION ON THE ISSUER AND THE OFFERING OF COVERED BONDS ONLY IF READ TOGETHER WITH THE BASE PROSPECTUS. THE BASE PROSPECTUS IS AVAILABLE IN ELECTRONIC FORM AT THE WEBSITES OF THE ISSUER AND ENTITIES PARTICIPATING IN THE SUBSCRIPTION FOR COVERED BONDS. A HARDCOPY OF THE BASE PROSPECTUS IS AVAILABLE AT THE REGISTERED OFFICES OF THE ISSUER AND THE OFFEROR, AT THE INFORMATION CENTRE OF THE FINANCIAL SUPERVISION AUTHORITY, AT THE REGISTERED OFFICE OF BONDSPOT S.A. OR THE WARSAW STOCK EXCHANGE.

#### **1. Issuer**

BRE Bank Hipoteczny Spółka Akcyjna, registered office in Warsaw

**Address:** Al. Armii Ludowej 26, 00-609 Warsaw

**Telephone and fax numbers:** [•]

**Website:** [www.rhb.com.pl](http://www.rhb.com.pl)

#### **2. Rating assigned to the Issuer and Series [•] [Mortgage] [Public Sector] Covered Bonds**

[•].

#### **3. Number, type, unit par value and designation of the issue of Covered Bonds**

The Base Prospectus approved by the Financial Supervision Commission on [•], this Supplement, and the resolution of the Issuer's Management Board No. [•] of [•] concerning the issue of Series [•] [mortgage][public sector] covered bonds provide the basis for the offering of Series [•] bearer [Mortgage][Public Sector] Covered Bonds numbered from 1 (one) to [•], with the unit par value of [•] and the total par value of [•].

Series [•] [Mortgage][Public Sector] Covered Bonds are issued as part of the Covered Bond Issue Programme, on the basis of the Prospectus. As part of the Programme, the Issuer may issue up to [•] [Mortgage][Public Sector] Covered Bonds with a total par value of up to PLN 6,000,000,000.

The Issue Prospectus for the Covered Bond Issue Programme was made available on [•]2009 at the Issuer's registered office situated at ul. Wspólna 47/49, Warsaw, at [the Information Centre of the Financial Supervision Authority at Plac Powstańców Warszawy 1], Warsaw, and at the offices of [BondSpot S.A. at Al. Armii Ludowej 26, Warsaw, / Giełda Papierów Wartościowych S.A. (Warsaw Stock Exchange) at ul. Książęca 4, Warsaw]. The Prospectus for the Programme has been published at the Issuer's website ([www.rhb.com.pl](http://www.rhb.com.pl)).

#### 4. Collateral for Series [•] [Mortgage][Public Sector] Covered Bonds

The basis for the issue of [Mortgage] [Public Sector] Series [•] Covered Bonds are the Issuer's claims under loans advanced by the Issuer; the claims are entered in the covered bond collateral register maintained by the Issuer. The claims entered in the covered bond collateral register are also the basis for all other covered bond issues by the Issuer.

##### 4.1 [Mortgage Covered Bonds]

##### 4.1.1 General description of claims under mortgage-backed loans.

As at [•], the Issuer's portfolio of claims under mortgage-backed loans granted by the Issuer and entered in the covered bond collateral register comprises claims under a total of [•] loan agreements.

The tables below present an overview of the claims:

#### General description of the portfolio of claims under mortgage-backed loans, representing the basis for the issue of Mortgage Covered Bonds, as at [•] (PLN '000)

##### Currency structure and value ranges of claims securing Mortgage Covered Bonds as at [•]

Value ranges (PLN '000)	Value of loans (PLN '000)	Value of EUR-denominated loans (PLN '000)	Value of USD-denominated loans (PLN '000)	Total
<b>Total</b>				
<b>Share in the portfolio (%)</b>				

##### Portfolio of claims securing Mortgage Covered Bonds by borrower as at [•]

Borrower	Value (PLN '000)	Share in the portfolio (%)
Legal persons / sole traders		
Natural persons		
<b>Total</b>		



**Portfolio of claims securing Mortgage Covered Bonds by use of funds as at [●]**

Use of funds	Value (PLN '000)	Share in the portfolio (%)
Commercial real estate		
Residential real estate		
<b>Total</b>		

**Portfolio of claims securing Mortgage Covered Bonds by interest rate type as at [●]**

Interest rate type	Value (PLN '000)	Share in the portfolio (%)
Variable interest rate		
Fixed interest rate		
<b>Total</b>		

**Portfolio of claims securing Mortgage Covered Bonds by maturity as at [●]**

Term ranges (in years)	Value (PLN '000)	Share in the portfolio (%)
<b>TOTAL</b>		

Source: the Issuer.

**Portfolio of claims securing Mortgage Covered Bonds by geographical regions\* as at [●]**

Province	Value (PLN '000)	Share in the portfolio (%)
Wrocław Province		
Bydgoszcz Province		
Lublin Province		
Zielona Góra Province		
Łódź Province		
Kraków Province		
Warsaw Province		

Opole Province		
Rzeszów Province		
Białystok Province		
Gdańsk Province		
Katowice Province		
Kielce Province		
Olsztyn Province		
Poznań Province		
Szczecin Province		
<b>Total</b>		

**Portfolio of claims securing Mortgage Covered Bonds by progress of investment\* as at [•]**

<b>Progress of investment</b>	<b>Value (PLN '000)</b>	<b>Share in the portfolio (%)</b>
Projects under construction		
Completed projects		
<b>Total</b>		

Source: the Issuer.

4.1.2 General description of acquired claims under other bank's mortgage-backed loans

[•]

4.2 [Public Sector Covered Bonds]

4.2.1 Summary of claims under loans

As at [•], the Issuer's portfolio of claims under mortgage-backed loans granted by the Issuer and entered in the covered bond collateral register comprises claims under a total of [•] loan agreements.

The tables below present a summary of the claims portfolio:

**General description of the portfolio of claims under loans, representing the basis for the issue of Public Sector Covered Bonds, as at [●] (PLN '000)**

**Value ranges of claims securing Public Sector Covered Bonds as at [●]**

Value ranges (PLN '000)	Value of loans (PLN '000)	Share (%)	Number of agreements
<b>Total</b>			

**Portfolio of claims securing Public Sector Covered Bonds by maturity as at [●]**

Term ranges (in years)	Value (PLN '000)	Share in the portfolio (%)
<b>TOTAL</b>		

**Portfolio of claims securing Public Sector Covered Bonds by geographical regions as at [●]**

Province	Value (PLN '000)	Share in the portfolio (%)
Wrocław Province		
Bydgoszcz Province		
Lublin Province		
Zielona Góra Province		
Łódź Province		
Kraków Province		
Warsaw Province		
Opole Province		
Rzeszów Province		
Białystok Province		
Gdańsk Province		
Katowice Province		
Kielce Province		

Olsztyn Province		
Poznań Province		
Szczecin Province		
<b>Total</b>		

**Portfolio of claims securing Public Sector Covered Bonds by interest rate type as at [●]**

<b>Interest rate type</b>	<b>Value (PLN '000)</b>	<b>Share in the portfolio (%)</b>
Variable interest rate		
Fixed interest rate		
<b>TOTAL</b>		

**Portfolio of claims securing Public Sector Covered Bonds by borrower as at [●]**

<b>Borrower</b>	<b>Value (PLN '000)</b>	<b>Share in the portfolio (%)</b>
Local government institutions		
Public healthcare centres (loans guaranteed by local government institutions)		
<b>Total</b>		

**5. Issue Price (Selling Price) of Series [●] [Mortgage] [Public Sector] Covered Bonds**

The issue price of Series [●] [Public Sector] [Mortgage] Covered Bonds is [●] per Series [●] [Public Sector] [Mortgage] Covered Bond.

**6. Rights and obligations under Series [●] [Mortgage] [Public Sector] Covered Bonds and dates as of which the rights accrue and the obligations should be performed**

The rights and obligations under [Mortgage] [Public Sector] Covered Bonds are described in the Issue Terms and Conditions of Covered Bonds contained in the Programme's Prospectus. The final Issue Terms and Conditions of Series [●] [Mortgage] [Public Sector] Covered Bonds presented below are supplementary to the Issue Terms and Conditions specified in the Prospectus.

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***Final Terms and Conditions of Series [•] [Mortgage] [Public Sector] Covered Bonds ("CB")***

The capitalised terms presented below have the meaning defined in the Issue Terms and Conditions.

Issuer:	BRE Bank Hipoteczny S.A.
Type, series, CB number:	[•]
Total par value of CBs being issued:	[•]
Issue Price (selling price) per CB:	[•]% of the par value per CB
Issue Date:	[•]
Interest Commencement Date:	[Issue Date]/[or another day if different from the Issue Date]
Maturity Date:	[•] <sup>3</sup> [ [•]% Fixed Interest Rate] [[reference rate] +/- [•]% Variable Interest Rate]
Interest:	[zero-coupon]  (other data is presented below) [•] <sup>4</sup>
Yield as at the Issue Date:	Yield computed on the basis of the Issue Price (Selling Price) and interest rate applicable as at the Issue Date.

**PROVISIONS CONCERNING INTEREST**

**Provisions concerning Fixed Rate Covered Bonds** [applicable/not applicable]<sup>5</sup>

Rate of Interest: [•]% p.a. [payable [on an annual /semi-annual/ quarterly/monthly basis] in advance]

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<sup>3</sup> Designation of a date or – in the case of Variable Rate Covered Bonds – of the Interest Payment Date falling in a given month and year.

<sup>4</sup> This part of the Supplement applies only to Fixed Rate Covered Bonds – it will not be included in the Supplement in the case of issue of Variable Rate Covered Bonds.

<sup>5</sup> This part of the Supplement applies only to Fixed Rate Covered Bonds – it will not be included in the Supplement in the case of issue of Variable Rate Covered Bonds.

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Interest Payment Dates:	[•] of each year [adjusted in line with [ <i>specify a Business Day Convention</i> ]/not adjusted]
Amounts [(e)] of Fixed Interest per CB:	[•] for each [•] of the par value per CB
[partial amount of interest per CB:]	[ <i>amount of interest for the first or last Interest Period, if different from the Amount of Fixed Interest and specification of Interest Periods for partial amounts</i> ]
interest accrual convention:	[Actual/365 / Actual/Actual-ISDA / Actual/365 (Fixed) / Actual/366 (Fixed)]
Other provisions concerning the manner of calculating interest on Fixed Rate Covered Bonds:	[not applicable/provide details]
<b>Provisions concerning Variable Rate Covered Bonds</b>	[applicable /not applicable] <sup>6</sup>

Interest Periods:	[•]
Interest Payment Dates:	[•]
Business Day Convention:	[Variable Rate Convention/Next Business Day Convention/ Amended Next Business Day Convention]
Interest Period Change Date:	[Not applicable/ <i>provide details</i> ]
Relevant time:	[•]
Interest Fixing Date:	[•]
Screen:	[ <i>specify an information service Screen which serves as the basis for determining the Relevant Rate or the arithmetic mean of Relevant Rates</i> ]
Reference Banks	[•]

**Provisions concerning maturity and redemption of CBs**

Maturity Amount per CB.	[nominal amount]
Maturity Date	[•]

**Redemption of Covered Bonds**

Applicable [Not applicable]

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<sup>6</sup> This part of the Supplement applies only to Variable Rate Covered Bonds – it will not be included in the Supplement in the case of an issue of Fixed Rate Covered Bonds.

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CB Redemption Date: [•]

CB Redemption Notification Date [•]

### Other Provisions

Other provisions: [Not applicable]/specify the provisions]

On behalf of the Issuer:

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By Authorised Representative

## 7. Information on the Terms and Conditions of the Offering (Firm Commitment Underwritten Offering)

### 7.1 Terms and Conditions, Parameters and Expected Schedule of the Offering, Actions Connected with Placement of Orders

#### 7.1.1 Issue Size

As part of this Series [•] of Covered Bonds, no more than [•] [Mortgage/Public Sector] Covered Bonds are being sold and [•][Mortgage/Public Sector] Covered Bonds are being offered in a Firm Commitment Underwritten Offering.

#### 7.1.2 Closing and Opening Dates of the Offering and Subscription Procedure

### A. Dates and place for acceptance of subscription orders for Covered Bonds

#### *Offering addressed to Invited Investors*

Authorised persons purchasing Covered Bonds from the Firm Commitment Underwriter will be able to place orders for Series [•] Covered Bonds in the period [•] at the following places:

- at the Offeror's registered office at [ul. Wspólna 47/49, 00-684 Warsaw]
- [at the registered office of BRE Bank S.A. [ul. Senatorska 18, 00-950 Warsaw, Poland] / at BRE Bank S.A.'s branches whose list is attached to this Supplement; BRE Bank, in its capacity as the Firm Commitment Underwriter, will accept subscription orders for Covered Bonds prior to admission of Covered Bonds to organised trading on the Securities Market or the WSE, based on the instruction specified in Art. 70.2 of the Act on Trading in Financial Instruments]

#### *Offering addressed to Retail Investors*

Investors purchasing Covered Bonds from the Firm Commitment Underwriter will be able to place orders for Series [•] Covered Bonds in the period [•] at the following places:

- at the Offeror's Customer Service Points, whose list is attached to this Supplement
- [at BRE Bank S.A. branches, whose list is attached to this Supplement; BRE Bank, in its capacity as the Firm Commitment Underwriter, will accept subscription orders for Covered Bonds prior to admission of Covered Bonds to organised trading on the Securities Market or the WSE, using the instruction specified in Art. 70.2 of the Public Trading Act]
- [at Customer Service Points of brokerage houses and offices belonging to the distribution consortium, whose list is attached to this Supplement.]

### B. Rules Governing Placement of Subscription Orders for Covered Bonds

*Offering addressed to Invited Investors*

*Offering addressed to Retail Investors*

Subscription orders for Series [●] Covered Bonds purchased from the Firm Commitment Underwriter shall be accepted from the investors to whom Invitations were sent in accordance with the rules set forth in Section 1.1.3, letter B, of the Base Prospectus.

The investor shall be entitled to place a subscription order for Covered Bonds in the number equal to the number of Covered Bonds specified in the Invitation sent to such an investor and not exceeding the number of Covered Bonds the investor declared to purchase during the bookbuilding process.

Placement by an investor of an order for a number of Covered Bonds lower than specified in the Invitation or payment by the investor for a number of Covered Bonds lower than specified in the Invitation may lead to a situation where the investor will be allotted no Covered Bonds. Nonetheless, the Firm Commitment Underwriter may decide to allot Covered Bonds in the number resulting from the payment made by the investor. Placement of a subscription order for a number of Covered Bonds higher than specified in the Invitation will be regarded as a subscription order for the number of Covered Bonds specified in the Invitation.

In order to place a subscription order, an investor should fill in a form including the following details:

- Investor's details:
  - first name and surname of natural person / name of legal person / name of unincorporated organisational unit,
  - place of residence / registered office, address
  - address for correspondence,
  - Personal Identification Number (PESEL) and identification document number or passport number (in the case of natural persons) / Industrial Identification Number (REGON) or other identification number (in the case of Polish legal persons)/(unincorporated organisational units) or number in the relevant register in the country of origin (in the case of foreign legal persons),
  - currency status (information whether the investor is a resident or non-resident within the meaning of the Foreign Exchange Act),
- number of subscribed Covered Bonds;
- purchase price per Covered Bond of a given series;
- aggregate amount of the payment made for Covered Bonds;
- information on the account to which a return of payment, if any, should be made;
- representation to the effect that the investor is familiar with the Prospectus and the Supplement, including the risk factors described therein, and accepts the terms and conditions governing the acquisition of Covered Bonds;
- Date and signature of the persons placing the subscription order.

Persons placing orders on behalf of a legal person or an unincorporated organisational unit should, no later than at

An investor may place any number of subscription orders for Covered Bonds, provided that the total number of Covered Bonds subscribed for may not be higher than the number of Covered Bonds offered for acquisition within Series [●].

A subscription order for a number of Covered Bonds higher than the number of Covered Bonds issued within Series [●] shall be regarded as a subscription order for the maximum number of Covered Bonds issued within Series [●].

[Considering the fact that the allotment of Series [●] Covered Bonds shall be performed through the IT system of [●], an Investor is required to hold an investment account with the entity accepting its subscription order for Series [●] Covered Bonds.]

In order to place a subscription order, an investor should fill in three copies of the form including the following details:

- Investor's details:
  - first name and surname of natural person / name of legal person / name of organisational unit,
  - place of residence / registered office, address
  - address for correspondence,
  - Personal Identification Number (PESEL) and identification document number or passport number (in the case of natural persons) / Industrial Identification Number (REGON) or other identification number (in the case of Polish legal persons)/(unincorporated organisational unit) or number in the relevant register in the country of origin (in the case of foreign legal persons),
  - currency status (information whether the investor is a resident or non-resident within the meaning of the Foreign Exchange Act),
- number of subscribed Covered Bonds;
- purchase price per Covered Bond of a given series;
- aggregate amount of the payment made for Covered Bonds;
- information on the account to which a return of payment, if any, should be made;
- representation to the effect that the investor is familiar with the Prospectus and the Supplement, including the risk factors described therein, and accepts the terms and conditions governing the acquisition of Covered Bonds;
- Date and signature of the persons placing the subscription order.

Persons placing orders on behalf of a legal person or an unincorporated organisational unit should, no later than at the time of submitting the order, provide valid documents confirming their authorisation to represent the investor as well as documents which are required under applicable laws and regulations to effectively purchase Covered Bonds, unless such documents have been already provided in connection with another transaction and can be regarded as valid and up to date.

The form of a subscription order for Covered Bonds purchased from the Firm Commitment Underwriter shall be



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the time of submitting the order, provide valid documents confirming their authorisation to represent the investor as well as documents which are required under applicable laws and regulations to effectively purchase Covered Bonds, unless such documents have been already provided in connection with another transaction and can be regarded as valid and up to date.

The form of a subscription order for Covered Bonds purchased from the Firm Commitment Underwriter shall be provided by the Offeror and/or the Firm Commitment Underwriter during the subscription period.

Any consequences of an inaccurate filling in of the subscription order form shall be borne by the person placing the order.

Subscription orders may be placed by fax if the agreement executed by the Invited Investor and the entity accepting the order provides for such a possibility.

The subscription for Covered Bonds shall be irrevocable, unconditional and may not contain any reservations. However, investors should note that pursuant to Art. 51a of the Public Offering Act in the event that a supplement to a prospectus is published after the opening of the subscription or sale, a person who submitted a subscription order before the supplement is made available may avoid the legal effect of the subscription by submitting a relevant written statement to one of the Customer Service Points of the investment firm acting as the offeror with respect to the securities within two business days following the date on which the supplement was made available. The right to avoid the legal effect of a subscription order does not apply if a supplement is made available in connection with any misstatements in a prospectus of which the issuer or the selling shareholder became aware following the allotment of securities or circumstances arising, or of which the issuer or the selling shareholder became aware, following such allotment. The issuer or the selling shareholder may allot securities no earlier than following the end of the period during which an investor may avoid the legal effect of the subscription order.

Along with the subscription order for Covered Bonds, an investor may submit an instruction to deposit the Covered Bonds in its securities account. In such an instruction, the investor shall specify the number of the securities account and the name of the bank or brokerage house maintaining the account. The instruction shall be irrevocable and may not contain any reservations, and its form is included in the subscription order form.

If the investor does not submit a deposit instruction, the allotted Covered Bonds shall be deposited in the issue sponsor's account maintained by the Offeror. In such a case, the investor shall be entitled to collect a confirmation of acquisition of Covered Bonds from the place where the investor submitted the subscription order and to deposit such Covered Bonds in the investor's securities account.

available at the places accepting subscription orders for Series [●] Covered Bonds. A computer print-out containing all the elements required in a subscription order form and signed by the investor shall be also recognised as a form of subscription order for Covered Bonds. As proof of placement of a subscription order, the person placing the subscription order shall receive one copy of the filled in and placed subscription order.

Any consequences of an inaccurate filling in of the subscription order form shall be borne by the person placing the order.

The subscription for Covered Bonds shall be irrevocable, unconditional and may not contain any reservations. However, investors should note that pursuant to Art. 51a of the Public Offering Act in the event that a supplement to a prospectus is published after the opening of the subscription or sale, a person who submitted a subscription order before the supplement is made available may avoid the legal effect of the subscription by submitting a relevant written statement to one of the Customer Service Points of the investment firm acting as the offeror with respect to the securities within two business days following the date on which the supplement was made available. The right to avoid the legal effect of a subscription order does not apply if a supplement is made available in connection with any misstatements in a prospectus of which the issuer or the selling shareholder became aware following the allotment of securities or circumstances arising, or of which the issuer or the selling shareholder became aware, following such allotment. The issuer or the selling shareholder may allot securities no earlier than following the end of the period during which an investor may avoid the legal effect of the subscription order.

[Covered Bonds allotted to the investor shall be deposited in the investment account used to place the subscription order.] / [Along with the subscription order for Covered Bonds, an investor may submit an instruction to deposit the Covered Bonds in the investor's securities account. In such an instruction, the investor shall specify the number of the securities account and the name of the bank or brokerage house maintaining the account. The instruction shall be irrevocable and may not contain any reservations; its form is included in the subscription order form.]

If the investor does not submit a deposit instruction, the allotted Covered Bonds shall be deposited in the issue sponsor's account maintained by the Offeror. In such a case, the investor shall be entitled to collect a confirmation of acquisition of Covered Bonds from the place where the investor submitted the subscription order and to deposit such Covered Bonds in the investor's securities account.]

Investors may place orders via means of remote communication (e.g. by fax, Internet, telephone) if the agreement between the investor and the entity with which the investor places the subscription order provides for such a possibility.

Dom Inwestycyjny BRE Banku S.A., registered office at ul. Wspólna 47/49, Warsaw, is the data administrator within the meaning of applicable laws on personal data protection.

#### *Acting through a proxy*

Investors may acquire Series [●] Covered Bonds through a proxy. Acting through a proxy is subject to the rules and regulations of the entity at which investors intend to subscribe for Covered Bonds.

The number of powers of proxy is not limited.

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### 7.1.3 Reduction of subscription orders and return of overpayments to investors

#### *Offering addressed to Invited Investors*

Covered Bonds of a given series shall be allotted to Institutional Investors by the Firm Commitment Underwriter in the number specified in the subscription orders.

If an investor purchasing Series [●] Covered Bonds from the Firm Commitment Underwriter makes a payment exceeding the amount payable pursuant to the rules contained in this Supplement, the overpayment shall be returned by the entity with which the investor placed the subscription order to the account specified by the investor in the subscription order within seven business days from the allotment date of a given series.

#### *Offering addressed to Retail Investors*

[Series [●] Covered Bonds shall be allotted during an [exchange]/[●] trading day, using [●] IT system.]

[Covered Bonds shall be allotted to investors by the Firm Commitment Underwriter in the number specified in the subscription orders. If the number of Covered Bonds subscribed for by the investor exceeds the number of Covered Bonds issued in a given series, the Covered Bonds shall be allotted by the Firm Commitment Underwriter in accordance with the proportional reduction principle, that is all placed subscription orders shall be reduced in the same proportion; fractions of Covered Bonds shall not be allotted. If after proportional reduction of subscription orders a number of Covered Bonds remains unallotted, such Covered Bonds shall be allotted (one Covered Bond per person) to the investors who subscribed for the largest number of Covered Bonds.]

[Covered Bonds shall be allotted to investors by the Firm Commitment Underwriter in the number specified in the subscription orders. If the number of Covered Bonds subscribed for by the investor exceeds the number of Covered Bonds issued in a given series, Covered Bonds shall be allotted by the Firm Commitment Underwriter depending on the time of order placement, i.e. as specified in the subscription orders – in the case of orders placed before the date on which the number of Covered Bonds subscribed for reaches the number of Covered Bonds of a given series offered for acquisition. Subscription orders placed on the date on which the number of subscribed Covered Bonds reaches the number of Covered Bonds of a given series offered for acquisition and on the subsequent days shall be reduced proportionately and no fractions of Covered Bonds shall be allotted. If after proportional reduction of subscription orders a number of Covered Bonds remains unallotted, such Covered Bonds shall be allotted (one Covered Bond per person) to the investors who subscribed for the largest number of Covered Bonds and whose orders were reduced.]

If an investor purchasing Covered Bonds from the Firm Commitment Underwriter makes a payment in an amount exceeding the product of the allotted Covered Bonds and their Selling Price, the overpayment shall be returned by the entity with which the investor placed the subscription order [to the account specified by the investor in the subscription order form / to the investment account used to place the subscription order], no later than seven business days from the allotment of Covered Bonds of a given series.

### 7.1.4 Minimum and Maximum Subscription Size

#### *Offering addressed to Invited Investors*

An Invited Investor shall be obliged to subscribe for the number of Covered Bonds specified in the Invitation sent to such an investor, which shall not exceed the number of Covered Bonds which the investor declared to purchase during the bookbuilding process.

#### *Offering addressed to Retail Investors*

A Retail Investor may subscribe for no more Covered Bonds than the number of Series [●] Covered Bonds issued and offered for purchase.

### 7.1.5 Time and Manner of Payment; Delivery of Securities

#### *Offering addressed to Invited Investors*

#### *Offering addressed to Retail Investors*

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Payment for Covered Bonds purchased by Invited Investors from the Firm Commitment Underwriter should be made in full, in [PLN / EUR/ USD ] [or in PLN, translated at an exchange rate agreed between the Firm Commitment Underwriter and the investor], in a manner ensuring that the payment is credited to the account of the entity accepting subscription orders for Series [●] Covered Bonds by [●] on [●].

A full payment is understood as the product of the number of Covered Bonds issued in a given series and specified in the Invitation sent to the investor, and the Selling Price per Series [●] Covered Bond.

Information on the number of the account to which payment for Covered Bonds purchased by the investor from the Firm Commitment Underwriter should be made shall be available from the Offeror and the Firm Commitment Underwriter during the subscription period for Series [●] Covered Bonds and shall be additionally provided to investors in the Invitation to place a subscription order.

Payment for Covered Bonds purchased by Retail Investors from the Firm Commitment Underwriter should be made in [PLN / EUR/ USD ] [or in PLN, translated at an exchange rate determined by the underwriter].

[At the time of placing an order the Retail Investor shall have funds deposited in the investment account held with the entity accepting its subscription order in an amount sufficient to cover the full payment for Covered Bonds subscribed for.]

[The Retail Investor shall make the full payment for the Covered Bonds subscribed for in a manner ensuring that the payment is credited to the account of the entity accepting the order by [●]. Information on the number of the account to which payment for Covered Bonds purchased by Retail Investors from the Firm Commitment Underwriter shall be available from the entities accepting subscription orders during the subscription period for Series [●] Covered Bonds.]

A full payment is understood as the product of the number of Series [●] Covered Bonds subscribed by the Retail Investor and the Selling Price per Series [●] Covered Bond, plus commission (if any) charged by the entity accepting the order.

In the event of failure to make a full payment for Covered Bonds, the subscription order shall be deemed null and void in its entirety. Payments for Covered Bonds shall not bear interest.

Subscription orders for Covered Bonds may be paid for with accounts receivable under concluded but unsettled sale transactions, in line with the rules applicable at a given entity entitled to accept subscription orders.

## Delivery of Securities

Prior to the opening of the Offering, the Issuer shall enter with the Polish NDS into an agreement providing for the registration of Covered Bonds with the Polish NDS. Upon allotment to investors, Covered Bonds of a given series shall be immediately placed in the securities accounts of the persons to whom they were allotted.

Covered Bonds shall be deposited in the investors' investment accounts in accordance with their instructions. [If an investor does not submit the instruction to deposit Covered Bonds in the securities account, the Covered Bonds allotted to such an investor shall be deposited in the issue sponsor's account maintained by the Offeror. In such a case, the investor shall be entitled to collect a confirmation of acquisition of Covered Bonds from the entity with which the investor placed the subscription order and to deposit the Covered Bonds in the investor's securities account.]

### 7.1.6 Manner and Time of Publishing Information on the Results of the Public Offering

The results of the public offering of Series [●] Covered Bonds shall be published by the Issuer in a current report within fourteen days from the closing of subscription for Series [●] Covered Bonds.

### 7.1.7 Investors to whom the Offering is Addressed

The Offering of Series [●] Covered Bonds is addressed to:

- Invited Investors, i.e. natural persons, legal persons and their unincorporated organisational units, both residents and non-residents within the meaning of the Foreign Exchange Act, who have been invited to subscribe for Covered Bonds in accordance with the terms and conditions set forth in the Prospectus.
- Retail Investors, i.e. natural persons, legal persons and their unincorporated organisational units, both residents and non-residents within the meaning of the Foreign Exchange Act.

### Notification of the Number of Allotted Securities

An investor is entitled to receive information on the number of allotted Covered Bonds at the offices of the entity maintaining the investor's investment account and in accordance with the rules of procedure followed by that entity, and if the Covered Bonds are

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deposited in the issue sponsor's account – at the Customer Service Point of the Offeror. Investors should take into account that no notifications on the allotment shall be sent unless such a requirement follows from the rules of procedure effective at the entity with which the investor's subscription order was placed.

In particular, trading in Covered Bonds acquired by investors may commence before they learn of the number Covered Bonds allotted to them, since the commencement of trading in Covered Bonds is not contingent upon notifying the subscribers of the number of Covered Bonds allotted to them. Investors are therefore advised to contact the entities maintaining their investment accounts in order to obtain information on the allotment size.

## 7.2 Selling Price of /interest rate on Covered Bonds

The selling price of Series [●] Covered Bonds is [PLN/USD/EUR] [●] and the interest rate is [●].

An investor placing a subscription order for Covered Bonds shall not bear any additional costs related to such order placement, [except for commissions, if any, which the entities accepting the subscription orders in the offering addressed to Retail Investors are entitled to collect. There may also be other costs indirectly connected with the placement of subscription orders for Covered Bonds, including the cost of opening and maintaining an investment account.] It should be also noted that payments for Covered Bonds made by investors shall bear no interest, and in the case of a return of payment, an investor shall not be entitled to any interest or compensation.

## 7.3 Placement and Underwriting

### 7.3.1 Names and Addresses of Lead Managers of the Entire Offering and its Particular Parts:

The Public Offering's lead manager is Dom Inwestycyjny BRE Banku S.A., registered office at ul. Wspólna 47/49, Warsaw, Poland. BRE Bank S.A., registered office at ul. Senatorska 18, Warsaw, also participates in the Offering, as Firm Commitment Underwriter with respect to series [●] Covered Bonds.

### 7.3.2 Names and Addresses of Paying Agents and Entities Providing Deposit Services

The paying agent and the entity providing deposit services is the National Depository for Securities, registered office at ul. Książęca 4, Warsaw, Poland, as well as investment firms and banks keeping securities accounts in which Covered Bonds will be deposited.

### 7.3.3 Names and Addresses of Entities Underwriting the Issue on a Firm Commitment Basis; Names and Addresses of Entities who Agreed to Place the Offering with no Firm Commitment or on a Best Efforts Basis

The entity which undertook to place the offering with no firm commitment is Dom Inwestycyjny BRE Banku S.A., registered office at ul. Wspólna 47/49, Warsaw, [and BRE Bank S.A., registered office at ul. Senatorska 18, Warsaw].

The entity with which the Issuer executed a firm commitment underwriting agreement is [●], registered office at [●].

### 7.3.4 Underwriting Agreement Execution Date

The Issuer has executed a firm commitment underwriting agreement with [●] on [●]. Under the agreement, [●] agreed to [●].

## 8. Information on the Terms and Conditions of the Offering (Ordinary Procedure)

### 8.1 Terms and Conditions, Parameters and Planned Schedule of the Offering, Actions Connected with Placement of Orders

#### 8.1.1 Issue Size

As part of this Series [●] of Covered Bonds, no more than [●] [Mortgage/Public Sector] Covered Bonds are being sold and [●][Mortgage/Public Sector] Covered Bonds are being offered in an Ordinary Procedure Offering.

#### 8.1.2 Closing and Opening Dates of the Offering and Subscription Procedure

### A. Dates and place for acceptance of subscription orders for Covered Bonds

#### *Offering addressed to Invited Investors*

Authorised persons will be able to submit orders for Series [●] Covered Bonds in the period [●] at the following places:

- at the Offeror's registered office, [ul. Wspólna 47/49, 00-684 Warsaw].

#### *Offering addressed to Retail Investors*

Investors will be able to submit orders for Series [●] Covered Bonds in the period [●] at the following places:

- at the Offeror's Customer Service Points, whose list is attached to this Supplement,
- [at Customer Service Points of the brokerage houses and offices belonging to the distribution consortium, whose list is attached to this

## B. Rules governing placement of subscription orders for Covered Bonds

### *Offering addressed to Invited Investors*

Subscription orders for Series [●] Covered Bonds shall be accepted from the investors to whom Invitations were sent in accordance with the rules set forth in Section 1.1.3. letter B of the Base Prospectus.

The Issuer shall send Invitations to Invited Investors in a discretionary manner, i.e. the Issuer shall send Invitations to selected investors to place subscription orders for a number of Covered Bonds of a given series specified by the Issuer.

[The number of Covered Bonds for which an investor will be entitled to place a subscription order should be equal to the number of Covered Bonds specified in the Invitation sent to such an investor, which will not exceed the number of Covered Bonds the investor declared to purchase during the bookbuilding process.]

[The investor shall be entitled to place a subscription order for Covered Bonds in the number equal to the number of Covered Bonds specified in the Invitation sent to such an investor.]

Placement by an investor of an order for a number of Covered Bonds lower than specified in the Invitation or payment by an investor for a number of Covered Bonds lower than specified in the Invitation may lead to a situation where the investor will be allotted no Covered Bonds. Nonetheless, the Issuer may decide to allot Covered Bonds in the number resulting from the payment made by the investor. Placement of a subscription order for a number of Covered Bonds higher than specified in the Invitation will be regarded as a subscription order for the number of Covered Bonds specified in the Invitation.

In order to place a subscription order, an investor should fill in a form including the following details:

- Investor's details:
  - first name and surname of natural person / name of legal person / name of unincorporated organisational unit,
  - place of residence / registered office, address
    - address for correspondence,
  - Personal Identification Number (PESEL) and identification document number or passport number (in the case of natural persons) / Industrial Identification Number (REGON) or other identification number (in the case of Polish legal persons)/ (unincorporated organisational units) or number in the relevant register in the country of origin (in the case of foreign legal persons),
  - currency status (information whether the investor is a resident or non-resident within the meaning of the Foreign Exchange Act),
- number of subscribed Covered Bonds;
- purchase price per Covered Bond of a given

### *Offering addressed to Retail Investors*

An investor may place any number of subscription orders for Covered Bonds, provided that the total number of Covered Bonds subscribed for may not be higher than the number of Covered Bonds offered for acquisition within Series [●].

A subscription order for a number of Series [●] Covered Bonds higher than the number of Covered Bonds issued within Series [●] shall be regarded as a subscription order for the maximum number of Covered Bonds issued within Series [●].

[Considering the fact that the allotment of Series [●] Covered Bonds shall be performed through the IT system of [●], an Investor is required to hold an investment account with the entity accepting its subscription order for Series [●] Covered Bonds.]

In order to place a subscription order, an investor should fill in three copies of the form including the following details:

- Investor's details:
  - first name and surname of natural person / name of legal person / name of unincorporated organisational unit,
  - place of residence / registered office, address
    - address for correspondence,
  - Personal Identification Number (PESEL) and identification document number or passport number (in the case of natural persons) / Industrial Identification Number (REGON) or other identification number (in the case of Polish legal persons)/ (unincorporated organisational units) or number in the relevant register in the country of origin (in the case of foreign legal persons),
  - currency status (information whether the investor is a resident or non-resident within the meaning of the Foreign Exchange Act),
- number of subscribed Covered Bonds;
- purchase price per Covered Bond of a given series;
- aggregate amount of the payment made for Covered Bonds;
- information on the account to which a return of payment, if any, should be made;
- representation to the effect that the investor is familiar with the Prospectus and the Supplement, including the risk factors described therein, and accepts the terms and conditions governing the acquisition of Covered Bonds;
- Date and signature of the persons placing the subscription order.

Persons placing orders on behalf of a legal person or an

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series;

- aggregate amount of the payment made for Covered Bonds;
- information on the account to which a return of payment, if any, should be made;
- representation to the effect that the investor is familiar with the Prospectus and the Supplement, including the risk factors described therein, and accepts the terms and conditions governing the acquisition of Covered Bonds;
- Date and signature of the persons placing the subscription order.

Persons placing orders on behalf of a legal person or an unincorporated organisational unit should, no later than at the time of submitting the order, provide valid documents confirming their authorisation to represent the investor as well as documents which are required under applicable laws and regulations to effectively purchase Covered Bonds, unless such documents have been already provided in connection with another transaction and can be regarded as valid and up to date.

The form of a subscription order for Covered Bonds shall be provided during the subscription period.

Any consequences of an inaccurate filling in of the subscription order form shall be borne by the person placing the order.

Subscription orders may be placed by fax if the agreement executed by the Invited Investor and the entity accepting the order provides for such a possibility.

The subscription for Covered Bonds shall be irrevocable, unconditional and may not contain any reservations. However, investors should note that by virtue of Art. 51a of the Public Offering Act in the event that a supplement to a prospectus is published after the opening of the subscription or sale, a person who submitted a subscription order before the supplement is made available may avoid the legal effect of the subscription by submitting a relevant written statement to one of the Customer Service Points of the investment firm acting as the offeror with respect to the securities within two business days following the date on which the supplement was made available. The right to avoid the legal effect of a subscription order does not apply if a supplement is made available in connection with any misstatements in a prospectus of which the issuer or the selling shareholder became aware following the allotment of securities or circumstances arising, or of which the issuer or the selling shareholder became aware, following such allotment. The issuer or the selling shareholder may allot securities no earlier than following the end of the period during which an investor may avoid the legal effect of the subscription order.

Along with the subscription order for Covered Bonds, an investor may submit an instruction to deposit the Covered Bonds in its securities account. In such an instruction, the investor shall specify the number of the securities account and the name of the bank or brokerage house maintaining the account. The instruction shall be irrevocable and may not contain any reservations; its form shall be included in the subscription order form.

If the investor does not submit a deposit instruction, the allotted Covered Bonds shall be deposited in the issue sponsor's account maintained by the Offeror. In such a case, the investor shall be entitled to collect a confirmation of acquisition of Covered Bonds from the place where the investor submitted the subscription order and to deposit such Covered Bonds in the investor's

unincorporated organisational unit should, no later than at the time of submitting the order, provide valid documents confirming their authorisation to represent the investor as well as documents which are required under applicable laws and regulations to effectively purchase Covered Bonds, unless such documents have been already provided in connection with another transaction and can be regarded as valid and up to date.

The form of a subscription order for Covered Bonds shall be available at the places accepting subscription orders for Series [●] Covered Bonds. A computer print-out containing all the elements required in a subscription order form and signed by the investor shall be also recognised as a form of subscription order for Covered Bonds. As proof of placement of a subscription order, the person placing the subscription order shall receive one copy of the filled in and placed subscription order.

Any consequences of an inaccurate filling in of the subscription order form shall be borne by the person placing the order.

The subscription for Covered Bonds shall be irrevocable, unconditional and may not contain any reservations. However, investors should note that pursuant to Art. 51a of the Public Offering Act in the event that a supplement to a prospectus is published after the opening of the subscription or sale, a person who submitted a subscription order before the supplement is made available may avoid the legal effect of the subscription by submitting a relevant written statement to one of the Customer Service Points of the investment firm acting as the offeror with respect to the securities within two business days following the date on which the supplement was made available. The right to avoid the legal effect of a subscription order does not apply if a supplement is made available in connection with any misstatements in a prospectus of which the issuer or the selling shareholder became aware following the allotment of securities or circumstances arising, or of which the issuer or the selling shareholder became aware, following such allotment. The issuer or the selling shareholder may allot securities no earlier than following the end of the period during which an investor may avoid the legal effect of the subscription order.

[Covered Bonds allotted to a given investor shall be deposited in the investment account used to place a subscription order.] / [Along with the subscription order for Covered Bonds, an investor may submit an instruction to deposit the Covered Bonds in the investor's securities account. In such an instruction, the investor shall specify the number of the securities account and the name of the bank or brokerage house maintaining the account. The instruction shall be irrevocable and may not contain any reservations; its form is included in the subscription order form.]

If the investor does not submit a deposit instruction, the allotted Covered Bonds shall be deposited in the issue sponsor's account maintained by the Offeror. In such a case, the investor shall be entitled to collect a confirmation of acquisition of Covered Bonds from the place where the investor submitted the subscription order and to deposit such Covered Bonds in the investor's securities account.]

Investors may place orders via means of remote communication (e.g. by fax, Internet, telephone) if the agreement between the investor and the entity with which the investor places the subscription order provides for such a possibility.

Dom Inwestycyjny BRE Banku S.A., registered office at ul. Wspólna 47/49, Warsaw, is the data administrator within the meaning of applicable laws on personal data protection.

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securities account.

*Acting through a proxy*

Investors may acquire Covered Bonds through a proxy. Acting through a proxy is subject to the rules and regulations of the entity at which investors intend to subscribe for Covered Bonds.

The number of powers of proxy is not limited.

### 8.1.3 Reduction of subscription orders and return of overpayments to investors

*Offering addressed to Invited Investors*

If a given series of Covered Bonds is offered to Invited Investors, Covered Bonds shall be allotted to investors by the Issuer in the number specified in the subscription orders.

If an investor purchasing Series [●] Covered Bonds makes a payment exceeding the amount payable pursuant to the rules contained in this Prospectus, the overpayment shall be returned by the entity with which the investor placed the subscription order to the account specified by the investor in the subscription order within seven business days from the allotment date.

The number of Covered Bonds for which an investor will be entitled to place a subscription order should be equal to the number of Covered Bonds specified in the Invitation sent to such an investor [such number shall not exceed the number of Covered Bonds whose purchase the investor proposed in the Declaration]. Placement by an investor of an order for a number of Covered Bonds lower than specified in the Invitation or payment by an investor for a number of Covered Bonds lower than specified in the Invitation may lead to a situation where the investor will be allotted no Covered Bonds. Nonetheless, the Issuer may decide to allot Covered Bonds to the investor in the number corresponding to the amount paid. If an investor places a subscription order for a number of Covered Bonds greater than specified in the Invitation, such an order shall be treated as an order for the number of the Covered Bonds indicated in the Invitation.

*Offering addressed to Retail Investors*

[Series [●] Covered Bonds shall be allotted during an [exchange]/[●] trading day, using [●] IT system.]

[Covered Bonds shall be allotted to investors by the Issuer in the number specified in the subscription orders. If the number of Covered Bonds subscribed for by the investor exceeds the number of Covered Bonds issued in a given series, the Covered Bonds shall be allotted by the Issuer in accordance with the proportional reduction principle, that is all placed subscription orders shall be reduced in the same proportion; fractions of Covered Bonds shall not be allotted. If after proportional reduction of subscription orders a number of Covered Bonds remains unallotted, such Covered Bonds shall be allotted (one Covered Bond per person) to the investors who subscribed for the largest number of Covered Bonds.]

[Covered Bonds shall be allotted to investors by the Issuer in the number specified in the subscription orders. If the number of Covered Bonds subscribed for by the investor exceeds the number of Covered Bonds issued in a given series, the Covered Bonds shall be allotted by the Issuer depending on the time of order placement, i.e. as specified in the subscription order – in the case of orders placed before the date on which the number of Covered Bonds subscribed for reaches the number of Covered Bonds of a given series offered for acquisition. Subscription orders placed on the date on which the number of subscribed Covered Bonds reaches the number of Covered Bonds of a given series offered for acquisition and on the subsequent days shall be reduced proportionately and no fractions of Covered Bonds shall be allotted. If after proportional reduction of subscription orders a number of Covered Bonds remains unallotted, such Covered Bonds shall be allotted (one Covered Bond per person) to the investors who subscribed for the largest number of Covered Bonds and whose orders were reduced.]

If an investor purchasing Covered Bonds from the Issuer makes a payment in an amount exceeding the product of the allotted Covered Bonds and their issue price, the overpayment shall be returned by the entity with which the investor placed the subscription order [to the account specified by the investor in the subscription order / to the investment account used to place the subscription order], no later than seven business days from the allotment date of a given series.

### 8.1.4 Minimum and Maximum Subscription Size

*Offering addressed to Invited Investors*

An Invited Investor shall be entitled to subscribe for the number of Covered Bonds specified in the Invitation sent to such an investor, which shall not exceed the number of

*Offering addressed to Retail Investors*

A Retail Investor may place an order for no more than the number of Series [●] Covered Bonds issued and offered for purchase.

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Series [●] Covered Bonds issued and offered for purchase [This number shall not exceed the number of Covered Bonds the investor proposed to purchase in the Declaration.]

#### 8.1.5 Time and Manner of Payment; Delivery of Securities

##### *Offering addressed to Invited Investors*

Payment for Covered Bonds purchased by the Invited Investors should be made in full, in [PLN / EUR/ USD] [or in PLN, translated at an exchange rate determined by the Issuer] [translated at an exchange rate agreed by the Issuer and the Investor], in a manner ensuring that the payment is credited to the account of the entity accepting orders by [●] on [●].

A full payment is understood as the product of the number of Covered Bonds issued in a given series and specified in the subscription Invitation sent to the investor, and the Issue Price per Series [●] Covered Bond.

Information on the number of the account to which payment for Covered Bonds purchased by investors should be made shall be available from the Offeror during the subscription period for Series [●] Covered Bonds and shall be additionally provided to investors in the Invitation to place a subscription order.

##### *Offering addressed to Retail Investors*

Payment for Covered Bonds purchased by Retail Investors should be made in full, in [PLN / EUR/ USD] [or in PLN, translated at an exchange rate determined by the Issuer], in a manner ensuring that the payment is credited to the account of the entity accepting orders no later than at the time of the order placement.

[At the time of placing an order the Retail Investor shall have funds deposited in the investment account held with the entity accepting its subscription order in an amount sufficient to cover the full payment for Covered Bonds subscribed for.]

[The Retail Investor shall make the full payment for the subscribed Covered Bonds in a manner ensuring that the payment is credited to the account of the entity accepting the order by [●]. Information on the number of the account to which payment for Covered Bonds purchased by Retail Investors from the Firm Commitment Underwriter shall be available from the entities accepting subscription orders during the subscription period for Series [●] Covered Bonds.]

A full payment is understood as the product of the number of Series [●] Covered Bonds subscribed by the Retail Investor and the Issue Price per Series [●] Covered Bond, plus commission, if any, charged by the entity accepting the order.

In the event of failure to make a full payment for Covered Bonds, the subscription order shall be deemed null and void in its entirety. Payments for Covered Bonds shall not bear interest.

The entity entitled to accept subscription orders may collect commission in connection with the acquisition of Covered Bonds, in accordance with the internal rules applicable at such entity.

#### **Delivery of Securities**

Prior to the opening of the Offering, the Issuer shall enter with the Polish NDS into an agreement providing for the registration of covered bonds with the Polish NDS. After allotting Series [●] Covered Bonds to investors, the Issuer shall immediately take steps to place Series [●] Covered Bonds in the securities accounts of the persons to whom Series [●] Covered Bonds were allotted.

Covered Bonds shall be deposited in investors' investment accounts in accordance with their instructions. [If an investor does not submit the instruction to deposit Covered Bonds in the securities account, the Covered Bonds allotted to such an investor shall be deposited in the issue sponsor's account maintained by the Offeror. In such a case, the investor shall be entitled to collect a confirmation of acquisition of Covered Bonds from the entity with which the investor placed the subscription order and to deposit the Covered Bonds in the investor's securities account.]

#### 8.1.6 Manner and Time of Publishing Information on the Results of the Public Offering

The results of the public offering of Series [●] Covered Bonds shall be published by the Issuer in a current report within fourteen days from the closing of subscription for Series [●] Covered Bonds.

#### 8.1.7 Investors to whom the Offering is Addressed

The Offering of Series [●] Covered Bonds is addressed to:



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- Invited Investors, i.e. natural persons, legal persons and their unincorporated organisational units, both residents and non-residents within the meaning of the Foreign Exchange Act, invited to place a subscription order for Covered Bonds on the terms and conditions described in the Prospectus.
  - Retail Investors, i.e. natural persons, legal persons and their unincorporated organisational units, both residents and non-residents within the meaning of the Foreign Exchange Act.

#### 8.1.8 Notification of the Number of Allotted Securities

An investor is entitled to be receive information on the number of allotted Covered Bonds at the offices of the entity maintaining the investor's investment account and in accordance with the rules of procedure followed by that entity, and if Covered Bonds are deposited in the issue sponsor's account – at the Customer Service Points of the Offeror. Investors should take into account that no notifications on the allotment shall be sent unless such a requirement follows from the rules of procedure effective at the entity with which the investor's subscription order was placed.

In particular, trading in Covered Bonds acquired by investors may commence before they learn of the number Covered Bonds allotted to them, since the commencement of trading in Covered Bonds is not contingent upon notifying the subscribers of the number of Covered Bonds allotted to them. Investors are therefore advised to contact the entities maintaining their investment accounts in order to obtain information on the allotment size.

#### 8.2 Issue Price of / interest rate on Covered Bonds

The issue price of Series [•] Covered Bonds is [PLN/USD/EUR] [•] and the interest rate [is] [•].

An investor placing a subscription order for Covered Bonds shall not bear any additional costs related to such order placement, [except for commissions, if any, which the entities accepting the subscription orders in the offering addressed to Retail Investors are entitled to collect. There may also be other costs indirectly connected with the placement of subscription orders for Covered Bonds, including the cost of opening and maintaining an investment account.] It should be also noted that payments for Covered Bonds made by investors shall bear no interest, and in the case of a return of payment, an investor shall not be entitled to any interest or compensation.

#### 8.3 Placement and Underwriting

##### 8.3.1 Names and Addresses of Lead Managers of the Entire Offering and its Particular Parts:

The Public Offering's lead manager is Dom Inwestycyjny BRE Banku S.A., registered office at ul. Wspólna 47/49, Warsaw, Poland. [BRE Bank S.A., registered office at ul. Senatorska 18, Warsaw, has undertaken to conduct the bookbuilding process described in this Chapter.]

##### 8.3.2 Names and Addresses of Paying Agents and Entities Providing Deposit Services

The paying agent and the entity providing deposit services is the National Depository for Securities, registered office at ul. Książęca 4, Warsaw, Poland, as well as investment firms and banks keeping securities accounts in which Covered Bonds will be deposited.

##### 8.3.3 Names and Addresses of Entities Underwriting the Issue on a Firm Commitment Basis; Names and Addresses of Entities who Agreed to Place the Offering with no Firm Commitment or on a Best Efforts Basis

[The Issuer has executed a standby underwriting agreement for Series [•] Covered Bonds with [•], registered office at [•]. Under the agreement, [•] agreed to [•].]

[The Issuer has not executed a firm commitment underwriting agreement.]

The entity which undertook to place the offering with no firm commitment is Dom Inwestycyjny BRE Banku S.A., registered office at ul. Wspólna 47/49, Warsaw, [and •].

##### 8.3.4 Underwriting Agreement Execution Date

The Issuer has not executed an underwriting agreement.

## 9. Admission of Securities to Trading; Trading-Related Arrangements

### 9.1 Indication whether the offered securities are or will be the subject of an application for admission to trading

The Issuer's intention is that Covered Bonds be admitted [and introduced] to trading on the regulated market. The Issuer intends to submit relevant applications for admission [and introduction] of Covered Bonds to trading [immediately upon the allotment of Series [•] Covered Bonds / on or before [•].

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The Issuer's intention is that Covered Bonds be admitted [and introduced] to trading on the regulated market operated by [the WSE / the Securities Market].

9.2 Regulated markets or equivalent markets on which, to the Issuer's knowledge, securities of the same class as the securities that are being offered or admitted to trading are admitted to trading

In the past, the Issuer issued covered bonds which were admitted to trading on the regulated market operated by BondSpot S.A. [and the WSE]. The covered bonds are traded under the following codes: [●].

9.3 Names and addresses of entities under a binding obligation to act as intermediaries in secondary market trading and ensuring liquidity by quoting buy and sell offers, as well as key terms and conditions of their obligation

[The Issuer has not entered into any agreement with intermediaries in secondary market trading, ensuring liquidity by quoting buy and sell offers.] [The Issuer has entered into an agreement with [●] on intermediation in Covered Bonds trading on the secondary market, ensuring liquidity by quoting buy and sell offers.]

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### **REPRESENTATION BY THE TRUSTEE**

In performance of the provisions of Art. 7.2 in conjunction with Art. 6.9 of the Act on Covered Bonds and Mortgage Banks of August 29th 1997 (Dz.U. of 2003, No. 99, item 919, as amended), I [•], as the Trustee of BRE Bank Hipoteczny S.A., represent that the issue of Series [•] [mortgage] [public sector] covered bonds which this Supplement concerns is secured by the Issuer in accordance with the said Act. The Issuer has made appropriate entries in the collateral register for [mortgage] [public sector] covered bonds. I also represent that the issue of Series [•] [mortgage] [public sector] covered bonds does not exceed the limits specified in Art. 18 of the said Act as at [•].

Warsaw, [date]