This is a translation from the original Appendix 2 dated 02.04.2010 and should not be read in substitution of the original Appendix 2. This translation of the original Appendix 2 dated 02.04.2010 does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Offer or to subscribe or purchase of any of the Mortgage and Public Sector Covered Bonds.

Appendix 2
approved by the Polish Financial Supervision Authority on April 2nd 2010, to the Base Prospectus of BRE Bank Hipoteczny S.A., approved by the Polish Financial Supervision Authority on October 28th 2009.

This Appendix 2 has been drawn up to update the Issue Prospectus by supplementing it with historical financial information for 2009 and with information on trends prevailing from the end of 2009 to February 28th 2010, in connection with the publication of financial statements of BRE Bank Hipoteczny S.A. for 2009 on March 31st 2010.

Chapter II.

Section 1.

The first paragraph is changed to read as follows:

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

Sub-Section 1.1

The first paragraph is changed to read as follows:

In 2009, the volume of the loan portfolio (including off-balance-sheet items) decreased slightly, by PLN 504,685 thousand, and the total on-balance-sheet and off-balance-sheet exposures reached PLN 4,523,042 thousand as at the end of 2009 (commercial loans, housing loans, loans to local government institutions, and loans to public healthcare centres (ZOZ) guaranteed by local government institutions), and the value of loans advanced in 2009 alone stood at PLN 286,904 thousand (Table 3).

The second paragraph is changed to read as follows:

As at the end of 2009, loans for the financing of commercial real estate accounted for 79.1% of the Bank's entire loan portfolio. In terms of currency, PLN-denominated loans had a dominant share in the total portfolio, followed by EUR-denominated loans. As at the end of 2009, foreign currency loans accounted for 36.6% of the aggregate loan portfolio (Table 2). From 2002 to mid 2008, the share of PLN-denominated loans grew steadily, which was attributable to large and sudden exchange rate fluctuations and the Bank's financing of residential developers contracting PLN-denominated loans.

Table 1 "The Bank's total loan portfolio by product group (PLN '000)" is replaced with the following table:

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

	Product	Dec 31 2009	Dec 31 2008	Change
Commercial loans	***On-balance-sheet exposure***	3,348,913	3,537,700	-5.34%
	Off-balance-sheet exposure	229,326	531,241	-56.83%
	Total exposure	**3,578,239**	**4,068,942**	**-12.06%**
Housing loans	***On-balance-sheet exposure***	58,586	70,804	-17.26%
	Off-balance-sheet exposure	839	1,448	-42.05%
	Total exposure	**59,425**	**72,252**	**-17.75%**
Loans to local government institutions	***On-balance-sheet exposure***	699,245	702,023	-0.40%
	Off-balance-sheet exposure	186,133	184,511	0.88%
	Total exposure	**885,378**	**886,534**	**-0.13%**

	On-balance-sheet exposure	4,106,744	4,310,527	-4.73%
	Off-balance-sheet exposure	416,299	717,200	-41.96%
Total	***Total exposure***	**4,523,042**	**5,027,728**	**-10.04%**

Source: the Issuer.

** Unaudited operating and financial data is sourced from the Issuer's management accounts. The above data concerns the portfolio value including loan interest, decreased by impairment losses.*

Table 2 "Total loan portfolio by currency and main product groups (%)" is replaced with the following table:

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

Product	**Dec 31 2009**			**Dec 31 2008**		
	PLN	**EUR**	**USD**	**PLN**	**EUR**	**USD**
Commercial loans	54.7%	42.0%	3.4%	61.6%	36.7%	1.7%
Housing loans	41.8%	46.8%	11.4%	48.4%	41.0%	10.6%
Loans to local government institutions	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%
Total loan portfolio (on-balance-sheet and off-balance-sheet exposure)	**63.4%**	**33.8%**	**2.8%**	**68.2%**	**30.3%**	**1.5%**

Source: the Issuer.

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

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

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

Product	**Jan 1-Dec 31 2009**		**Jan 1-Dec 31 2008**	
	value*	**number**	**value***	**number**
Commercial loans	**250,545**	**15**	**1,203,137**	**93**
including:				
- construction projects	0	0	428,687	17
- refinancing of real estate	48,079	5	274,803	43
- land purchase	2,362	1	79,101	7
- loans to residential developers	200,104	9	420,546	26
Housing loans	**0**	**0**	**0**	**0**
Loans to local government institutions	**36,359**	**1**	**270,648**	**23**
Local government institutions	36,359	**1**	243,648	22
Public healthcare centres (loans guaranteed by local government institutions)	0	**0**	27,000	1
Total	**286,904**	**16**	**1,473,785**	**116**

Source: the Issuer.

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

Sub-Section: Loans for the Purchase or Refinancing of Existing Real Estate (Including the Purchase of Shares in Special Purpose Vehicles Owning Real Estates)

The sixth, seventh, eighth, ninth and tenth paragraphs are changed to read as follows:

As at the end of 2009, the total value of the commercial loan portfolio was PLN 3,578,239 thousand (on-balance-sheet and off-balance-sheet exposures), compared with PLN 4,068,942 thousand as at the end of 2008. The change in the loan portfolio in 2009 is attributable to reduced lending and repayment of loans originated in previous years.

The loan portfolio comprises primarily agreements with large institutional customers (including in the first place loans for the refinancing of commercial real estate and loans to residential developers, followed by loans for new construction projects). Loans with an average repayment term of 11 years bearing variable-rate interest prevailed in the portfolio. PLN-denominated loans had the largest share in the total commercial loan portfolio – 54.7% as at the end of 2009.

The Bank financed chiefly developers investing in office and service buildings and developers' residential projects. Loans to developers investing in retail space 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 53.95% 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 any single entity or a group of entities with capital or organisational links does not exceed 25% of the Bank's equity (i.e. PLN 105,918 thousand as at December 31st 2009).

Sub-Section 1.1.2: Loans to Local Government Institutions

The first paragraph is changed to read as follows:

In 2004, BRE Bank Hipoteczny S.A. started to provide financing to a new customer group – local government institutions. Over the next years, this area of the Bank's business developed rapidly.

The growth in the sales of loans to local government institutions and loans guaranteed by such institutions (contracted to finance public hospitals and healthcare centres), was 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.
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.

As at the end of 2009, the total on-balance-sheet and off-balance-sheet exposure to the public sector reached PLN 885,378 thousand and represented 19.6% of the total credit exposure.

The last but one paragraph is changed to read as follows:

Loans with an average repayment term of 7.1 years account for the majority of the portfolio of loans to local government institutions.

Sub-Section 1.1.3: Housing Loans to Retail Customers

The second paragraph is changed to read as follows:

As at the end of 2009, the total value of the housing loan portfolio stood at PLN 59,425 thousand, down by PLN 12,827 thousand on 2008. PLN-indexed loans hold a prevailing share in the portfolio. The share of PLN-denominated loans rose sharply – from approximately 10% in 2002 to nearly 41.8% as at the end of 2009.

Table 4 "Housing loans to retail customers – value of the portfolio as at June 30th 2009" is replaced with the following table:

Table 4 Housing loans to retail customers – total value of the portfolio as at December 31st 2009*

Housing loans in	Total exposure (PLNm)
PLN	24.83
EUR	27.81
USD	6.78
Total	**59.43**

Source: the Issuer.

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

Section 1.3: Issues of Mortgage Covered Bonds

The first, second, third, fourth and fifth paragraphs are changed to read as follows:

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 2009. The total value of covered bonds issued by BRE Bank Hipoteczny and outstanding as at the end of 2009 was in excess of PLN 2bn. The Bank offers chiefly covered bonds with three- and five-year maturities.

To the Issuer's knowledge, BRE Bank Hipoteczny S.A. has remained the largest issuer of covered bonds since they were first introduced into the Polish capital market in 2000, with a market share of approximately 68% as at the end of 2009.
In 2009, the Bank issued covered bonds totalling PLN 360m. The issues comprised two tranches of mortgage covered bonds.

The sixth paragraph is changed to read as follows:

As at December 31st 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.

The heading of Table 5 is changed to read as follows:

Table 5 Mortgage Covered Bonds issued by BRE Bank Hipoteczny S.A., traded on a regulated market as at December 31st 2009.

The heading of Table 6 is changed to read as follows:

Table 6 Mortgage Covered Bonds issued by BRE Bank Hipoteczny S.A., traded on a regulated market as at December 31st 2009.

The heading of Table 7 is changed to read as follows:

Table 7 Public Sector Covered Bonds issued by BRE Bank Hipoteczny S.A., traded on a regulated market as at December 31st 2009.

The heading of Table 8 is changed to read as follows:

Table 8 Issues of Mortgage Covered Bonds of BRE Bank Hipoteczny S.A. – repurchased as at December 31st 2009.

2. Financial Information

The first paragraph is changed to read as follows:

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

Table 9 "Selected financial data of the Issuer (PLN '000)" is replaced with the following table:

Table 9 Selected financial data of the Issuer (PLN '000)

	Dec 31 2009	**Dec 31 2008**
ASSETS		
Cash and balances with Central Bank	14,680	15,537
Amounts due from other financial institutions	6,779	42,828
Derivative financial instruments	1,349	59,730
Amounts due from non-financial sector	4,106,744	4,310,527
Investment securities	308,806	224,445
Pledged assets	2,743	1,292
Investments in subsidiaries	65	65
Intangible assets	2,160	2,387
Property, plant and equipment	8,408	9,658
Deferred tax assets	7,345	7,696
Other assets	5,863	939
Total assets	**4,464,942**	**4,675,104**

Source: financial statements of the Issuer.

Table 10 "Selected financial data of the Issuer (PLN '000)" is replaced with the following table:

Table 10 Selected financial data of the Issuer (PLN '000)

	Dec 31 2009	**Dec 31 2008**
EQUITY AND LIABILITIES		
Amounts due to other financial institutions	1,559,839	1,672,447
Derivative financial instruments	2,346	2,346
Amounts due to non-financial sector	239,949	217,981
Liabilities under debt securities in issue	2,221,470	2,358,941
Subordinated liabilities	100,265	100,369
Other liabilities, including:	3,266	9,993
- current income tax liability	-	4,411
Total liabilities	**4,127,135**	**4,362,077**

Equity		
Share capital:	175,000	175,000
Retained earnings:	162,697	137,563
- Profit/(loss) brought forward	137,400	94,500
- Current year profit/(loss)	25,297	43,063
Other items of the equity	110	464
Total equity	**337,807**	**313,027**
Total equity and liabilities	**4,464,942**	**4,675,104**

Source: financial statements of the Issuer.

The text below Table 10 is changed to read as follows:

As at the end of 2009, the Bank's balance-sheet total stood at PLN 4,464,942 thousand and was PLN 210,162 thousand lower than as at the end of the previous year. With the share of 92.0%, loans to customers were the key item in the asset structure. 83.2% of gross loans were granted to corporate customers, and the remaining 16.8% – to retail customers and the budget sector.

In 2009, the value of the loan portfolio decreased slightly, by PLN 504,685 thousand, on the 2008 year-end figure. The lending activity was financed chiefly with a PLN 21,968 thousand increase in amounts due to customers, with issues of debt securities, and out of the net profit, which in 2009 was PLN 25,297 thousand.

The Bank's liabilities are dominated by liabilities related to issues of debt securities (covered bonds and bonds), which as at December 31st 2009 accounted for 49.8% of total equity and liabilities. As at the end of 2009, liabilities under mortgage covered bonds and public sector covered bonds grew by PLN 48,209 thousand, while those under bonds went down by PLN 185,680 thousand over the 2008 year-end level. Another item of liabilities are amounts due to other financial institutions, with a 34.9% share in total equity and liabilities, and liabilities to non-financial sector (5.4% of total equity and liabilities).

Table 11 "Off-balance-sheet items (PLN '000)" is replaced with the following table:

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

Contingent liabilities and commitments	**Dec 31 2009**	**Dec 31 2008**
Financial commitments and liabilities	**419,793**	**722,020**
Loan commitments	416,299	717,201
Operating lease liabilities	3,494	4,819
Interest rate derivatives	**695,310**	**2,426,007**
Foreign currency derivatives	**-**	**769,025**
Financial commitments received	**268,654**	**269,046**
Total off-balance sheet items	**1,383,757**	**4,186,098**

Source: financial statements of the Issuer.

Table 12 "Selected items of the income statement (PLN '000)" is replaced with the following table:

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

	2009	**2008**

Interest income	261,546	297,581
Interest expense	-193,648	-215,755
Net interest income	**67,898**	**81,826**
Fee and commission income	3,221	3,116
Fee and commission expense	-1,327	-1,125
Net fee and commission income	**1,894**	**1,991**
Trading profit, including:	**1,391**	**8,620**
Foreign exchange gains/(losses)	*1,858*	*7,091*
Profit/(loss) on other trading activities	*-467*	*1,529*
Other operating income	1,170	1,060
Net impairment losses on loans	-4,670	-2,031
General and administrative expenses	-31,451	-34,652
Amortisation and depreciation	-3,213	-2,888
Other operating expenses	-545	-818
Operating profit	**32,474**	**53,108**
Pre-tax profit	**32,474**	**53,108**
Corporate income tax	-7,177	-10,045
Net profit	**25,297**	**43,063**

Source: financial statements of the Issuer.

The text below Table 12 is changed to read as follows:

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 32,474 thousand in 2009 and was PLN 20,634 thousand lower than the operating profit generated in 2008.

The deterioration in the financial performance in 2009 was due mainly to lower net interest income and trading profit (down by PLN 13,928 thousand and PLN 7,229 thousand, respectively), as well as higher net impairment losses on loans (up by PLN 2,639 thousand). At the same time, general and administrative expenses and other operating expenses fell by PLN 3,201 thousand and PLN 273 thousand, respectively. As a result, the net profit reached PLN 25,297 thousand, down by PLN 17,766 thousand relative to 2008.

3. Growth Strategy

Previous wording:

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 the refinancing of 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.

New wording:

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, this year 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 2010 include:
- increasing the volume of its loan portfolio,
- engaging in efforts designed to change the composition of the loan portfolio towards an even greater share of loans for the refinancing of completed and leased out commercial properties,
- issuing covered bonds denominated in EUR and PLN,
- maintaining a high level of security of the loan portfolio,
- adopting the IRB approach – a regulatory risk weight method used to calculate the capital requirement adequate to the Bank's credit risk exposure.

As regards refinancing of its operations, the Bank will seek to:
- secure access to stable refinancing sources and reduce the cost of refinancing,
- ensure liquidity at the lowest possible cost,
- mitigate the interest rate risk, the currency risk and liquidity risk,
- cooperate with Polish and foreign banks with respect to transactions on the money market, currency market and derivatives market.

In 2010, the Bank will also continue to focus on effective cost management, aimed at streamlining and reducing costs.

Chapter III

Section 1.1: Credit Risk

The second paragraph is changed to read as follows:

As at December 31st 2009, the Issuer's loan portfolio was of a high quality, evidenced by a low share (1.13%) of impaired loans in the total gross credit exposure.

Table 13 "Quality of the Bank's loan portfolio" is replaced with the following table:

Table 13 Quality of the Bank's loan portfolio

	Dec 31 2009		Dec 31 2008	
Loans granted to non-financial sector	**Exposure (PLN '000)**	**share/coverage (%)**	**Exposure (PLN '000)**	**share/coverage (%)**
Not past due, not impaired	3,950,350	95.82	3,971,880	91.90
Past due, not impaired	125,659	3.05	315,440	7.30
Impaired	46,613	1.13	34,427	0.80
Total gross	**4,122,622**	**100.00**	**4,321,747**	**100.00**
Impairment charge (on impaired loans and not impaired loans)	-15,878	0.39	-11,220	0.26
Total net	**4,106,744**	**99.61**	**4,310,527**	**99.74**

Source: financial statements of the Issuer.

Sub-Section: "High Share of Commercial Loans in the Loan Portfolio" is changed to read as follows:

As at December 31st 2009, the share of commercial loans in the Issuer's total loan portfolio (on-balance-sheet and off-balance-sheet credit exposure) stood at a high level of 79.11%.

As BRE Bank Hipoteczny S.A. is a mortgage bank, the credit risk which it can take is limited by numerous provisions of the Covered Bond and Mortgage Banks Act, dated 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 December 31st 2009, the share was 20.63% (representing 68.77% 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 December 31st 2009, it amounted to 54.31% (representing 54.31% 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 December 31st 2009, the share amounted to 5.94% (representing 59.35% 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 December 31st 2009, it amounted to 403% (representing 50.3% of limit utilisation),
- 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 December 31st 2009, the limit was not exceeded.

As at December 31st 2009, none of the above limits was exceeded.

As at December 31st 2009, the Bank's equity was PLN 423,673 thousand.

A at the end of 2009, the loans exceeding 10% of the Bank's equity totalled PLN 1,144,774 thousand and represented 270.2% 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.

Sub-Section: High Share of Foreign Currency Loans in the Loan Portfolio

The first and second paragraphs are changed to read as follows:

As at December 31st 2009, foreign currency loans represented 36.6% of the Issuer's total loan portfolio (on-balance-sheet and off-balance-sheet credit exposure).
If the substantial weakening of the złoty 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. Since Q2 2009, the złoty has been gradually strengthening in relation to foreign currencies (including the euro and the US dollar).

The third and fourth paragraphs are changed to read as follows:

As at December 31st 2009, foreign currency loans represent 45.3% of all commercial loans granted by the Bank. A relatively high share of foreign-currency loans in the Bank's commercial portfolio follows from the specific nature of the real estate market. A majority of the cash flows, including income from the rental of commercial real estate, is expressed and generated in foreign currencies. The main group of funds for the repayment of commercial loans is 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 the currency is consistent with the currency of respective incomes and that the dates for rent payment and debt servicing are consistent. These measures limit the effects of potential depreciation of the złoty on the loan portfolio quality.

As at the end of 2009, the PLN-denominated loans represented 63.4% of the total loan portfolio (68.2% as at the end of 2008 and 71.2% at the end of 2007). The changing share of Polish currency loans is attributable, among other things, to depreciation of the złoty (which began in H2 2008) 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 złoty. In addition, most new loans were denominated in the zloty. 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 złoty. In addition, most new loans were denominated in the zloty.

Sub-Section: High Share of Variable Interest Rate Loans in the Loan Portfolio

The first and second paragraphs are changed to read as follows:

As at December 31st 2009, the proportion of variable interest rate loans to the total credit portfolio was high and amounted to 97.9% of the Issuer's credit exposure. 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.

(...)

Sub-Section: Geographical and Sectoral Concentration of the Loan Portfolio

The first paragraph is changed to read as follows:

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 geographical structure of the loan portfolio. As at the end of 2009, 60.3% 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 out in a relatively short time.

Table 14 "Loans by geographical exposure" is replaced with the following table:*

Table 14 Loans by geographical exposure*

Commercial loans – geographical exposure (by provinces)	**Dec 31 2009 Share in on-balance-sheet exposure**	**Dec 31 2008 Share in on-balance-sheet exposure**
Warsaw Province	36.88%	36.83%
Wrocław Province	13.17%	14.41%
Kraków Province	10.22%	8.49%
Gdańsk Province	8.52%	7.65%
Katowice Province	6.70%	6.82%
Poznań Province	5.48%	5.60%
Łódź Province	4.86%	4.39%
Bydgoszcz Province	3.13%	4.05%
Szczecin Province	2.67%	2.60%
Lublin Province	2.45%	2.48%
Olsztyn Province	1.62%	1.61%
Zielona Góra Province	1.49%	1.56%
Białystok Province	0.58%	1.20%
Rzeszów Province	1.08%	1.09%
Opole Province	0.71%	0.75%
Kielce Province	0.42%	0.47%
Total	**100.00%**	**100.00%**

Source: The Issuer.

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

Table 15 "Loans by sector exposure" is replaced with the following table:*

Table 15 Loans by sector exposure*

Loans, by sector exposure - type of loan-financed project	**2009 Share in on-balance-sheet exposure**	**2008 Share in on-balance-sheet exposure**

Office and service buildings	26.21%	23.15%
Local government institutions	17.27%	16.56%
Residential development projects	18.62%	20.75%
Retail space	12.98%	13.31%
Warehouse space	7.73%	7.47%
Office and retail complexes	6.66%	6.59%
Hotels	3.73%	3.91%
Land	4.52%	5.59%
Entertainment and recreation facilities	1.05%	1.08%
Other	1.22%	1.59%
Total	100.00%	100.00%

Source: The Issuer.

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

Section 1.2 Market Risk

Sub-Section: Liquidity Risk

The first paragraph is changed to read as follows:

Liquidity risk relates to differences between maturities of the Bank's assets and liabilities, typical of all banks, including mortgage institutions. At the current stage of the Bank's development, as regards covered bonds, there is a mismatch in maturities between the issued securities and the loans securing their redemption, specified in the register of collateral for covered bonds. As at the end of 2009, liabilities with a principal-weighted average maturity of 1.10 years were used to finance assets with an average maturity of 6.67 years and duration of 5.47 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 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 by contracting long-term liabilities under loans and deposits with other banks. As at the end of 2009, the average maturity of the issued covered bonds was 1.42 years in the case of mortgage covered bonds and 2.34 years in the case of public sector covered bonds. The average maturity of long-term deposits was 0.48 year. The average maturity of mortgage covered bonds issued in 2009 was 2.28 years.

Sub-Section: Risk Related to Investment in Covered Bonds

The information was updated to reflect the situation as at December 31st 2009.

Previous wording:

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 is 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.

New wording:

As at December 31st 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 5.94%, which represented a decline of 0.86 percentage points relative to December 31st 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 478.79% of the Bank's equity, having declined by 31.27 percentage points relative to December 2008.
- The total value of outstanding mortgage covered bonds and public sector covered bonds issued by the Bank was PLN 1,458,503 thousand and PLN 570,000 thousand, respectively. They were secured with receivables totalling PLN 2,127,867.6 thousand and PLN 700,199.67 thousand.

- The total value of outstanding mortgage covered bonds increased by 3.95% relative to the end of 2008, while the value of loan receivables entered in the register of collateral for mortgage covered bonds grew by 8.49%.
- The total value of outstanding public sector covered bonds did not change relative to the end of 2008, while the value of loan receivables entered in the register of collateral for public sector covered bonds grew by 1.78%.
- The value of mortgage-backed loans in the part above the 60% threshold of the mortgage lending value of real estate represented approximately 20.6% of the total value of all mortgage-backed loans (the maximum permitted level is 30%).
- The value of mortgage covered bonds is issue represented 54.31% 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 1,226,855 thousand still remains to reach the limit.
- The total overcollateralisation of receivables in the register of collateral for mortgage covered bonds amounted to PLN 669,364 thousand and represented 45.89% of the value of receivables serving as the basis for issuing mortgage covered bonds. This figure is by 6.11 percentage points higher relative to the end of 2008. The value of receivables in the register allows for an additional issue of PLN 475,922 thousand, 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 130,200 thousand and represented 22.84% of the value of receivables serving as the basis for issuing public sector covered bonds. This figure is by 2.15 percentage points higher compared with the end of 2008. The value of receivables in the register allows for an additional issue of PLN 90,566 thousand, taking into account the 6% overcollateralisation for public sector covered bonds.

Section 2

Risk Factors Connected with the Issuer's Business Environment

Sub-Section: Growing Competition in the Banking Sector

The first paragraph is changed to read as follows:

Competition from local universal banks may interfere with the Issuer's intention to increase the share of commercial loans in its total loan portfolio. Universal banks' competitive advantage in the commercial loans sector follows from the lower refinancing costs of most such banks, more developed sales networks, greater awareness of their brands among customers and, in some cases, more lenient approach to the assessment of a potential borrower's creditworthiness. In addition, the Bank faces competition from major universal banks in large-scale projects financing. This is a consequence of such banks having larger capital than the Issuer. The Bank's equity as at December 31st 2009 amounted to PLN 423,673 thousand, thus, according to the banking law, the Issuer's credit exposure per customer (or group of customers with capital links) may reach PLN 105,918 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.

Chapter V

Section 6

The section is changed to read as follows:

6. Auditor

The Auditor is associated with the Issuer by virtue of a contract for the audit of the Issuer's financial statements. PricewaterhouseCoopers Sp. z o.o. audited the Issuer's financial statements for 2009, 2008 and 2007 and issued opinions on those financial statements.

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

Chapter VII

Sub-Section: Share Capital, Major Shareholders, and Related Party Transactions

Previous wording:

[...]
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 shareholders meeting. As at June 30th 2009, BDH did not conduct operations.

[...]

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 S.A. was PLN 107,442 thousand.

The subordinated loan agreement was concluded on April 27th 2006, and amended by annex of May 18th 2006, annex of July 4th 2006 and annex of 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).
[...]

New wording:

[...]
As at December 31st 2009, BDH's share capital amounted to PLN 65,000. The Bank holds 100% of shares in BDH and all votes at the shareholders meeting. As at December 31st 2009, BDH did not conduct operations.

[...]
The Bank's liabilities to BRE Bank S.A. include in particular a subordinated loan. As at December 31st 2009, the amount due to BRE Bank S.A. was PLN 101,945 thousand.

The subordinated loan agreement was concluded on April 27th 2006, and amended by annex of May 18th 2006, annex of July 4th 2006 and annex of 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.

On January 28th 2010, the Bank entered into a loan agreement with BRE Bank S.A. for the amount of EUR 200,000 thousand, which will be used to finance the Issuer's day-to-day operations.

The Bank's liabilities to Commerzbank AG comprise chiefly loans received: as at December 31st 2009 the amount of the liabilities was PLN 1,560,505 thousand (including PLN 1,234,600 thousand under loans, PLN 324,384 thousand under deposits and PLN 1,521 thousand under derivative instruments).

[...]

Chapter VIII

Section 1.3

The first paragraph is changed to read as follows:

This is a translation from the original Appendix 2 dated 02.04.2010 and should not be read in substitution of the original Appendix 2. This translation of the original Appendix 2 dated 02.04.2010 does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Offer or to subscribe or purchase of any of the Mortgage and Public Sector Covered Bonds.

The financial information presented below is based on audited, IFRS-compliant, financial statements prepared for the financial year ended December 31st 2009, containing comparable data from IFRS-compliant financial statements for the year ended December 31st 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)" is replaced with the following table:

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

	Dec 31 2009	**Dec 31 2008**
ASSETS		
Cash and transactions with Central Bank	14,680	15,537
Amounts due from other financial institutions	6,779	42,828
Derivative financial instruments	1,349	59,730
Amounts due from non-financial sector	4,106,744	4,310,527
Investment securities	308,806	224,445
Pledged assets	2,743	1,292
Investments in subsidiaries	65	65
Intangible assets	2,160	2,387
Property, plant and equipment	8,408	9,658
Deferred tax assets	7,345	7,696
Other assets	5,863	939
Total assets	**4,464,942**	**4,675,104**

Source: financial statements of the Issuer.

Table 17 "Selected financial data of the Issuer (PLN '000)" is replaced with the following table:

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

	Dec 31 2009	**Dec 31 2008**
EQUITY AND LIABILITIES		
Amounts due to other financial institutions	1,559,839	1,672,447
Derivative financial instruments	2,346	2,346
Amounts due to non-financial sector	239,949	217,981
Liabilities under debt securities in issue	2,221,470	2,358,941
Subordinated liabilities	100,265	100,369
Other liabilities, including:	3,266	9,993
- current income tax liability	-	4,411
Total liabilities	**4,127,135**	**4,362,077**
Equity		
Share capital	175,000	175,000
Retained earnings	162,697	137,563
- Profit/(loss) brought forward	137,400	94,500
- Current year profit/(loss)	25,297	43,063
Other items of the equity	110	464
Total equity	**337,807**	**313,027**

Total equity and liabilities	**4,464,942**	**4,675,104**

Source: financial statements of the Issuer.

The text below Table 17 is changed to read as follows:

As at the end of 2009, the Bank's balance-sheet total stood at PLN 4,464,942 thousand and was PLN 210,162 thousand lower than as at the end of the previous year. With the share of 92.0%, loans to customers were the key item in the asset structure. 83.2% of gross loans were granted to corporate customers, and the remaining 16.8% – to retail customers and the budget sector.

In 2009, the value of the total loan portfolio decreased slightly, by PLN 504,685 thousand, on the 2008 year-end figure. The lending activity was financed chiefly with a PLN 21,968 thousand increase in amounts due to customers, with issues of debt securities and out of the net profit, which in 2009 was PLN 25,297 thousand.

The Bank's liabilities are dominated by liabilities related to issues of debt securities (covered bonds and bonds), which as at December 31st 2009 accounted for 49.8% of total equity and liabilities. As at the end of 2009, liabilities under mortgage covered bonds and public sector covered bonds grew by PLN 48,209 thousand, while those under bonds went down by PLN 185,680 thousand over the 2008 year-end level. Another item of liabilities are amounts due to other financial institutions, with a 34.9% share in total equity and liabilities, and liabilities to non-financial sector (5.4% of total equity and liabilities).

Table 18 "Off-balance-sheet items (PLN '000)" is replaced with the following table:

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

Contingent liabilities and commitments	**Dec 31 2009**	**Dec 31 2008**
Financial commitments and liabilities	**419,793**	**722,020**
Loan commitments	416,299	717,201
Operating lease liabilities	3,494	4,819
Interest rate derivatives	**695,310**	**2,426,007**
Foreign currency derivatives	**-**	**769,025**
Financial commitments received	**268,654**	**269,046**
Total off-balance sheet items	**1,383,757**	**4,186,098**

Source: financial statements of the Issuer.

Table 19 "Selected items of the income statement (PLN '000)" is replaced with the following table:

Table 19 Selected items of the income statement (PLN '000)

	2009	**2008**
Interest income	261,546	297,581
Interest expense	-193,648	-215,755
Net interest income	**67,898**	**81,826**
Fee and commission income	3,221	3,116
Fee and commission expense	-1,327	-1,125

Net fee and commission income	**1,894**	**1,991**
Trading profit, including:	**1,391**	**8,620**
Foreign exchange gains/(losses)	*1,858*	*7,091*
Profit/(loss) on other trading activities	*-467*	*1,529*
Other operating income	1,170	1,060
Net impairment losses on loans	-4,670	-2,031
General and administrative expenses	-31,451	-34,652
Amortisation and depreciation	-3,213	-2,888
Other operating expenses	-545	-818
Operating profit	**32,474**	**53,108**
Pre-tax profit	**32,474**	**53,108**
Corporate income tax	-7,177	-10,045
Net profit	**25,297**	**43,063**

Source: financial statements of the Issuer.

The text below Table 19 is changed to read as follows:

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 32,474 thousand in 2009 and was PLN 20,634 thousand lower than the operating profit generated in the previous year.

The deterioration in the financial performance in 2009 was due mainly to lower net interest income and trading profit (down by PLN 13,928 thousand and PLN 7,229 thousand, respectively), as well as higher net impairment losses on loans (up by PLN 2,639 thousand). At the same time, general and administrative expenses and other operating expenses fell by PLN 3,201 thousand and PLN 273 thousand, respectively. As a result, the net profit reached PLN 25,297 thousand, down by PLN 17,766 thousand relative to 2008.

Table 20 "Key financial ratios" is replaced with the following table:*

Table 20 Key financial ratios

	Dec 31 2009 / 2009	**Dec 31 2008/ 2008**
Profitability ratios		
Return on equity (net profit/(loss) for the reporting period / average net assets) (1)	8%	15%
Net return on equity (net profit/(loss) for the reporting period / average net assets net of the net profit/(loss) for the period)	8%	17%
Return on assets (pre-tax profit/(loss) for the reporting period / average assets) (1)	1%	1%
Gross margin (pre-tax profit/(loss) for the reporting period / total revenue)	12%	17%
Rate of interest income on assets employed (interest income / average assets employed)	6%	7%
Cost / income ratio (general and administrative expenses / result on banking activity) (2)	46%	39%
Debt ratios		
Cost of external funding (interest expense for the reporting period / average interest payable) (1)	-5%	-6%
Equity to equity and liabilities (average equity / total average equity and liabilities) (1)	7%	7%
Loans to assets (average amounts due from other financial institutions	92%	95%

and non-financial sector, gross / total average assets) (1)		
Impaired loans to total loans	1.13%	0.80%
Assets employed to total assets	99%	100%
Liquidity ratios		
Current ratio (assets maturing in less than one month /liabilities maturing in less than one month) (5)	0.34	0.41
Quick ratio (assets maturing in less than three months /liabilities maturing in less than three months) (5)	0.31	0.63
Capital market ratios		
Earnings per 1 ordinary share (PLN)	14.46	24.61
Book value per 1 share (PLN)	193.03	178.87
Other ratios		
Equity in accordance with Resolution 2/2007 of the Banking Supervision Commission (PLN '000)	423,673	386,664
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 '000)	294,585	307,633
Capital adequacy ratio in accordance with Resolution 1/2007 of the Banking Supervision Commission	11.51%	10.06%

Source: the Issuer

(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 losses on loans, and other operating income and other operating expenses.
(3) Assets employed 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.

The text below Table 20 is changed to read as follows:

In 2009, due to a decrease of PLN 17,766 thousand (or 41.3%) in the net profit relative to 2008, the Bank recorded lower profitability ratios, calculated as the ratio of net profit to a given financial figure. In 2009, ROE (net profit/ average net assets net of the net profit/(loss) for the period) calculated on a one-year basis amounted to 8% (versus 17% in 2008).

In 2009, book value per share grew to PLN 193.03, versus PLN 178.87 as at the end of 2008. In the same period, earnings per share fell to PLN 14.46, from PLN 24.61.

As at the end of 2009, the solvency ratio stood at 11.51% (versus 10.06% as at the end of 2008) and remained at a safe level. According to the banking law, the minimum level of the solvency ratio should be 8%.

Following a slight deterioration of the conditions prevailing in the industries related to construction and property administration in the first months of 2009, and given that the customers of those sectors represent nearly 80% of the Issuer's overall loan portfolio, the quality of the portfolio also deteriorated. As at December 31st 2009, the share of impaired loans in the total on-balance-sheet credit exposure stood at 1.13%, compared with 0.80% as at December 31st 2008. As at December 31st 2009, impairment charges were made for 18% of impaired loan receivables, up by 7 percentage points relative to the end of 2008. The increase followed mainly from the recognition of new impairment charges for impaired loan receivables. Impairment charges for loan receivables rose by PLN 4,658 thousand relative to the figure as at December 31st 2008, which is attributable mainly to a change in the method of calculating the charges (lengthening the loss identification period).

In 2009, the cost/income ratio (general and administrative expenses / result on banking activity) grew to 46%, from 39% in 2008 r.

As at the end of 2009, the share of assets employed was 99% and was similar to the level reported as at the end of the previous periods.

The liquidity ratios fell year on year and remained below the level considered adequate. This follows from the nature of the business conducted by mortgage banks which, unlike universal banks, focus more on long-term financing.

Section 1.4.

The first and second paragraphs are changed to read as follows:

In 2009, the volume of the loan portfolio (including off-balance-sheet items) fell slightly, by PLN 504,685 thousand, with the total on-balance-sheet and off-balance-sheet exposures reaching PLN 4,523,042 thousand as at the end of 2009 (commercial loans, housing loans, loans to local government institutions and loans to public healthcare centres guaranteed by local government institutions), and the value of loans advanced in 2009 alone stood at PLN 286,904 thousand (Table 23).

As at the end of 2009, loans for the financing of commercial real estate accounted for 79.1% of the Bank's entire loan portfolio. In terms of currency, PLN-denominated loans had a dominant share in the total portfolio, followed by EUR-denominated loans. As the end of 2009, foreign currency loans accounted for 36.6% of the aggregate loan portfolio (Table 22). From 2002 to mid 2008, the share of PLN-denominated loans grew steadily, which was attributable to large and sudden exchange rate fluctuations and the Bank's financing of residential developers contracting PLN-denominated loans.

Table 21 "The Bank's total loan portfolio by product group (PLN '000)" is replaced with the following table:*

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

Product		Dec 31 2009	Dec 31 2008	Change
	On-balance-sheet exposure	3,348,913	3,537,700	-5.34%
	Off-balance-sheet exposure	229,326	531,241	-56.83%
Commercial loans	***Total exposure***	**3,578,239**	**4,068,942**	**-12.06%**
	On-balance-sheet exposure	58,586	70,804	-17.26%
	Off-balance-sheet exposure	839	1,448	-42.05%
Housing loans	***Total exposure***	**59,425**	**72,252**	**-17.75%**
	On-balance-sheet exposure	699,245	702,023	-0.40%
	Off-balance-sheet exposure	186,133	184,511	0.88%
Loans to local government institutions	***Total exposure***	**885,378**	**886,534**	**-0.13%**
	On-balance-sheet exposure	4,106,744	4,310,527	-4.73%
	Off-balance-sheet exposure	416,299	717,200	-41.96%
Total	***Total exposure***	**4,523,042**	**5,027,728**	**-10.04%**

Source: the Issuer.

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

Table 22 "Total loan portfolio by currency and main product groups" is replaced with the following table:*

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

Product	Dec 31 2009			Dec 31 2008		
	PLN	EUR	USD	PLN	EUR	USD
Commercial loans	54.7%	42.0%	3.4%	61.6%	36.7%	1.7%
Housing loans	41.8%	46.8%	11.4%	48.4%	41.0%	10.6%

Loans to local government institutions	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%
Total loan portfolio (on-balance-sheet and off-balance-sheet exposure)	**63.4%**	**33.8%**	**2.8%**	**68.2%**	**30.3%**	**1.5%**

Source: the Issuer.

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

Table 23 "Sales of loans – value and number of executed loan agreements by product group (PLN '000)" is replaced with the following table:*

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

Product	Jan 1 – Dec 31 2009		Jan 1 – Dec 31 2008	
	Value*	Number	Value*	Number
Commercial loans	**250,545**	**15**	**1,203,137**	**93**
including loans for:				
- construction projects	0	0	428,687	17
- refinancing of real estate	48,079	5	274,803	43
- purchase of land	2,362	1	79,101	7
- loans to residential developers	200,104	9	420,546	26
Housing loans	**0**	**0**	**0**	**0**
Loans to local government institutions	**36,359**	**1**	**270,648**	**23**
Local government institutions	36,359	**1**	243,648	22
Public healthcare centres (loans guaranteed by local government institutions)	0	**0**	27,000	1
Total	**286,904**	**16**	**1,473,785**	**116**

Source: the Issuer.

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

Section 1.4.1

Sub-Section: Loans for the Purchase or Refinancing of Existing Real Estate (Including the Purchase of Shares in Special Purpose Vehicles Owning Real Estates)

The three paragraphs preceding Chart 6-1 "Loans (principal) by industry as at June 30th 2009" are changed to read as follows:

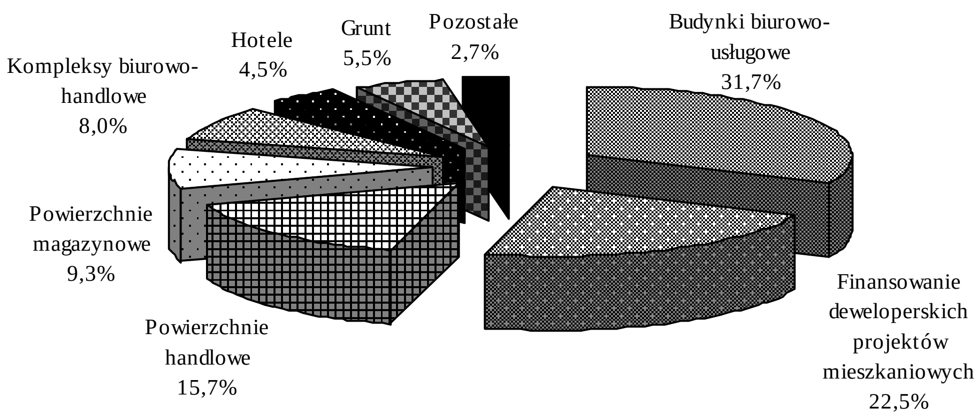
As at the end of 2009, the total value of the commercial loan portfolio was PLN 3,578,239 thousand (on-balance-sheet and off-balance-sheet exposures), compared with PLN 4,068,942 thousand as at the end of 2008. The change in the loan portfolio in 2009 was attributable to reduced lending activity and repayment of loans originated in previous years.

The loan portfolio comprises primarily agreements with large institutional customers (including in the first place loans for the refinancing of commercial real estate and loans to residential developers, followed by loans for new construction projects). Loans with an average repayment term of 11 years bearing variable-rate interest prevailed in the portfolio. PLN-denominated loans had the largest share in the total commercial loan portfolio – 54.7% as at the end of 2009.

The Bank financed chiefly developers investing in office and service buildings and developers' residential projects. Loans to developers investing in retail space 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" is replaced with the following chart:

Chart 6-1 Commercial loans (on-balance-sheet exposure, net) by type of loan-financed project as at December 31st 2009*



Source: the Issuer.

[description of the chart]

Budynki biurowo-usługowe 31,7%	Office and service buildings 31.7%
Finansowanie deweloperskich projektów mieszkaniowych 22,5%	Residential development projects 22.5%
Powierzchnie handlowe 15,7%	Retail space 15.7%
Powierzchnie magazynowe 9,3%	Warehouse space 9.3%
Kompleksy biurowo-handlowe 8,0%	Office and retail complexes 8.0%
Hotele 4,5%	Hotels 4.5%
Grunt 5,5%	Land 5.5%
Other 2,7%	Other 2.7%

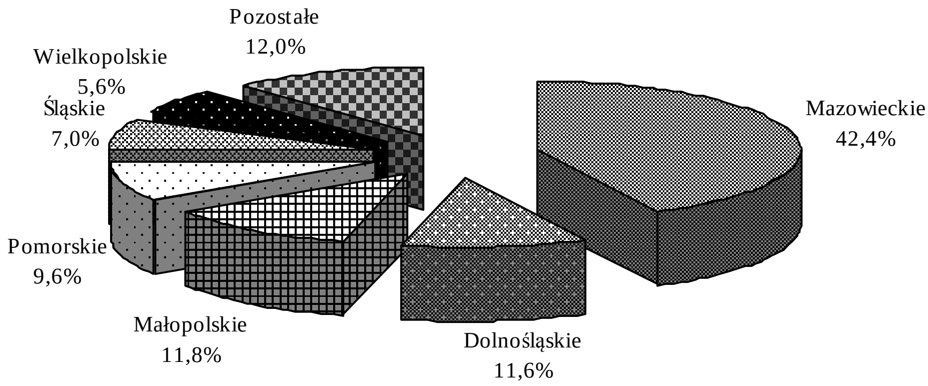
The text below Chart 6-1 is changed to read as follows:

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 53.95% 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.

Chart 6-2 "Commercial loans – geographical structure (by provinces) as at June 30th 2009" is replaced with the following chart:*

This is a translation from the original Appendix 2 dated 02.04.2010 and should not be read in substitution of the original Appendix 2. This translation of the original Appendix 2 dated 02.04.2010 does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Offer or to subscribe or purchase of any of the Mortgage and Public Sector Covered Bonds.

Chart 6-2 Commercial loans (on-balance-sheet exposure, net) – geographical structure (by provinces) as at December 31st 2009*



Source: the Issuer.

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

[description of the chart]

Mazowieckie 42,4%	Warsaw Province 42.4%
Dolnośląskie 11,6%	Wrocław Province 11.6%
Małopolskie 11,8%	Kraków Province 11.8%
Pomorskie 9,6%	Gdańsk Province 9.6%
Śląskie 7,0%	Katowice Province 7.0%
Wielkopolskie 5,6%	Poznań Province 5.6%
Pozostałe 12,0%	Other 12.0%

The text below the Chart 6-2 is changed to read as follows:

In line with the concentration limit, the financing of any single entity or a group of entities with capital or organisational links does not exceed 25% of the Bank's equity (i.e. PLN 105,918 thousand as at December 31st 2009).

Sub-Section 1.4.2 Loans to Local Government Institutions

The first paragraph is changed to read as follows:

In 2004, BRE Bank Hipoteczny S.A. started to provide financing to a new customer group – local government institutions. Over the next years, this area of the Bank's business developed rapidly.

The growth in the sales of loans to local government institutions and loans guaranteed by such institutions, contracted to finance public hospitals and healthcare centres, was 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.

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.

As at the end of 2009, the total on-balance-sheet and off-balance-sheet exposure to the public sector reached PLN 885,378 thousand and represented 19.6% of the total credit exposure.

The last but one paragraph is changed to read as follows:

Loans with an average repayment term of 7.1 years account for the majority of the portfolio of loans to local government institutions.

Sub-Section 1.4.3 Housing Loans to Retail Customers

The second paragraph is changed to read as follows:

As at the end of 2009, the total value of the housing loan portfolio stood at PLN 59,425 thousand, down by PLN 12,827 thousand on 2008. PLN-indexed loans hold a prevailing share in the portfolio. The share of PLN-denominated loans rose sharply – from approximately 10% in 2002 to nearly 41.8% as at the end of 2009.

Table 24 "Housing loans to retail customers – portfolio value as at June 30th 2009" is replaced with the following table:

Table 24 Housing loans to retail customers – portfolio value as at December 31st 2009*

Housing loans in	Total exposure (PLNm)
PLN	24.83
EUR	27.81
USD	6.78
Total	**59.43**

Source: the Issuer.

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

Section 1.6 Issues of Covered Bonds

The first, second, third, fourth and fifth paragraphs are changed to read as follows:

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 2009. The total value of covered bonds issued by BRE Bank Hipoteczny and outstanding as at the end of 2009 was in excess of PLN 2bn. The Bank offers chiefly covered bonds with three- and five-year maturities.

To the Issuer's knowledge, BRE Bank Hipoteczny S.A. has remained the largest issuer of covered bonds since they were first introduced into the Polish capital market in 2000, with a market share of approximately 68% as at the end of 2009.

In 2009, the Bank issued covered bonds totalling PLN 360m. The issues comprised two tranches of mortgage covered bonds.

The sixth paragraph is changed to read as follows:

As at December 31st 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.

The heading of Table 25 is changed to read as follows:

Table 25 Mortgage Covered Bonds issued by BRE Bank Hipoteczny S.A., not traded on a regulated market as at December 31st 2009

The heading of Table 26 is changed to read as follows:

Table 26 Mortgage Covered Bonds issued by BRE Bank Hipoteczny S.A., traded on a regulated market as at December 31st 2009

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The heading of Table 27 is changed to read as follows:

Table 27 Public Sector Covered Bonds issued by BRE Bank Hipoteczny S.A., traded on a regulated market as at December 31st 2009

The heading of Table 28 is changed to read as follows:

Table 28 Issues of Mortgage Covered Bonds of BRE Bank Hipoteczny − repurchased as at December 31st 2009

Sub-Section: Main Features of the Portfolio of Mortgage-Backed Loan Receivables Underlying the Issues of Mortgage Covered Bonds as at June 30th 2009 (all figures in PLN ‘000) is changed to read as follows:

Main Features of the Portfolio of Mortgage-Backed Loan Receivables Underlying the Issues of Mortgage Covered Bonds as at December 31st 2009 (all figures in PLN ‘000)

Table 29 “Portfolio of receivables securing mortgage covered bonds, by currency and amounts as at June 30th 2009” is replaced with the following table:*

Table 29 Portfolio of receivables securing mortgage covered bonds, by currency and amounts* as at December 31st 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	13,262	15,405	4,137	32,804
250 - 500	6,738	9,368	1,247	17,352
500 – 1,000	9,485	14,366	1,274	25,125
1,000 – 5,000	121,117	99,607	19,289	240,014
>5,000	655,284	1,081,323	75,965	1,812,573
Total	805,887	1,220,069	101,912	2,127,868
% of total portfolio	37.87%	57.34%	4.79%	

Source: the Issuer.

** Unaudited operating and financial data is 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” is replaced with the following table:*

Table 30 Portfolio of receivables securing mortgage covered bonds, by type of borrower* as at December 31st 2009

Borrower	Value (PLN ‘000)	% of total portfolio
Legal persons/sole traders	2,086,082	98.04%
Natural persons	41,785	1.96%
Total	2,127,868	100%

Source: the Issuer.

** Unaudited operating and financial data is 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" is replaced with the following table:*

Table 31 Portfolio of receivables securing mortgage covered bonds, by type of financed project* as at December 31st 2009

Financed project	Value (PLN '000)	% of total portfolio
Commercial real estate	1,951,634	91.72%
Residential real estate	176,233	8.28%
Total	2,127,868	100.00%

Source: the Issuer.

** Unaudited operating and financial data is 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" is replaced with the following table:*

Table 32 Portfolio of receivables securing mortgage covered bonds, by type of interest rate* as at December 31st 2009

Interest rate	Value (PLN '000)	% of total portfolio
Variable interest rate	2,045,500	96.13%
Fixed interest rate	82,368	3.87%
Total	**2,127,868**	**100.00%**

Source: the Issuer.

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

Table 33 "Portfolio of receivables securing mortgage covered bonds, by maturity as at June 30th 2009" is replaced with the following table:*

Table 33 Portfolio of receivables securing mortgage covered bonds, by maturity* as at December 31st 2009

Loan terms	Value (PLN '000)	% of total portfolio
<2 years	166,563	7.83%
2-3 years	12,629	0.59%
3-4 years	10,908	0.51%
4-5 years	5,166	0.24%
5-10 years	233,946	10.99%
> 10 years	1,698,655	79.83%
TOTAL	2,127,868	100.00%

Source: the Issuer.

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

Table 34 "Portfolio of receivables securing mortgage covered bonds, by geographical area as at June 30th 2009" is replaced with the following table:*

Table 34 Portfolio of receivables securing mortgage covered bonds, by geographical area as at December 31st 2009

Province	Value (PLN '000)	% of total portfolio
Wrocław Province	243,661	11.5%
Bydgoszcz Province	19,033	0.9%
Lublin Province	65,576	3.1%
Zielona Góra Province	3,437	0.2%
Łódź Province	65,447	3.1%
Kraków Province	234,317	11.0%
Warsaw Province	836,471	39.3%
Opole Province	29,829	1.4%
Białystok Province	36,880	1.7%
Rzeszów Province	3,865	0.2%
Gdańsk Province	203,368	9.6%
Katowice Province	179,868	8.5%
Kielce Province	0	0.0%
Olsztyn Province	24,272	1.1%
Poznań Province	134,940	6.3%
Szczecin Province	46,903	2.2%
TOTAL	2,127,868	100%

Source: the Issuer.

** Unaudited operating and financial data is 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" is replaced with the following table:*

Table 35 Portfolio of receivables securing mortgage covered bonds by progress of investment project* as at December 31st 2009

	Value (PLN '000)	% of total portfolio
Construction projects in progress	2,001,569	94.06%
Completed real estate projects	126,298	5.94%
Total	2,127,868	100.00%

Source: the Issuer.

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

Sub-Section: Overview of the Portfolio of Mortgage-Backed Loan Receivables Underlying the Issues of Public Sector Covered Bonds as at June 30th 2009 (all figures in PLN '000) is changed to read as follows:

Overview of the Portfolio of Loan Receivables Underlying the Issues of Public Sector Covered Bonds as at December 31st 2009 (all figures in PLN '000):

Table 36 Value range of receivables securing public sector covered bonds as at June 30th 2009 is replaced with the following table:*

This is a translation from the original Appendix 2 dated 02.04.2010 and should not be read in substitution of the original Appendix 2. This translation of the original Appendix 2 dated 02.04.2010 does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Offer or to subscribe or purchase of any of the Mortgage and Public Sector Covered Bonds.

Table 36 Value range of receivables securing public sector covered bonds* as at December 31st 2009

Value range (PLN '000)	Value of loans advanced (PLN '000)	% of total portfolio	No. of agreements
<= 2,500	42,733	6.1%	30
2,500 - 5,000	120,926	17.3%	33
5,000 - 10,000	177,383	25.3%	25
10,000 - 20,000	276,807	39.5%	19
> 20,000	82,351	11.8%	3
TOTAL	700,200	100%	110

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 is replaced with the following table:*

Table 37 Portfolio of receivables securing public sector covered bonds, by maturity* as at December 31st 2009

Loan term	Value (PLN '000)	% of total portfolio
1-5 years	56,573	8.1%
5-10 years	225,345	32.2%
10-15 years	162,231	23.2%
> 15 years	256,050	36.6%
TOTAL	700,200	100%

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 geographical area as at June 30th 2009 is replaced with the following table:*

Table 38 Portfolio of receivables securing public sector covered bonds, by geographical area* as at December 31st 2009

Province	Value (PLN '000)	% of total portfolio
Wrocław Province	145,974	20.8%
Bydgoszcz Province	84,576	12.1%
Lublin Province	35,549	5.1%
Zielona Góra Province	52,534	7.5%
Łódź Province	62,685	9.0%
Kraków Province	17,729	2.5%
Warsaw Province	74,308	10.6%
Opole Province	-	-
Rzeszów Province	7,329	1.0%
Białystok Province	12,892	1.8%
Gdańsk Province	21,251	3.0%
Katowice Province	36,059	5.1%

Kielce Province	17,167	2.5%
Olsztyn Province	34,354	4.9%
Poznań Province	34,687	5.0%
Szczecin Province	63,106	9.0%
TOTAL	700,200	100%

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 is replaced with the following table:*

Table 39 Portfolio of receivables securing public sector covered bonds, by type of interest rate* as at December 31st 2009

Interest rate	Value (PLN ‘000)	% of total portfolio
Variable interest rate	700,200	100%

Source: the Issuer.

** Unaudited operating and financial data 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 is replaced with the following table:*

Table 40 Portfolio of receivables securing public sector covered bonds, by type of borrower* as at December 31st 2009

Borrower	Value (PLN ‘000)	% of total portfolio
Local government institutions	383,117	54.7%
Public healthcare centres	317,082	45.3%
TOTAL	700,200	100%

Source: the Issuer.

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

Section 2.1. Description of the Real Estate Market in Poland

Previous wording:

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.

Unfaltering 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, Ełk, 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.

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.
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 złoty, 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).

New wording:

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. Mortgage banks present in Poland are specialised in the financing of commercial real estate and corporate lending.

In 2009, the commercial real estate market experienced decelerating growth in new project starts, which was mostly due to the economic slowdown and restricted access to funding sources. Last year, the Polish banking sector was not actively engaged in financing residential and commercial real estate projects. Only a number of the best projects secured financing, with the funding institutions being chiefly foreign banks. Commercialisation of new facilities takes longer and, more and more often, it is completed after or near the completion of the construction process. Throughout 2009, rents decreased, while vacant space rates for office premises and warehouses grew. The downward trends were reflected in the increased level of risk acceptable to market participants, which was related to the expected higher yields (rising from 5.5–7% in 2008 to 7–9.5%). Reduced transaction prices generated renewed interest from potential buyers. H2 2009 was marked by a larger number of sell-purchase transactions in this market compared with the beginning of the year. Furthermore, new entities interested in purchasing commercial real estate emerged on the market, such as SATUS FIZAN, a new investment fund which intends to invest in project-finance development projects executed on a build-to-suit basis. To the Issuer's knowledge, the value of purchase transactions in the commercial real estate market in 2009 amounted to EUR 1.1bn, which was a decline of around 40% compared to 2008.

In 2009, 420 thousand square metres of new office space was completed in Poland, of which 66% is located in Warsaw. The current stock of office space amounts to 4.85m square metres; another 540 thousand square metres is planned for completion in 2010 (60% of this in Warsaw). During Q1-Q3 2009, tenants leased around 50% less office space than in the corresponding period of 2008. Looking for savings, tenants chose the smallest premises and opted for less prestigious locations. At present, most new leases are taken out on offices with the floor area of up to 500 square metres. In the first place, tenants are interested in buildings which have already been completed. Commercialisation of projects under construction primarily concerns the most prestigious buildings located in highly attractive sites, while tenants for other office space are not secured until immediately before or after completing construction.

Due to the deceleration in the investment market and adoption of cautious development policies by companies operating in Poland, there was oversupply in the office space market in H2 2009. As a result, vacant space rates rose in each of the main cities. Lessors reduced rents by 10–30% year on year, and offered other incentives, such as rent holiday (waiver of rent for a number of months) and partial or complete coverage of costs of space arrangement, depending on the size of office space leased and lease term.

As at the end of 2009, the total stock of retail space was over 8.1m square metres, including 70% located in shopping centres and shopping malls. In the whole of 2009, 750 thousand square metres of retail space were completed. Such good performance, in line with the figures recorded before the crisis, was due to projects started when the market peaked in 2007–2008. However, the supply of new retail space should be expected to fall in the coming two years due to the suspension of some projects prepared in 2009. Despite the crisis and financial difficulties experienced by some anchor tenants (e.g. Cropp Town, Monnari, Molton, Reporter and Vistula), retail space continues to attract retail chains which still generate robust demand for this type of space. The operational projects still have limited amounts of space available for lease (which is accompanied by increased tenant turnover rates). However, projects under construction were faced with a more challenging reality as their commercialisation now takes significantly longer compared with the pre-crisis period – on average the amount of space leased out before the construction is completed is around 35%. The most significant declines in retail space rental rates took place in H1 2009 when virtually all tenants renegotiated rent terms as rates had hit higher levels on the back of record-high EUR/PLN exchange rates. Thereafter, falls in rental rates were infrequent (and related to the rare cases of tenants challenged by financial difficulties). The fact that lessors were less willing to reduce rental rates in H2 2009 was a result of post-crisis turmoil. This was due to the fact that revenue from rent constitutes only a part of lease contracts, the other component being turnover-related rent (most frequently 5–10% of a tenant's turnover). Recently, shopping centres' owners reported significantly lower income due to reduced sales volumes, so they were unwilling to offer lower nominal rates. In H2 2009, rental rates at retail centres (including high streets) were reported to fall by 3.5–12% year on year, depending on the location.

In 2009, growth in the supply of new warehouse space was reported to decline, due to the withdrawal of speculative investors, investment slowdown in the enterprise and commercial sectors, and difficulties in obtaining bank financing. Throughout 2009, 860 thousand square metres of warehouse space were completed in Poland (approximately 50% less compared to 2008), thus bringing the total stock of warehouse space to over 6m square metres. The downturn in this market segment was aggravated by the demand falling faster than supply in 2009. Throughout 2009, new tenants leased as little as 540 thousand square metres of warehouse space, which was 65% less compared to 2008. The significant oversupply led to increased vacancy rates, which totalled 1m square metres in the entire country (as at the end of 2009). The Warsaw region and Upper Silesia offer the largest amounts of leasable warehouse space. Only three regions reported a drop in vacancy rates, including the Gdańsk, Gdynia and Sopot (Tri-city), Szczecin and Kraków regions, but these are the regions where the warehouse space market is still at the development stage. Monthly rental rates stabilised at the level of around EUR 2.7–4.0 per square metre, except for the Kraków region (EUR 4.0–5.0 per square metre), where warehouse space is very limited, and the area within the administrative boundaries of Warsaw (EUR 4.0–6.0 per square metre).

Based on the available market data on developers' plans, only 150 thousand square metres of new warehouse space will be completed in 2010. New projects are mostly build-to-suit schemes. It can well be expected that given the planned supply outlined above, the current excess of 1m square metres of available warehouse space will be absorbed by the market by the end of 2010, and 2011 is likely to face a shortage of new warehouse space.

Section 2.2.

Previous wording:

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 of covered bonds, including 11 private placements and 14 public offerings, maintaining, 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).

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

New wording:

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 2009.

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.

As at December 31st 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 of covered bonds, including 11 private placements and 14 public offerings, maintaining, 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 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 December 31st 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.

Chapter IX

Section 3: Structure of the BRE Bank Hipoteczny Group

The last paragraph is changed to read as follows:

As at December 31st 2009, BDH's share capital amounted to PLN 65,000. The Bank holds 100% of shares in BDH and all votes at the shareholders meeting. As at December 31st 2009, BDH did not conduct operations.

Chapter X

Previous wording:

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

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 to local government institutions	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0	0.0	0.0
Total loan portfolio (on-balance-sheet and off-balance-sheet exposure)	**65.0%**	**32.1%**	**2.9%**	**75.6%**	**22.9%**	**1.5%**	**-10.6**	**9.2**	**1.4**

Source: the Issuer.

** Unaudited operating and financial data 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 312009**		**Jul 31 2008**	
	Value**	**Number**	**Value****	**Number**
Commercial loans	**184,021,486**	**8**	**927,663,963**	**72**

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
Loans to local government institutions Including loans for**:**	**36,359,000**	**1**	**42,058,997**	**9**
- 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
Total	**220,380,486**	**9**	**969,722,960**	**81**

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 to local government institutions (PLN '000)*

Commercial loans by type of loan-financed project	**Jul 31 2009**			**Jul 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%
Total	**4,764,367**	**546**	**100.00%**	**4,488,914**	**561**	**100.00%**

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 złoty 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 złoty 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 złoty;
- 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.

New wording:

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 2009.
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 2009 to February 28th 2010.

The total commercial loan portfolio decreased by 18.4% compared with the corresponding period of 2009 and reached PLN 3,465,965 thousand.
The total portfolio of loans to local government institutions fell by 0.23% from the level reported as at February 28th 2009, with growth observed in the loans for financing the operations of local government institutions (by 16.1% compared with February 28th 2009), reaching the total amount of PLN 565,316 thousand.

The share of PLN-denominated loans remained high and accounted for 63.6% of total loans as at February 28th 2010.

The average LTV ratio in the case of commercial loans advanced in the period January–February 2010 (one loan agreement) amounted to 80%.

The ratio of mortgage lending value to market value for commercial loans advanced in the period January–February 2010 (one loan agreement) amounted to 91.1% and was lower than the level reported for loans advanced in the same period of the previous year, which stood at 96.76%.

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 23.15% and was lower than the level reported as at February 28th 2009, when it stood at 27.99%.

In the period January – February 2010, the Bank did not execute any loan agreement 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		**Feb 28 2010**	**Feb 28 2009**	**Change (%)**
I Commercial loans	*On-balance-sheet exposure*	3,264,582	3,764,711	-13.28%
	Off-balance-sheet exposure	201,384	482,350	-58.25%
	Total exposure	3,465,965	4,247,060	-18.39%
II Housing loans	*On-balance-sheet exposure*	60,351	77,067	-21.69%
	Off-balance-sheet exposure	1,081	1,480	-26.99%
	Total exposure	61,431	78,548	-21.79%
III Loans to local government institutions	*On-balance-sheet exposure*	696,232	713,108	-2.37%
	Off-balance-sheet exposure	184,133	169,253	8.79%
	Total exposure	880,365	882,361	-0.23%
Loans for financing of operations of local government institutions	*On-balance-sheet exposure*	381,183	318,170	19.80%
	Off-balance-sheet exposure	184,133	168,703	9.15%
	Total exposure	565,316	486,873	16.11%
Loans to public healthcare centres guaranteed by local government institutions	*On-balance-sheet exposure*	315,049	394,938	-20.23%
	Off-balance-sheet exposure	0	550	-100.00%
	Total exposure	315,049	395,488	-20.34%
Total (I+II+III)	***On-balance-sheet exposure***	4,021,164	4,554,886	-11.72%
	Off-balance-sheet exposure	386,597	653,083	-40.80%
	Total exposure	4,407,762	5,207,969	-15.37%

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	**Feb 28 2010**			**Feb 28 2009**		
	PLN	**EUR**	**USD**	**PLN**	**EUR**	**USD**

Commercial loans	54.7%	41.7%	3.6%	55.1%	41.0%	3.9%
Housing loans	42.0%	45.4%	12.6%	41.6%	42.7%	15.6%
Loans to local government institutions	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%
Total loan portfolio (on-balance-sheet and off-balance-sheet exposure)	**63.6%**	**33.4%**	**3.0%**	**62.5%**	**34.1%**	**1.7%**

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	Jan 1 – Feb 28 2010		Jan 1 – Feb 28 2009	
	Value**	Number	Value**	Number
Commercial loans	**14,046,080**	**3**	**34,133,259**	**2**
Including loans for:				
- construction projects	8,268,925	2	0	0
- refinancing of real estate	5,777,155	1	0	0
- land purchase	0	0	0	0
- residential developers	0	0	34,133,259	2
Loans to local government institutions including loans for:				
- financing of operations of local government institutions				
- financing of public healthcare centres guaranteed by local government institutions				
Total	**14,046,080**	**3**	**34,133,259**	**2**

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 to local government institutions (PLN '000)*

Commercial loans by type of loan-financed project	Feb 28 2010			Feb 28 2009		
	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	1,129,986	155	26.00%	1,290,474	161	25.16%
Office and retail complexes	261,542	20	6.02%	307,977	20	6.00%
Loans to local government institutions	880,365	111	20.26%	882,361	106	17.20%

Land	186,776	19	4.30%	226,796	22	4.42%
Hotels	148,058	14	3.41%	181,564	15	3.54%
Entertainment and recreation facilities	42,132	8	0.97%	45,779	8	0.89%
Residential development projects	818,533	58	18.83%	1,151,742	76	22.45%
Retail space	521,836	89	12.01%	610,126	92	11.89%
Warehouse space	306,805	35	7.06%	363,934	37	7.10%
Other	50,297	22	1.16%	68,669	24	1.34%
Total	4,346,330	531	100.00%	5,129,421	561	100.00%

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.*

Previous wording:

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 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 Their 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.

- 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 Their 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 m2 per 1,000 inhabitants 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.

New wording:

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 2009 was 1.7%. The changes in the rate of 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 the GDP growth rate will rise in 2010, and thus 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 2009, the unemployment rate in Poland stood at 11.9%, having increased relative to 2008 due to the economic slowdown in Poland and globally. Any further rise in the unemployment rate in Poland or the introduction of more restrictive conditions in mortgage lending to private individuals may affect the demand for residential real estate.
- In 2009, the inflation rate stood at 3.5% when measured December on December. Given the expected economic growth rate and prospects of an increase in the CPI, a modest rise in basic interest rates published by the National Bank of Poland is anticipated in 2010, which may translate into higher 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 December 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 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 2009, the main USD interest rate stood at 0.25%, which means no change relative to the end of 2008.
- 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.

Growth Prospects for the Real Estate Market

- In 2010, a further price correction is expected on the residential property market, as offer prices in Poland's main cities will exhibit a modest growth, but only in the market of the most popular flats, namely flats of up to 50 square metres (attracting the highest interest from purchasers) and flats with a floor area of 50 to 75 square metres (enjoying high interest). Therefore, a drop in the prices of larger flats should be expected.

- The government programme "Rodzina na swoim" (Families on Their Own) should continue as a factor stimulating demand on the residential property market in 2010. Developers adjust the prices of some of their flats so that they can qualify for subsidies under the programme, which reduces the cost burden of buying a flat. For developers the programme creates new possibilities of increasing sales and generating income. Some changes have been proposed (such as extension of the programme's scope to include single persons, exclusion of secondary market flats from the programme, reduction of the price limits for flats), which, if actually introduced, may have an effect on the situation on the residential property market. The market is also supported by the central government and local governments through initiatives other than the Families on Their Own programme or municipal construction projects. On August 5th 2009 r., the Act on Government's Assistance in Repayment of Loans Granted to Persons Who Lost Jobs after July 1st 2008, dated June 19th 2009 (Dz.U. of 2009 No. 115 item 964), came into force. Another measure designed to support the residential property market is the planned procedural changes in the area of private construction projects. In November 2009, a Parliamentary Committee and the Association of Communes submitted a bill whose purpose is to streamline the administrative procedures for the grant of building permits for single-family houses.

- 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 the prospects indicates that the transaction volume on the market of commercial real estate in 2010 may be similar to the one seen in 2008. There are still entities with capital resources operating on the market. Moreover, the crisis has brought down transaction prices and thus increased interest in purchasing commercial real estate while the prices are lower. The Polish market of commercial real estate continues to be perceived by foreign investors as attractive and generates tangible profits.

- 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.

- 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 Their Own", which indirectly encourages young people to contract a loan.

- The demand for residential property may be also influenced by the introduction of Recommendation T, adopted by the Financial Supervision Authority on February 23rd 2010. Recommendation T concerns best practices for risk management in the area of retail credit exposures, and is to be fully implemented no later than 10 months from its adoption.

  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.

  In accordance with Recommendation T, a bank should, among other things:

- assess the credit capacity and the creditworthiness of the person responsible for the repayment of the debt; the assessment of the credit capacity should include considering the financial situation of the person responsible for the repayment of the debt, and determining on this basis whether such person will be able to service their debt under the loan they apply for, as well as examining the completeness, authenticity and factual and legal accuracy of the source documents,

- set internal limits of the ratio of a retail customer's expenditure relating to the servicing of credit and financial liabilities to such customer's income; the limits should be set at a level ensuring that the persons responsible for the repayment of the debt would be able to service their liabilities even in the event of a material change to the macroeconomic conditions; however, the maximum ratio of expenditure relating to the servicing of credit liabilities to the average net income of the persons responsible for the repayment of the debt should not be higher than 50% in the case of retail customers whose net incomes do not exceed the level of average income in Poland's economy, and in no event should it be higher than 65%; the analysis of the expenditure of persons responsible for the repayment of the debt should factor in expenses relating to the servicing of all credit liabilities,

- if a retail customer earns income in a currency other than the currency of a given product, when setting the maximum limit of the ratio of debt service expenditure to the retail customer's income an additional safety buffer should be applied by increasing the amount of assumed liabilities under repayment of existing debt by at least 10% or, in the case of loans repayable in over five years, by at least 20%,

- if a retail credit exposure is collateralised, the bank should ensure that the level of security obtained does not deteriorate throughout the term of the agreement; when calculating the loan to value (LtV) ratio, the bank should assume a buffer for covering the effects of changes in the LtV ratio caused by changes in the exposure amount resulting from movements in the currency exchange rate or lack of correspondence between the exposure currency and the currency in which the value of the collateral is expressed; the minimum level of the buffer should be 10% for loans repayable within five years and 20% for loans repayable within more than five years,

- if a retail customer applies for a credit product that will bear interest at a variable rate, when assessing the customer's creditworthiness the bank should take into account an appropriate buffer as regards the interest rate risk to reflect the effects of potential adverse movements in the level of interest rates; the Bank sets the buffer based on the results of an analysis of market rates fluctuations.

The implementation of Recommendation T may reduce mortgage loan availability to customers with the lowest creditworthiness.

In the period preceding the implementation of Recommendation T there may be some increased activity on the residential property market driven by demand from persons whose credit capacity may be constrained by the new regulation.

- 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, retail and warehouse space market:

- Given its strong correlation to the investment market, in 2010 the office space market will be slowly recovering losses (new investment projects are expected to grow, albeit at a slow rate). The reduced activity of developers (according to plans the office space to be completed in 2010 will be smaller than in the previous years) and lower rents will fuel new tenants' interest in such properties.

It is estimated that the vacancy rates will be gradually diminishing in H2 2010.
The yields and rental rates should stabilise. One of the key potentially adverse factors for the office space market will be restricted access to financing for new development projects.
- On the retail space market 2010 will see a marked increase in the share of medium-sized and smaller towns in the supply of new space. Development activity in this type of projects is planned to be reduced in 2010–

2011. The fallout of the economic crisis may drive the unleased space ratio slightly up and trigger further turnover of tenants. Rental rates are expected to stabilise at the current level.
- Given the large amount of leasable space available on the warehouse market, no significant rise in the development activity in this area is expected. New projects will be constructed on a built-to-suit basis. On the other hand, as the amount of space currently under development is rather limited, the supply will be brought more in line with demand and the vacancy rates will gradually diminish towards the end of 2010. It is estimated that rental rates for this type of space will remain flat throughout 2010.

Previous wording:

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 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 the refinancing of 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.

New wording:

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, this year 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 2010 include:
- increasing the volume of its loan portfolio,
- engaging in efforts designed to change the composition of the loan portfolio towards a greater share of loans for the refinancing of completed and leased out commercial properties;
- issuing covered bonds denominated in EUR and PLN;
- maintaining a high level of security of the loan portfolio;
- adopting the IRB approach – a regulatory risk weight method used to calculate the capital requirement adequate to the Bank's credit risk exposure.

As regards refinancing of its operations, the Bank will seek to:
- secure access to stable refinancing sources and reduce the cost of refinancing,
- ensure liquidity at the lowest possible cost,
- mitigate the interest rate risk, the currency risk and the liquidity risk,
- cooperate with Polish and foreign banks with respect to transactions on the money market, currency market and derivatives market.

In 2010, the Bank will also continue to focus on effective cost management, aimed at streamlining and reducing costs.

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

The first paragraph is changed to read as follows:

From December 31st 2009 to the date of approval of this Supplement 2 to the Prospectus, no significant changes occurred in the financial and economic standing of the Issuer. The key trends which took place since the last financial statements are discussed in Chapter X, Section 1.

Chapter XII

Section 1. Names and Registered Addresses of Auditors

The first paragraph is changed to read as follows:

The Issuer's financial statements for 2009 and 2008 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.

Chapter XIII Financial Information

Chapter XIII is changed to read as follows:

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

The Issuer's financial statements for the period January 1st – December 31st 2009, along with the auditor's opinion, have been included in this Prospectus by reference to the Issuer's 2009 annual report, released on March 31st 2010 and posted on the Issuer's website at: www.rhb.com.pl.

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, released on March 31st 2009 and posted on the Issuer's website at: www.rhb.com.pl.

Chapter XIV

Section: Material Agreements

The first paragraph is changed to read as follows:
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 a significant bearing on the Issuer's ability to perform its obligations towards the holders of Covered Bonds.

Section: Arbitration and Court Proceedings

The first paragraph is changed to read as follows:
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.

Table "Claims for payment of amounts exceeding PLN 100,000 (amounts in the table as at July 31st 2009)" is replaced with the following table:

Claims for payment of amounts exceeding PLN 100,000 (amounts in the table as at February 28th 2010)

No.	Claimant	Defendant	Amount (PLN)
1	BRE Bank Hipoteczny S.A.	Natural person	1,612,742.28
2	BRE Bank Hipoteczny S.A.	Natural person	351,640.70
3	BRE Bank Hipoteczny S.A.	Legal person	191,936.77
4	BRE Bank Hipoteczny S.A.	Legal person	278,666.42
		Total:	**2,434,986.17**

Chapter XV

Previous wording:

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.

New wording:

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 2009, 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 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;
(iii) this Prospectus along with all its Supplements; and
(iv) 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.

Chapter XIX

Previous wording:

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:

1). the Issuer's 2008 annual report, released on March 31st 2009 and published on the Issuer's website at www.rhb.com.pl, containing the Issuer's financial statements for the period January 1st– December 31st 2008 along with the auditor's opinion on those statements;

2). the Issuer's 2007 annual report, released on March 31st 2008 and published on the Issuer's website at www.rhb.com.pl, containing the Issuer's financial statements for the period January 1st– December 31st 2007 along with the auditor's opinion on those statements.

New wording:

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:

1). the Issuer's 2009 annual report, released on March 31st 2010 and published on the Issuer's website at www.rhb.com.pl, containing the Issuer's financial statements for the period January 1st– December 31st 2009 along with the auditor's opinion on those statements;

2). the Issuer's 2008 annual report, released on March 31st 2009 and published on the Issuer's website at www.rhb.com.pl, containing the Issuer's financial statements for the period January 1st– December 31st 2008 along with the auditor's opinion on those statements.